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In a July 2009 speech, President Obama stated that he has “directed the Office of Management and Budget, the Domestic Policy Council, the National Economic Council and the Office of Urban Affairs to conduct the first comprehensive interagency review in 30 years of how the federal government approaches and funds urban and metropolitan areas so that we can start having a concentrated, focused, strategic approach to federal efforts to revitalize our metropolitan areas.”

This paper is the product of a rapid scan of available literature (and the memories of a few participants) to describe what actually happened 30 years ago as the Carter administration conducted that earlier review and policy formulation process. The paper has four parts:

- Part A presents a brief overview of the main events, identifying key participants.
- Part B notes the main themes, philosophy, and recommendations of Carter’s urban policy and reviews the most important research conducted on urban issues during the period.
- Part C examines the history of one important element in the research—analysis of the spatial distribution of federal outlays—summarizing the data available for such work and the analysis of the topic done in the Carter years and since.
- Part D offers a few ideas on what all of this experience might suggest for how a new urban policy review might be conducted today.

A. CARTER URBAN POLICY— OVERVIEW AND TIMELINE

President Carter had a strong commitment to developing an urban policy (evidenced in a speech to the U.S. Conference of Mayors during his campaign). He moved quickly to do so after he was elected, establishing an Urban and Regional Policy Group (URPG) with five cabinet Secretaries in March 1977, two months after taking office.

The URPG was chaired by Department of Housing and Urban Development (HUD) Secretary Patricia Harris. She assigned the development task to Policy Development and Research (PD&R) Assistant Secretary Donna Shalala. White House dissatisfaction with progress in August, however, led Harris (after discussions with Stuart Eisenstat) to shift responsibility to Community Planning and Development (CPD) Assistant Secretary Robert Embry. Embry and Marshal Kaplan (first a consultant, later Deputy Assistant Secretary) led the urban policy initiatives through the remainder of the administration.

Embry immediately convened relevant subcabinet officials of the URPG agencies, formed Task Forces, and held weekly meetings until a first draft URPG report was completed in October. It then took some time to work out differences with the White House. Embry's team worked closely with Eisenstat's staff to produce the final report in time for the Urban Policy Message the President delivered to Congress in March 1978 (HUD 1978a).

A more complete National Urban Policy Report was then prepared by the Embry/Kaplan team (HUD 1978b)—a report that met the requirement for biennial reports to congress established in the National Urban Policy and New Communities Development Act of 1970, as amended in 1977. This added a research base and then incorporated and elaborated on the March policy message.

Over the subsequent two years, the administration submitted new legislation and budget requests to congress as proposed in the policy and acted to coordinate implementation. Although some key elements did not win congressional approval, most were supported (although it is important to note that Carter had not proposed any bold new urban spending programs). The president also signed several executive orders to further the policy's objectives.

In addition, this period saw the completion of several major urban policy studies. Three important research programs reflected improved methods of assessing urban impacts of federal programs and policies: one at HUD, one by the Rand Corporation, and one based at Rutgers University.

Some of findings from this research was incorporated into the administration's much more detailed 1980 Urban Policy Report, but much of it simply came out too late to have much influence on that report, let alone administration actions.

The 1980 report did contain a more thorough analysis of urban issues than its predecessor, but it did not offer major new policy proposals. Moreover, it was probably too late to be influential even if it had. Its publication was held up until September 1980 after the political parties had held their nominating conventions so it would not offer the potential for controversy in the presidential campaign. Indeed, urban policy received almost no mention in the campaign, by the President or the press (HUD 1980).

By that time urban policy was receiving less emphasis within HUD. In the summer of 1979, Carter reassigned Mrs. Harris as Secretary of the Department of Health, Education, and Welfare (HEW) and Moon Landrieu was appointed as HUD Secretary. Landrieu changed the direction of HUD and started a new policy process, "Development Choices for the Eighties." This emphasized development opportunities for the real estate sector and evidenced little concern for urban distress. It was operated directly out of the Secretary's office and consisted of a consultative process via a council of state and local officials and private developers (further discussion in Hanson 1982).

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B. CARTER URBAN POLICY— PHILOSOPHY AND PROPOSALS

The 1978 Urban Policy and Report

Carter's urban policy gave primary emphasis to the problems of distressed central cities, which the research community was highlighting at the time; that is, it did not much look at issues from the perspective of metropolitan areas as a whole. It recommended shifts in the allocation of resources favoring the cities but (this was the era of proposition 13), proposed no major increases in federal outlays overall. Cities were to improve not by federal handouts so much as by strengthening their economic and fiscal base. Priority was given to targeting and leveraging of federal funds and strong partnerships between all levels of government and with the private sector.

The 1978 Urban Policy Report (Hayes and Puryear 1980) laid out the broader policies that the Carter administration pledged to achieve. Nine policies were highlighted:

- Encourage and support efforts to improve local planning, management capacity, and the effectiveness of existing federal programs by coordinating programs, simplifying planning, reorienting resources, and reducing paperwork.
- Encourage states to become partners in assisting urban areas.
- Stimulate greater involvement by neighborhood organizations and voluntary associations.
- Provide fiscal relief to the most hard-pressed communities.
- Provide strong incentives to attract private investment to distressed communities.
- Provide employment opportunities, primarily in the private sector, to the long-term unemployed and disadvantaged in urban areas.
- Increase access to opportunity for those disadvantaged by a history of discrimination.
- Expand and improve social and health services to disadvantaged people in cities, counties, and other communities.
- Improve the urban physical environment and the cultural and aesthetic aspects of urban life and reduce urban sprawl.

The following were the major legislative measures proposed in the Carter urban policy (some of these had already been put forward before the policy message was complete). In total, the package would have cost an estimated \$8.3 billion, of which \$7.2 billion was

to go for jobs and investment in distressed inner cities. (Below, we indicate “not approved” where appropriate—all of the rest were approved by Congress in some form).

- Establishment of a National Development Bank to guarantee investments in distressed areas (not approved)
- Expansion of Urban Development Action Grants (UDAG) and EDA’s Urban Grants program.
- More funds for Section 312 (rehab) and CDBG (along with retargeting)
- Additional funding for CETA, youth training, establishing a targeted employment tax credit (labor surplus areas)
- Establishing a labor intensive public works program (not approved)
- Establishing an Urban Initiatives Program at DOT
- Expansion of the Cities in Schools program, Title I education assistance, and Title XX Social Service delivery
- Funding for health centers, grants to community development corporations, air quality planning, and urban parks
- Reauthorization and retargeting of countercyclical fiscal assistance
- Welfare reform (not approved)

The policy also included four additional proposals that Carter put into effect by executive order. (None were retained by the Reagan administration.)

- Requiring an Urban Impact Analysis to be conducted for all major new federal initiatives.
- Requiring agencies to target a portion of their procurement funds for purchases in labor surplus areas.
- Obligating agencies to maximize locations of new facilities in central cities.
- Creating an Interagency Coordinating Council (Assistant Secretaries or the equivalent from all federal agencies) to coordinate execution of the policy (Embry was assigned as convener).

The research summarized in the full 1978 Urban Policy Report examined trends in, and implications of, economic restructuring (principally the decline in manufacturing), regional shifts in population and economic activity (mostly at the level of snowbelt vs. sunbelt), the concentration of poverty, and the broader decline and distress (including fiscal distress) of older central cities. It was one of the first published comprehensive assessments of these issues taken together. It also briefly reviewed the “invest in people vs. places” debate, coming down on the side of doing both.

Research and Policy Development, 1979–1980

Several new urban research initiatives were undertaken during this period and, to some extent, influenced thinking about urban policy in the Carter administration. One was a series by the Rand Corporation that emphasized study of the urban impacts of federal policies and program (sponsored by the Economic Development Administration and several foundations). The most fundamental conclusion was that “federal policies—capital investments, procurements, the tax structure, and even regulation—have encouraged the movement of jobs from the Northeast toward the South and West, and from the central-cities to suburbia and even nonmetropolitan areas” (Barro 1978; Vaughan 1980; Vaughan, Pascal, and Vaiana 1980; Vaughan and Vogel 1979; Vernez et al. 1979).

Following up on this theme, a significant research program was undertaken by HUD’s Office of PD&R on the methods of urban impact analyses and on the broader impacts of a sizeable number of federal policies and programs (led by consultant Norman Glickman under the direction of Deputy Assistant Secretary Katharine Lyall). A major conference and book resulted from this project (Glickman 1980, 1981).

Impact studies were conducted for more than 10 physical development programs under this project. These recognized that impacts were not simply proportional to dollar flows, but that different outlay structures implied different expense multipliers. They also recognized that different programmatic approaches resulted in differing responses by state and local governments and private actors. (See, for example, Jacobs and Roistacher 1980; Kingsley and Both 1981.)

This work also emphasized that the urban impacts of broader federal policies—for example, income transfer, taxation, regulation—warranted understanding as much as, if not more than, the impacts of the physical development programs. A number of papers were commissioned to explore how such impacts actually worked themselves out. (See, for example, Danziger et al. 1980; Hayes and Puryear 1980; Tolley and Krum 1980.)

Papers for another important book were being prepared at Rutgers University during this period and their thinking contributed to the policy to some extent. Edited by Burchell and Listoken (1981), this book explored dimensions to the fiscal crisis that accompanied other aspects of central city decline in the 1970s.

As noted above, the 1980 Urban Policy Report (prepared by Embry/Kaplan) did not offer major new program proposals, but its research sections were much more detailed than the 1978 version. These reinforced and amplified findings related to central cities in the 1978 report but went somewhat farther in examining problems in the suburbs and relationships between cities and suburbs. More attention was paid to the influence of

discrimination and racial segregation. The report also introduced the idea of encouraging energy-efficiency and environmental sustainability in metropolitan development. It restated and emphasized the nine policies of the 1978 report but regrouped more detailed recommendations under five main themes:

- Strengthen urban economies
- Expand job opportunity and job mobility
- Promote fiscal stability
- Expand opportunity for those disadvantaged by discrimination and low income
- Encourage energy-efficient and environmentally sound urban development patterns

Unfortunately, while some ideas were captured, much of the innovative work in the research of this period (particularly in the Glickman collection) came out too late to be fully reflected in the 1980 report, let alone to have had significant impacts on actual Carter administration policies and programs.

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C. SPATIAL DISTRIBUTION OF FEDERAL FUNDS

The foundation for spatial analysis of federal funds actually occurred with the Johnson administration's OMB Circular A-84 in 1967, requiring that all federal agencies report data on outlays and obligations for small areas (generally released at the county level). The responsibility for assembling and disseminating the data was originally given to the Office of Economic Opportunity (OEO), but transferred to the Community Service Administration (CSA) in the mid-1970s, which produced the Geographic Distribution of Federal Funds (GDFF) data series (Anton 1980).

One of the major limitations of the GDFF and its successor, the Consolidated Federal Funds Report, is that for some types of outlays, it is very difficult to accurately assess the distribution across small geographies and estimates have to be made. In the mid-1970s, there were sharp criticisms of the quality of the data—a 1977 CBO report estimated that 31 percent of the data “seemed open to serious question.” Anton (1980) reviews the problems: for example, funds for a DOD procurement were allocated to the address of the prime contactor while most funds were actually spent by subcontractors in other locations; a highway improvement was located in a central city and funds were allocated there, but beneficiaries were actually the suburbanites whose commutes were shortened. Quality has improved much since, but it is useful to remember that sensible criteria and good estimates are still required in many cases.

Interestingly, neither the 1978 nor the 1980 administration reports relied on a comprehensive review of the spatial allocation of outlays. One such review was prepared during this period, however, by George Vernez (1980) of Rand. This study looked at outlays per capita for cities with 50,000 or more population in 1970 and 1976, and examined variation by region and by types of cities. (Categories of types of expenditures and functions were similar to those noted under the bullet on structure of the more recent CFFR data below.) Vernez's major findings were the following:

- In the aggregate, federal outlays then were slightly pro-city (35.8 percent outlays, 30.9 percent of population).
- Outlays for defense and development were most concentrated in these cities; for transportation, human capital development and relief, least so.
- Outlays were generally most concentrated in cities in the South and West Coast regions (census divisions). Outlays for defense and relief were principally responsible for that emphasis.
- Regional disparities increased over from 1970 to 1976.

- No important differences were found across types of cities as defined by growth rate, unemployment, per capita income, or an index of urban conditions.

The Reagan administration abolished the GDFR soon after coming into office, but Congress enacted the Consolidated Federal Funds Report (CFFR) Act in 1982, which reinstated the requirement for this type of reporting. It has continued in force ever since and quality has improved.

In CFFR, data on outlays/obligations appear in the following major object categories (note that tax expenditures are not included):

- Direct loans
- Salaries and wages
- Guaranteed or insured loans
- Procurement contracts
- Grants
- Other direct payments
- Retirement and disability
- Insurance

Data are also coded by agency (Federal Information Processing Standards [FIPS] 95) and by program (Catalog of Federal Domestic Assistance number). Different researchers aggregate agencies and programs in different ways. For example, summary categories used by Vernez were:

- Development (area and regional development, CDBG, etc.)
- Access infrastructure (air, water, ground, and other)
- Human capital (manpower training, education and social services, health, etc.)
- Relief (retirement, unemployment insurance, disaster relief, etc.)
- Defense
- Other

Several researchers have since examined CFFR data but all studies have been limited—generally they have looked for disparities between central cities and suburbs for individual (or a limited number of) metro areas. In the 1980s, the work of R. Andrew Parker (1985, 1995, 1997) was most notable. In his latest (covering five large metros, 1984–93) he found that per capita federal spending in the central cities had outpaced that in the suburbs—and that the correlation of federal funds and a composite urban hardship index “confirmed a general equity improvement.” However, he found that a

number of individual federal programs (particularly loans and insurance) favored the suburbs.

A more recent study (Joassart-Marcelli and Musso 2001) looked at the trends for Southern California cities and found that central cities were receiving higher levels of anti-poverty spending per capita but less of other types of federal outlays. Regression analysis found, among other things, that “age and institutional strength of cities are positively linked to their ability to attract ... federal expenditures,” but that cities with “higher local fiscal capacity typically received higher levels of redistributive expenditures” (p.179)

Another more recent study (Persky and Kurban 2001) used CFFR data but made much more use of modeling to more accurately divide outlays and the spatial allocation of benefits between Chicago and its suburbs. Important contributions were the allocations of amounts to places where benefits were realized (e.g., dollars for many transport expenditures go mainly to suburban commuters), and an estimated allocation of tax expenditures (benefits of the homeownership mortgage interest deductions go largely to the suburbs). Their conclusion was that “federal expenditures on programs that affect the cost of residential investment in the city of Chicago and its suburban rings strongly favor the suburbs, and most strongly favor the periphery where the elasticity of housing supply is greatest.... Together, these observations implicate federal policy in the decentralization of population and the concentration of urban poverty...” (p. 17)

Consistent with this theme, Gyourko and Sinai (2001) examined the distribution of housing-related tax benefits nationally and found that the benefits are highly skewed spatially. The metros receiving disproportionately large benefits are primarily along the California coast and in the Northeast, from Boston to Washington, D.C. The benefits are also skewed within these metro areas, evidencing a strong suburban bias; “the top quarter of owners received 40 percent or more of the total benefit....”(p.1)

The original CFFR files as released are still difficult to use. Working with Brookings, the Urban Institute recently gained access to CFFR data from 2000 through 2006 and did cleaning and streamlining as needed to create more reliable and easier to use analysis files. Data for 2007 and 2008 are expected to be developed in a similar manner before the end of this year.

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D. IDEAS FOR A NEW REVIEW

As we understand it, OMB has already asked federal agencies to identify, assess, and suggest policies around a selection of their major place-based policies and programs for the FY 2011 budget preparation process.

It would seem to make sense as well to initiate a complementary central research review and assessment process in parallel—one that would feed results back to the agencies in a fairly short time (less than a year).

As noted, important new understandings were gained from the 1978–80 research that were sadly never built into Carter administration policies and programs—research that offered a more sophisticated understanding of how federal policies actually work and interact to influence metropolitan change and well-being. Although some new quantitative research is warranted (see below), the new review would build on those earlier advances and mainly search out and summarize more recent literature and expert thinking on insights gained since then.

The new review should focus on metropolitan areas as a whole and try to use the data to examine how different types of federal policies and programs affect efficiency and well-being of different types of metros (e.g., not just the narrow central city vs. suburbs equity focus of much of the earlier work).

Furthermore, the review should move beyond the “place-based programs” and examine the spatial impacts of other spending programs, tax expenditures, and tax policy more broadly.

The new quantitative research should cover all metro areas in the context of national trends. It should include analysis of federal funds allocations (CFFR) in conjunction with many other economic, societal and housing market indicators.

- Despite its imperfections, the CFFR represents a tremendous resource for exploring how federal expenditures influence urban change. There has been no interpretative analysis of the basic trends in allocations for metro areas in the past decade. The new analysis should use a broader range of estimating techniques and conceptual structures (similar to that suggested by Persky and Kurban).

- As to other economic and societal factors, a much broader range of data are now readily available for analyzing trends at the metropolitan level—data that have more detail on structure (e.g., trends by economic sector) and space (e.g., housing market trends at the zip-code and census tract levels).
- To be relevant, any new analysis should be up to date enough to characterize differential effects of the current recession and the foreclosure crisis on different types of metro areas.