

**The President's National
Urban Policy Report**

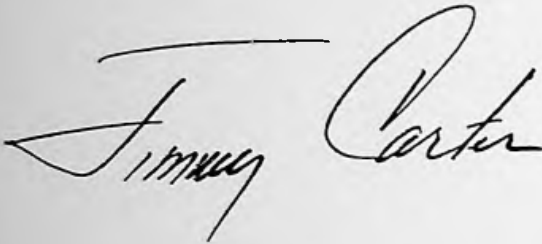
1980



To the Congress of the United States:

I am pleased to issue the Executive Summary of the Second Biennial Report on National Urban Policy, as called for by Congress in the Housing and Urban Development Act of 1970, as amended in 1977.

In 1978, I committed my Administration to implementing in cooperation with the Congress the nation's first comprehensive urban policy. Our efforts have yielded important benefits to cities, urban counties and their residents. It is my hope that this Executive Summary, and the full Biennial Report on which it is based, will help us define this nation's urban policy agenda for the 1980's.

A handwritten signature in cursive script that reads "Jimmy Carter". The signature is written in dark ink and is positioned to the left of the typed name "Jimmy Carter".

The White House,

The President's National Urban Policy Report

1980

*See pp. 23-5
for F.I.L. responses;*

On March 27, 1978, I announced the Nation's first comprehensive urban policy: "A New Partnership to Conserve America's Communities." It was the product of a year long effort to define urban concerns and clarify priorities. It was developed through joint action by Federal departments and agencies, working in consultation with State and local officials, public interest groups and private sector business and labor leaders.

The 1980 National Urban Policy Report to Congress presents a statement of progress made by this administration on the urban policy proposals announced two years ago. It also provides an in-depth analysis of the important trends and patterns that affect our Nation's urban communities and their residents. It concludes with a restatement of my urban policy objectives and recommendations for future action.

This Executive Summary presents a brief synopsis of the 1980 National Urban Policy Report:

Legis., Admin, Exec Orders

Part One describes key accomplishments made to date by my administration in carrying out the 1978 policy objectives.

Part Two summarizes the Report's in-depth analysis of trends affecting the Nation's central cities, urban counties, suburbs and non-metropolitan communities. Particular attention is paid to the problems faced by distressed urban communities.

Part Three presents the 1980 policy statement. Building on the principles announced in 1978, these policies reaffirm the Nation's commitment to strengthen urban economies, improve job opportunities and job mobility for the long-term unemployed, promote fiscal stability, expand opportunity for those disadvantaged by discrimination and poverty, and encourage energy-efficient and environmentally-sound patterns of urban development.



Part One: Progress Under the 1978 Urban Policy

This administration's first urban policy report to Congress set forth three key principles for national action to assist urban communities:

- *Federal leadership.* The Federal Government must take the lead in setting urban policies and initiating legislative and administrative actions to help urban communities and their residents.

- *Partnership.* Stronger partnerships must be formed among Federal, State, and local governments, neighborhood and voluntary groups, and the private sector to help revitalize urban areas and promote sound development patterns.

- *Targeting.* Federal resources must be better targeted on distressed communities and disadvantaged people.

These same principles were extended to small communities and rural areas in 1979 through my Small Community and Rural Development Policy.

The nine-point urban policy developed in 1978 by my administration is consistent with these principles. The urban policy comprises a comprehensive strategy for addressing the Nation's most pressing urban problems. It calls for the revitalization of urban economies, the expansion of job

opportunities for the long-term unemployed and underemployed, the provision of fiscal relief to hard-pressed communities, increased equality and opportunity for minorities and disadvantaged groups, and support for State and local efforts to pursue energy-efficient and environmentally-sound urban development patterns. These objectives guided my administration in the initiation of new legislation, the revision of existing policies and programs, and the development of executive orders, demonstration programs, and interagency agreements. Some of these actions are briefly described in the following section.



1. Legislative Initiatives

This administration has been committed to addressing the needs of urban America from the day I took office. Some major urban legislative initiatives were enacted even before the urban policy was announced. These included:

- A \$2.7 billion increase in the Community Development Block Grant Program, accompanied by a change in the formula for allocating CDBG funds which provides more assistance to older and declining cities and urban counties.

- A \$400 million a year Urban Development Action Grant Program providing assistance for major redevelopment efforts primarily to distressed cities.

- An expansion of youth and training programs and public service employment. Expenditures on employment and training doubled from fiscal 1977 to fiscal 1979 over \$12 billion and the number of public service jobs increased from 325,000 to 725,000.

- A 65% increase in grants provided to urban areas by the Economic Development Administration.

- An economic stimulus package enacted in 1977 providing almost \$9 billion in additional aid to States and cities through Anti-Recession Fiscal Assistance, Local Public Works, and CETA.

- A 30% increase in overall Federal assistance to education, including a \$400 million increase in the Elementary and Secondary Education Act, targeted in substantial part to large city school systems with a concentration of children from low-income families.

Nineteen legislative initiatives resulted from the 1978 urban policy process. Fourteen have already been enacted into law. Two others have been submitted in modified form and are nearing passage in

Congress. Exhibit ES-1 provides a status report on these legislative proposals. Some highlights of the 1978 legislative initiatives are summarized below.

Exhibit ES-1

Status of 1978 Urban Policy Legislative Initiatives

Legislation

Administering Agency

Legislation Pending in Congress

National Public Works and Economic Development Act

Economic Development Administration (Commerce)

Targeted Fiscal Assistance Program

Treasury

Legislation Approved by Congress

Urban Development Action Grant*

Housing and Urban Development

Neighborhood Self-Help Development Act

Housing and Urban Development

Livable Cities**

Housing and Urban Development and National Endowment for the Arts

Elementary and Secondary Education Act, Concentration Provision of Title I

Education

Title XX Social Services

Health and Human Services

Inner City Health Initiatives

Health and Human Services

Targeted Jobs Tax Credit

Labor and Treasury

Section 312 Housing Rehabilitation*

Housing and Urban Development

Private Sector Initiatives in CETA

Labor

New York City Guarantee Bill

Treasury

Urban Parks and Recreation Recovery Act

Interior

Legislation

Rehabilitation Tax Credit

Consumer Cooperative Bank Act

Urban Initiatives

Legislation Not Enacted by Congress

Labor Intensive Public Works

State Incentive Grants

Urban Volunteer Corps

Administering Agency

Treasury

Treasury

Transportation

Economic Development Administration (Commerce)

Housing and Urban Development

ACTION

*Increased appropriation.

**Program authorized, but funds not yet appropriated.

SOURCE: The President's Interagency Coordinating Council, *Urban Action, A New Partnership to Conserve America's Communities* (Washington, D. C., 1979).

Several legislative initiatives encourage private sector firms to locate, remain, or expand in distressed urban areas:

- **National Development Bank.**

The original proposal called for the creation of a National Development Bank to make grants, loan guarantees, and interest subsidies available to private firms investing in distressed communities. It was not acted upon by the 95th Congress. However, the 96th Congress appears about to approve the administration's proposals for additional economic development incentives which will enable the Economic Development Administration of the Department of Commerce to perform the functions that would have been assigned to the Bank.

- **Tax Credit to Target Investment to Distressed Communities.** As modified by the 95th Congress, this proposal extends investment tax credits, previously available

only for new equipment, to the rehabilitation of existing structures. This will encourage private firms to modernize their older facilities, many of which are located in distressed urban areas. Congress rejected a proposal to provide larger tax credits to firms investing in distressed communities.

- **Commercial and Residential Development.** A new program to encourage commercial and residential development around urban transportation improvement sites was approved by the 95th Congress under the Surface Transportation Act.

Other legislative initiatives had the aim of making cities and urban counties more attractive places in which to live and work:

- **Urban Parks.** A new program to restore deteriorated urban parks and recreation facilities was approved by the 95th Congress under the Urban Parks and Recreation Recovery Act.

- **Housing Rehabilitation.** A low-interest housing rehabilitation loan program was expanded by the 95th Congress as part of the Housing and Community Development Act.

- **Neighborhood Improvement.** Two new programs—the Neighborhood Self-Help Development Program and the Livable Cities program—funding neighborhood organizations to carry out revitalization projects were approved by the 95th Congress as part of the Housing and Community Development Act.

- **Consumer Cooperatives.** A national bank to strengthen consumer cooperatives—important neighborhood-oriented institutions—was approved by the 95th Congress under the Consumer Cooperative Banking Act.

Additional legislative initiatives address the need to alleviate urban fiscal distress:

- **Emergency Financial Assistance.** The New York City Loan Guarantee Act provided emergency financial assistance to New York City.

- **Targeted Fiscal Assistance.** The original proposal called for provision of stand-by countercyclical fiscal assistance to aid cities during national economic downturns, and for supplemental fiscal assistance to aid cities undergoing long term secular decline. A modified version, known as the Targeted Fiscal Assistance Act, has passed the House and Senate and awaits completion of the Congressional Conference.

Finally, several legislative initiatives enhance the mobility and

opportunities of economically-disadvantaged persons:

- **Targeted Jobs Tax Credit.** Tax incentives for private employers to hire disadvantaged youths and others who have the most difficulty finding jobs were approved by the 95th Congress as part of the Tax Reform Act.

- **Private Sector Initiatives Program.** A new \$400 million program to increase the involvement of the private sector in the provision of jobs for economically-disadvantaged persons was approved by the 95th Congress as part of the Comprehensive Employment and Training Act.

- **Social Services.** Increased funding for compensatory education, community health facilities, and social services in low-income urban areas was approved by the 95th Congress.

② Executive Orders

On August 16, 1978, I issued four Executive orders to improve the coordination of Federal urban programs and to heighten government sensitivity to urban needs. These are described briefly below.

Urban and Community Impact Analysis. This Executive order, subsequently amplified by a circular from the Office of Management and Budget, requires Federal agencies to prepare community impact analyses to accompany significant new budgetary, legislative and regulatory initiatives. The order requires assessment of employment, income, fiscal and other impacts on central cities and other communities.

I am pleased to report that this impact analysis initiative is viewed by many as one of the most significant and cost-effective steps taken to implement urban policy. It has focused the attention of Federal agencies on the inadvertent impacts as well as the intended effects of their programs.

Targeted Procurement. This Executive order directs Federal agencies to target a portion of their procurement for the purchase of goods and services to firms located in labor surplus areas. Building on long standing, but never fully implemented Federal policy dating back to a Defense Manpower Policy statement in 1952, it directs the Administrator of General Services to establish specific labor surplus area procurement targets for Executive agencies in consultation with the heads of those agencies. Agencies which have appropriations under \$300 million are requested to target ten percent of their appropriations.

The Executive order produced a major increase in Federal procurement in labor surplus areas. A total of \$588 million in "set-asides" was reached in fiscal year 1979, equivalent to 1.6% of total procurement spending on the part of participating agencies. This was a four-fold advance over previous years. Agency goals for fiscal year 1980 call for a set-aside procurement level of \$1.3 billion.

Federal Facility Location. Federal agencies were ordered to maximize the extent to which their physical facilities, whether owned or leased, are located in central business areas. The intent of the order is to strengthen city economies by locating Federal offices and jobs in downtown areas.

The results of this Executive order have been significant. In Federal offices throughout the Nation, 229 of 380 leasing actions have been located within central city business districts. These central city leases have involved 1.35 million square feet of floor space and 6,000 employees out of a national total of 2.6 million square feet in new Federal leased space and 7,900 employees affected by new leases.

Inter-Agency Coordination. A new Inter-Agency Coordinating Council (IACC) was established, composed of an Assistant Secretary or equivalent official from every major Federal agency. The IACC represents the first example of a sustained inter-agency effort to resolve urban issues under direct White House leadership.

The IACC has proven effective in breaking through bureaucratic logjams. For example, it played an important role in assisting HUD and EDA to develop coordinated guidelines for eligible applicants under the Urban Development Action Grant (UDAG) and other economic development aid programs. Other IACC action brought together Federal agencies involved in job training with those focused on community and economic development. As a result, more of the jobs created by Federal economic development projects will go to disadvantaged persons.

③ Administrative Actions

Assertive administrative actions have also contributed to implementing the 1978 urban policy. Under the supervision and encouragement of the Inter-

Agency Coordinating Council, many Federal agencies modified regulations and programs to further urban policy goals. High-

lights of these administrative actions are described below. A fuller listing is presented in Exhibit ES-2.

Many Federal agencies have implemented program changes consistent with the objectives set out in the national urban policy. These include:

Exhibit ES-2

Key Administrative Actions Taken In Support of the Urban Policy

Program Changes

Economic Development Administration	<i>Minority Economic Development:</i> Sets specific targets for aid to minority groups in each program area.
Economic Development Administration (Commerce)	<i>Revolving Loan Fund:</i> Cuts red tape in providing business loans through local communities.
Economic Development Administration (Commerce)	<i>Targeting of Funds:</i> Focuses existing EDA programs increasingly on distressed urban communities.
Health and Human Services	<i>National Health Service Corps:</i> Assigns additional personnel to areas with shortages of health personnel.
Housing and Urban Development	<i>CDBG Simplification:</i> Requires three-year rather than annual plans, cutting local paperwork. Also coordinates HUD and EDA planning requirements.
Housing and Urban Development	<i>Expanded Local Involvement in Section 312 Loans:</i> Gives localities greater control over processing of loans for neighborhood housing rehabilitation.
Housing and Urban Development	<i>Neighborhood Strategy Areas:</i> Gives localities discretion to target funds in needy neighborhoods and to use them for a broader range of revitalization activities.
Housing and Urban Development	<i>Targeted Tandem:</i> Provides \$1 billion in 1978 and 1979 for below-market-rate mortgages for middle income housing in UDAG-eligible cities.
Environmental Protection Agency	<i>Waste Treatment Facility Planning:</i> Shortens the time horizon for planning requirements, reducing the unintended incentives that induce unplanned urban sprawl.

- Wastewater Treatment Facilities.** The Environmental Protection Agency's new regulations require more careful assessment of alternative wastewater treatment facilities. They limit facility size and location and provide for a more careful assessment of environmental effects and the impact of facilities on future development. A key component of the new regulations is revision of EPA's Cost-Effectiveness Analysis Guidelines to require use of a uniform set of State population projections and more realistic estimates of system size and reserve capacity allowances. For the first time, unnecessary extension of interceptor sewers into sparsely developed areas is explicitly discouraged. The Small Community and Rural Policy encourages the application of EPA's Cost-Effectiveness Guidelines by HUD, the Farmers Home Administration and EDA. If implemented on a broad scale, this important initiative can cut local construction, operating, and maintenance costs while reducing urban sprawl.

- Urban Impact of Highways.** Taking its lead from my Executive order on impact analysis, the Department of Transportation introduced its own impact analysis requirements for new urban transportation projects. Proposed projects and all major transportation aid requests are assessed in terms of their potential impact on the central city.

- Targeting Community Development.** New HUD regulations for the Community Development Block Grant

Program Changes

Transportation

Urban Impact Assessment: Ensures that transportation investments enhance urban centers or that negative impacts are addressed; takes energy-related impacts into account; and focuses attention on repair and rehabilitation of highway facilities.

Program significantly increase the allocation of funds to low- and moderate-income neighborhoods within recipient communities. These regulations focus increased benefits directly on low-income urban households.

Environmental Protection Agency

Emission "Banking": Allows cities more discretion in applying air quality regulations to expanding or new firms.

• **Increased Urban Focus in Economic Development.** Under administration leadership, the Economic Development Administration has expanded the scope of its activities to include urban areas. I have proposed that EDA funding be increased from approximately \$375 million in 1977 to \$1.6 billion in 1981, including \$900 million in loan guarantee authority. Increased funding has enabled EDA to direct approximately 50% of its assistance to urban areas while not sacrificing its commitment to rural development. The result is a balanced response to local distress which reflects the changing pattern of the Nation's economic development needs.

Demonstration Or Pilot Programs

Environmental Protection Agency

Resource Recovery: Provides pilot grants to States and localities.

Housing and Urban Development

Moderate Rehabilitation: Provides set-asides for rehab of housing involving job creation.

Housing and Urban Development

De-institutionalization: Funds 59 special small group homes for the mentally ill.

Small Business Administration

Bank Certification: Aids 29 banks helping small businesses obtain guaranteed loans.

Economic Development Administration (Commerce)

Comprehensive Economic Development Strategies: Assists cities developing long-term strategies for economic development.

Federal National Mortgage Association

Urban Loan Participation: Focuses expanded residential and mortgage loan capacity on central cities.

Federal Home Loan Bank Board

Community Investment Fund: Provides incentives to local savings and loan institutions to expand investment in central cities.

Housing and Urban Development

Urban University Partnership: Involves seven national higher education associations in urban revitalization.

General Services Administration

Technical Assistance in Procurement: Funds pilot project focused on four cities and their local businesses.

• **Targeted Tandem Housing.** HUD's Government National Mortgage Association targeted \$1 billion in commitments for mortgage subsidies to UDAG eligible cities in fiscal years 1978 and 1979, and will release up to \$800 million in additional financing commitments in fiscal year 1980 and 1981. The objective of targeted mortgage subsidies is to attract middle-income families to distressed communities through new housing construction and rehabilitation. These new or rehabilitated housing units will strengthen the local tax base and serve as a focal point for future development.

A number of demonstration and pilot programs have also been initiated by a wide range of Federal

Demonstration Or Pilot Programs

Labor, Housing and Urban Development, Transportation, Economic Development Administration, Small Business Administration, Community Services Administration

Targeted Jobs Demonstration Program: Provides grants to 14 localities to target jobs from community and economic development projects to CETA-eligible enrollees.

Environmental Protection Agency, Housing and Urban Development Administration, Transportation.

Air Quality Technical Assistance Demonstration: Provides technical assistance to urban communities to help reconcile potential conflict between air pollution and economic development goals.

Economic Development Administration

Metropolitan Demonstration Program: Provides planning assistance for regional planning organizations addressing urban economic distress.

Interior

Land and Water Conservation Fund Urban Contingency Projects: Earmarks contingency fund for urban projects.

Interior

Rails to Trails Railroad Revitalization: Provides \$5 million for conversion of abandoned railroad rights-of-way for recreation use in ten urban areas.

Interior

National Park Service: Aids gateway parks in New York, San Francisco and Cuyahoga Valley (near Cleveland) serving urban populations.

Interagency Agreements

EPA, DOT

Federal Urban Noise Initiative

DOL, DOE, CSA

Solar Utilization, Economic Development and Employment

HUD, CSA

Community Housing Partnership

HUD, EDA

Cooperation in Economic Development

OMB, DOC, EPA

Coordination of Population Projections

Comptroller of the Currency, HUD, SBA, EDA, and others

Task Force on Commercial Reinvestment

agencies to further urban policy objectives. These include:

- **Targeted Jobs Demonstration Program.** The Departments of Labor, Housing and Urban Development, and Transportation, the Economic Development Administration, the Small Business Administration, and the Community Services Administration have jointly provided grants to 14 localities to target new jobs created by Federal projects to disadvantaged persons eligible for CETA training and employment. The grants will also enable the localities to target spin-off business opportunities created by Federal projects to small businesses, including minority and community-owned enterprises. Effective methods for achieving this objective will be disseminated to other jurisdictions. This demonstration is part of the administration's Employment Initiatives under which these agencies plus the Farmer's Home Administration have entered into agreements with the Department of Labor to target a percentage of the jobs created under their projects to CETA-eligible persons.

- **Labor Surplus Area Procurement Outreach Program.** The Department of Housing and Urban Development, the Department of Transportation, the Economic Development Administration, and the Small Business Administration, in consultation with the General Services Administration, are sponsoring a program of technical assistance to four distressed cities to improve the bidding expertise of private firms and help them obtain Federal procurement contracts. With financial assistance provided by the agencies, these cities will inform local businesses of bidding opportunities and assist them to respond effectively. Experience

Interagency Agreements

DOL, HUD, DOT, EDA, SBA, CSA, FmHA	<i>Employment Initiatives</i>
SBA, HUD, EDA	<i>Neighborhood Business Revitalization</i>
HUD, HEW, DOL, LEAA	<i>Assistance to Low Rent Public Housing</i>
LEAA, ACTION	<i>Urban Crime Prevention Program</i>
CSA and National Credit Union Administration	<i>Credit Union Development in Low Income Communities</i>
HUD and Corps of Engineers	<i>Urban Impact Analysis of Significant Actions</i>
All Federal Agencies	<i>Community Conservation Guidelines</i>
HEW, Interior, and ACTION	<i>Youth Employment Opportunities in Recreation</i>
HEW, Interior, and HUD	<i>Neighborhood Revitalization/ Recreation</i>
EPA, DOT	<i>Urban Air Quality Planning Grants Program</i>
DOT, EDA	<i>Urban Rail Improvement and Development</i>
DOT, HUD	<i>Cooperation on Facility Investment</i>
LEAA, National Fire Association	<i>Arson Control Assistance Program</i>

suggestions for actions to mitigate harmful impacts.

• **Coordinating Air Quality with Economic Development.** The Environmental Protection Agency, the Department of Housing and Urban Development, the Economic Development Administration and the Department of Transportation are jointly sponsoring a demonstration effort to coordinate air quality and economic development. The four agencies awarded eight cities approximately \$4 million in the form of two-year grants to demonstrate innovative approaches for meeting clean air standards that also provide flexibility for economic development.

Continuing Evolution of the Urban Policy

Measurable progress has been made through the initial legislative and administrative actions taken to implement the urban policy. Still, much remains to be done. Followup action on national urban policy must be based on a firm understanding of the nature and implications of the changing national trends that affect the Nation's cities and urban counties, and on a full appreciation of the differing needs among these communities. The National Urban Policy Report for 1980 presents a detailed analysis of the needs of the Nation's urban communities. The Report extends the analysis made in 1978 of the largest urban centers to include smaller central cities, suburban and non-metropolitan communities. The principal findings of this analysis are summarized in the next section. The final part of this Executive Summary outlines the urban policies that I propose for 1980. These proposals build on and extend the sound foundation put in place two years ago.

gained from these communities will be disseminated to other labor surplus communities.

Finally, a number of inter-agency agreements have also been made to further urban policy objectives. These include:

• **Coordinated Inter-Agency Strategies.** HUD has undertaken coordinated inter-agency strategies with several other Federal agencies. For example, HUD and the Department of Transportation have agreed to coordinate their work on urban impact analysis and preparation of environmental impact statements. Under a similar inter-agency agreement, the

Corps of Engineers agreed with HUD to apply urban impact analysis guidelines to significant actions by the Corps.

• **Community Conservation Guidelines.** At the request of the IACC, all Federal agencies agreed to initiate community impact analyses, upon the specific request of local public officials, for pending Federal actions which have a clear link to proposed large commercial developments. An example of the type of project to which the guidelines apply is a proposed expressway interchange that could stimulate new commercial development detrimental to existing central business areas. The impact analyses will include

Part Two: The Changing Patterns of America's Cities

The 1978 urban policy, and the new initiatives that accompanied it, struck responsive chords in America's urban areas. Many cities and urban counties took advantage of these new actions to assist their own efforts to cope with change, to strengthen their economies and to expand their tax base. But the pressures of change continue, and some of these communities have found it difficult to adapt. Cities experiencing economic and fiscal distress continue to be hard hit by poverty

and unemployment. Growing communities sometimes have found it difficult to accommodate new population. Pockets of poverty remain even in the healthiest communities.

Change characterizes America's urban areas. For the most part, these changing patterns of people and jobs are a continuation of the trends described in the 1978 Urban Policy Report. Because of their vital importance to framing an appropriate response to the urban needs of the next decade, I

have included a brief summary of what is happening to Urban America in this Executive Summary. A more detailed analysis, on which this summary is based, is presented in the 1980 National Urban Policy Report.

The problems and prospects of the Nation's cities result from and are shaped by several key trends. Among them are the following:

- The movement of people and jobs from central city to suburbs and between regions has significantly affected local economic conditions. Some urban communities have become economically and fiscally stronger and more capable of meeting their needs. Others require assistance from the Federal Government and the State to cope with declining economic rising levels of resident need diminishing fiscal resources.
- While jobs are increasing in the Nation as a whole, manufacturing jobs continue to decline in most central cities. These conditions form the context for economic development and employment programs.
- Poverty and unemployment are becoming increasingly concentrated in central cities, especially the largest cities. Targeted efforts directed at these problems must be taken.
- Fiscal pressures on city budgets have continued as a result of shrinking tax bases and increased service needs and demands. These economic pressures need to be closely tracked to provide guidance and assistance to local governments.
- Housing and neighborhood conditions are improving in most cities, but rising costs and



diminished production place many families in a position where they can't afford or find the housing they need.

- Energy conservation and environmental quality are increasingly important concerns which must be reflected in urban development patterns and should be considered in setting urban policy objectives.

These critical areas will form the urban changes of the 1980s. They are the basic conditions which I have taken into account in

designing and carrying out urban policies and programs.

The Spreading Out of Population and Jobs

Between 1970 and 1978, people and jobs moved in substantial numbers. Within metropolitan areas, a decades-old pattern of movement out of cities to suburban areas continued and even accelerated. There was also a net pattern of movement from the older urbanized Northeast and North Central regions to the South and West. And in a sharp reversal

of historical patterns, people and jobs began to move out of metropolitan areas altogether — particularly the largest areas — into counties adjacent to metropolitan areas and to counties distant from large urban centers. Together, the combined impact of these changes constitutes a “spreading out” of urban America.

Of the three patterns, suburban growth clearly dominates. Between 1970 and 1978, there was a net movement of 9.7 million people from central cities to suburban areas. By comparison, a



net of 3.9 million people migrated from the Northeast and North Central regions to the South or West, and a net of 2.7 million people moved out of metropolitan areas entirely. For the most part, jobs followed similar trends, growing in the "sunbelt," in suburbs, and outside of metropolitan centers.

Metropolitan Moves

Metropolitan areas contain over two-thirds of the Nation's population. Within metropolitan areas, the spreading out of population and jobs from central cities to surrounding suburbs continues. But metropolitan areas overall are now growing more slowly than total national population — up 4.4% from 1970 to 1977, compared to overall national gains of 6.4%.

Central cities as a group suffered a net loss of more than 2.8 million residents between 1970 and 1977 because of heavy net out-migration to suburbs and non-metropolitan areas. Population loss from central cities has been steepest in the largest metropolitan areas, particularly those in the Northeast and North Central States, which account for nearly three-quarters of the total central city population loss since 1970.

Growth in metropolitan population is concentrated in the suburban ring. Suburban communities gained 8.9 million residents from 1970 to 1977. Although the suburbs lost net migrants to non-metropolitan areas over this period, these losses were more than balanced by the net in-flow of migrants from central cities.

Jobs have moved in the same directions as people. Central cities have gained jobs more slowly than their suburbs, and some central cities have experienced actual job losses. Suburbs have gained a rising share of total metropolitan employment.

Shifts Between Regions

Total national population growth has slowed since 1970, largely because of the declining birth rate, while migration continued at high levels. As a result, what population growth occurred was concentrated in the South and West, where population rose at twice the national rate of 7.3% from 1970 to 1978. The population of the Northeast has remained stable since 1970, and the North Central region grew at less than half the national average from 1970 to 1978.

Nationally, jobs moved in the same directions as people. In the eighteen years from 1960 to 1978, national employment rose by 60%. The big gainers were the West (93%) and the South (88%). By comparison, the North Central States grew at less than the national average (49%), as did the Northeast (only 26%). The regional pattern of job growth was much the same for manufacturing and non-manufacturing activities, but growth was generally faster in the non-manufacturing sectors.

The Growth of Non-Metropolitan Areas

Since 1970, a surprising change has occurred in non-metropolitan areas, reversing patterns. Non-metropolitan areas are now gaining residents and jobs, rather than losing them to metropolitan areas. From 1970 to 1977, non-

metropolitan areas gained population at 1.2% per year, compared to an 0.7% growth rate in metropolitan areas. Employment gains are also occurring in non-metropolitan areas. Growth is taking place in counties that are adjacent to metropolitan areas but also in counties that are distant. Migrants to non-metropolitan areas are predominantly of working age; nationally only a small fraction are retirees. Almost 95% are white.

Community Need and Distress

Our Nation's urban communities differ widely in social and economic condition. Communities attracting new employment and residents have different needs from communities losing jobs and people. Distressed communities in growing metropolitan areas and regions face a different situation than distressed communities in declining areas and regions. Isolated neighborhoods of poverty in otherwise well-off communities require a different approach than the more widespread poverty found in some distressed communities. Poor people, whatever type of community they live in, must be the focal point of efforts to expand their employment, housing, education and health care choices.

National urban policy must take into account the similarities and differences among urban communities in order to identify Federal, State and local responses suited to varying conditions.

Because budget constraints are likely to extend into the foreseeable future, urban policies must be fine-tuned and limited resources carefully focused on the people and places most in need.

Table ES-1 sums up how our Nation's 377 metropolitan central cities divide on the basis of resident need (based on poverty, unemployment, and change in per capita income) and population trends. It shows that a considerable number of high need cities have suffered substantial population loss, thereby compounding their overall community problems. These include many of the Nation's largest urban centers.

In the accompanying National Urban Policy Report, the Nation's suburban and non-metropolitan places are also compared on the basis of resident need and population growth. In general, suburbs show lower levels of need than either central cities or non-metropolitan communities.

The Economies of Cities

A major focus of my urban program has been to strengthen the economies of the Nation's cities. Federal economic and community development efforts have expanded markedly—and so has the capacity of cities to utilize this aid in combination with the efforts of their private sectors. New jobs have been created and unemployment has been reduced. New investment in cities, even some of the most distressed, has been visible and has begun to generate renewed confidence. Nevertheless, many older central cities and suburbs and some non-metropolitan communities still show signs of severe economic distress.

Table ES-1

Classification of 377 Central Cities By Degree of Community Need
(Data is in number of cities)

<i>Degree of Resident Need</i>	<i>Population Trend, 1970-76</i>			<i>Total</i>
	<i>Decreasing</i>	<i>Stable</i>	<i>Increasing</i>	
Relatively High	46	29	39	114
Moderate	36	53	56	145
Relatively Low	15	43	60	118
TOTAL	97	125	155	377

SOURCE: HUD Urban Development Action Grant Data File (Based on Census, Revenue Sharing, and BLS Tapes).

The Central City Economy

The pace of economic change in central cities is both rapid and complex. Some cities are achieving accelerating job gains while others are suffering serious job losses. These developments have profound effects on the economic and social well-being of city residents.

Employment, measured in number of jobs, is the single most widely accepted indicator of economic trends and patterns. Judged by this indicator, large central cities underwent rapid change in the period 1970-1977. Generally, cities with growing economies during the 1960's expanded their job base as well between 1970 and 1977. Those that lost jobs prior to 1970 suffered even faster losses in the subsequent period. Taken as a whole, central cities gained jobs in both periods, but the number of central cities with falling employment levels increased. Table ES-2 shows these trends for the 57 largest central cities in the Nation. Less comprehensive data for the

1977 to 1980 period suggests that some of the older, economically troubled urban communities are once again gaining employment. Central city economies grew more slowly than their suburban counterparts across the Nation, but the disparity is greatest in the Northeast and North Central regions. Office and service jobs, rather than manufacturing, are now the mainstay of most central city economies. The patterns of growth in white collar jobs varies widely among cities; the largest employment gains have been made by cities that have attracted headquarters of non-manufacturing firms.

Central city economies face continuing hurdles due to their high land costs and tax levels relative to their suburbs. Historically, Federal, State and local policies have been heavily weighted against the needs of central city firms. Changing this imbalance is a major accomplishment of this administration.

Table ES-2

Employment Trends in 57 Major Central Cities, 1960-1977

Employment Change	Number of Cities	Average Annual Percent Change in Employment (unweighted)	
		1960-1970	1970-1977
Cities Losing Employment, 1960-1970:	15	-0.9%	-2.2%
Employment Loss, 1970-1977	14	-1.0	-2.4
Employment Gain, 1970-1977	1	-0.1	0.7
Cities Gaining Employment 1960-1970:	42	2.3	2.1
Employment Loss, 1970-1977	9	0.8	-0.7
Employment Gain, 1970-1977	33	2.6	2.8
TOTAL	57	1.4	1.0

SOURCE: Analysis of data presented in Seymour Sacks, "Changing Conditions in Large Metropolitan Areas," U.S. Department of Housing and Urban Development, Office of Policy Development and Research, Urban Data Report No. 1, 1980.

The Suburban Economy

Jobs rose by 16.7%, more rapidly than population, in the suburbs of large metropolitan areas between 1970 and 1977. The largest suburban job gains were in the service sector, which accounted for three-fourths of recent suburban job growth. There are now twice as many service as factory jobs in the suburbs.

Most net suburban employment growth during the 1970's occurred in newer suburban communities

located at the edge of metropolitan areas where the advantages of decentralization are largest—where there are large tracts of relatively inexpensive land, lower tax rates, and direct access to radial or circumferential expressways.

Other suburbs experienced declining employment and rising levels of community need during the 1970's. These suburbs frequently share many of the characteristics of the distressed central cities they adjoin; they tend to be old and typically were once thriving industrial or commercial retail centers which now suffer from an

obsolete capital stock and a deteriorated commercial core. High tax rates, a low level of public services, vehicular congestion, and general blight are common features.

The Non-Metropolitan Economy

During the 1970's, economic growth spilled beyond metropolitan boundaries. Non-metropolitan communities showed marked gains in all employment sectors, adding 2.5 million jobs between 1970 and 1976. This was a 12% expansion compared to a population gain of ten percent. Economic growth was widespread, with non-metropolitan employment increasing in all regions of the Nation, in communities of all sizes, and even in many previously distressed areas. Altogether, 70% of all non-metropolitan counties experienced significant job gains. Agriculture and related activities now account for only about one in ten jobs in non-metropolitan areas. Only three percent of the 1970-76 job gain was farm-related.

Poverty in Cities

A major emphasis of my administration has been to reduce poverty and its impact. Our efforts have focused heavily on welfare reform, job training and job development for people who are poor and unemployed, and improved assistance programs focused on food, housing, education, rising energy costs, and health care. To some degree, we have succeeded. Poverty has been cut in many communities. In the Nation as a whole, the number of poor declined by over ten percent from 1969 to 1978;

during the same period the proportion of our population that is poor fell from 13.8% to 11.4%.

The problem of poverty is shifting from rural to urban areas. Prior to 1960, a majority of the Nation's poor lived in non-metropolitan small towns and rural areas. By the mid-1970's, 60% lived in metropolitan areas and within such areas, six of every ten lived in the central city. More than nine million central city residents were poor in 1978.

Central City Poverty

From 1969 to 1978, the number of central city residents below the

Federal poverty standard rose slightly in contrast to a three percent decline in the suburbs and a 21% drop in the number of poor persons living outside metropolitan areas. Among central cities, the poverty problem is increasingly concentrated in the larger central cities of metropolitan areas with over one million population. In these large cities, the number of poor rose by two percent in the 1969-1978 period, while declining a similar amount in central cities of smaller metropolitan areas. By 1978, poor people accounted for 16.2% of total population in large central cities, compared to 14.4% in smaller central cities and 6.8% in the suburbs. Moreover, a num-

ber of needy central cities had poverty rates of more than 20%.

The poor people who live in central cities are not a cross section of all Americans. To a disturbing degree, they are:



- **Blacks and other minorities.** Although blacks make up about 23% of the population of the Nation's central cities, they make up 48% of the central city poor. While the number of white poor who live in central cities declined by 14% between 1969 and 1978, the number of central city black poor rose by 19%.



• **Families with female heads.**

These families tend to be poor to a much higher degree than those with male heads. In 1976, in large central cities nearly two in every five families headed by a woman fell below the poverty line. In the seven years after 1969, the number of poor female-headed families in large central cities rose by more than half while poor families headed by males declined.

Low wages and irregular work generate poverty conditions among households with working age heads. Table ES-3, which relates poverty to labor force participation and the number of weeks unemployed, illustrates the severe consequences of a household head not being in the labor force or of suffering long-term unemployment. It also shows that households headed by blacks and/or females suffer much higher rates of poverty, whatever their labor force participation rates. The absence of income from other

household earners contributes to higher levels of poverty among female headed households. Thus, both unemployment and non-participation in the labor force among female heads of households leads to much higher rates of poverty than both do among male heads of household.

Poverty in the Suburbs

Poverty is relatively low and declining in most suburbs. Less than one in four of the Nation's poor lived in the suburbs in 1978. Poor persons accounted for about seven percent of total suburban population, or less than half the central city poverty rate.

Southern suburbs have much higher poverty rates than other regions of the Nation. One third of all poor suburban residents live in the South. In part, this reflects lower wages and assistance payments; in part, it reflects the more rural quality of many Southern

"suburbs." However, some Northern and Western suburbs that have become extensions of the nearby central cities also suffer high rates of poverty.

In large metropolitan areas, poor suburban families have characteristics similar to those of the central city poor, with heavy representation of blacks, female-headed families and the unemployed. On the other hand, in smaller metropolitan areas, suburban poverty is largely white and most family heads are employed, but at low wages.

Non-Metropolitan Poverty

Poverty dropped sharply in non-metropolitan areas during the 1970's. The number of poor persons living in these areas fell about one-fifth, and the poverty rate declined even more sharply from 19.2% to 13.5%. By 1978, the non-metropolitan poverty rate was

Table ES-3

Poverty Rates By Duration of Unemployment and Labor Force Participation For Working-Age Households, By Race and Sex in Large Central Cities, 1977

Households Headed by:	Weeks of Unemployment					Not in Labor Force	Poverty Rate
	0	1-4	5-14	15-26	27-52		
Black Females	15%	75%	56%	39%	66%	80%	45%
White Females	9%	31%	24%	21%	49%	63%	23%
Black Males	5%	14%	17%	44%	53%	45%	15%
White Males	4%	15%	12%	17%	37%	25%	8%
All Households	6%	28% ¹	21%	26%	46%	55%	

¹The high poverty rate for the 1-4 week category reflects the large number of female-headed households in this group with low labor force participation rates and low earnings. Their number of weeks employed is relatively low even though their unemployment (as presently measured) is also low. Aside from this there is a simple progression of severity of poverty according to the number of weeks unemployed.

significantly below that in central cities, although it remained almost twice that found in suburbs. Still, nearly 40% of all poor persons in the United States live outside metropolitan areas.

The non-metropolitan poor are predominantly white (72%) except in the South where blacks account for a substantial proportion of the non-metropolitan poor. Despite dramatic reductions in poverty since 1970, Southern non-metropolitan poverty rates remain markedly higher than elsewhere in the country at 17.9%. More than 60% of Southern non-metropolitan towns with fewer than 10,000 residents have high levels of resident need.

Housing and Neighborhoods

Major progress has been made in improving the condition of housing and the quality of neighborhoods throughout all types of urban communities. This progress is revealed both in statistics on housing quality and by surveys of urban residents. I am pleased that the programs included in my administration's urban policy have contributed to that accomplishment.

Our principal housing problems today are affordability and limited new construction. In both cases, inflation is at the root of the difficulty. The problems are most serious in some central cities, but they are increasingly important in sub-

urbs and non-metropolitan areas as well.

Central City Housing

Major progress has been made in recent decades in upgrading the overall quality of the housing stock in most cities. The central city housing stock has been rejuvenated through the construction of new housing, the rehabilitation of older structures and the removal of dilapidated buildings. Most city residents find their neighborhoods to be in good condition. In 1977, almost three-fourths described their neighborhoods as being either good or excellent.



Rising housing costs are one of the major problems facing central city families. Driven by inflation, housing costs are going up more rapidly than the incomes of central city households. This means that many city residents must pay a larger fraction of their income for housing. As a result, many families—especially those of low or moderate income—face severe housing limitations.

Renters tend to have lower incomes than owners. As a result, the affordability problem hits them harder. In 1977, half of all central city renters spent over 25% of their income on housing, and one-third spent over 35%. Until recently, these proportions did not vary between more and less needy cities, but affordability problems now appear to be more widespread in needy cities.

The cost problem also affects city housing production. Declining profit margins of many developers and landlords cut sharply into multi-family construction in many cities. In addition, disinvestment in the maintenance of existing rental housing, condominium conversion and outright abandonment of unprofitable rental housing has occurred in some cities. The low levels of new rental housing construction in recent years are shown in Figure ES-1.

The central city owner-occupied housing market has performed somewhat better than that for rental housing. Owner-occupants accounted for three-fifths of net household growth in central cities in the 1970-77 period. This was reflected in a slight increase in the fraction of central city housing that is owner-occupied. Incomes of owner-occupants in cities have generally kept pace with rising housing costs.

Suburban Housing

Affordability is also a growing concern in suburban communities. By 1977, over one in four suburban dwellers paid more than a third of their income for housing. The median value of houses in the suburbs more than doubled from 1970 to 1977, creating capital gains for owners but serious obstacles for first-time buyers.

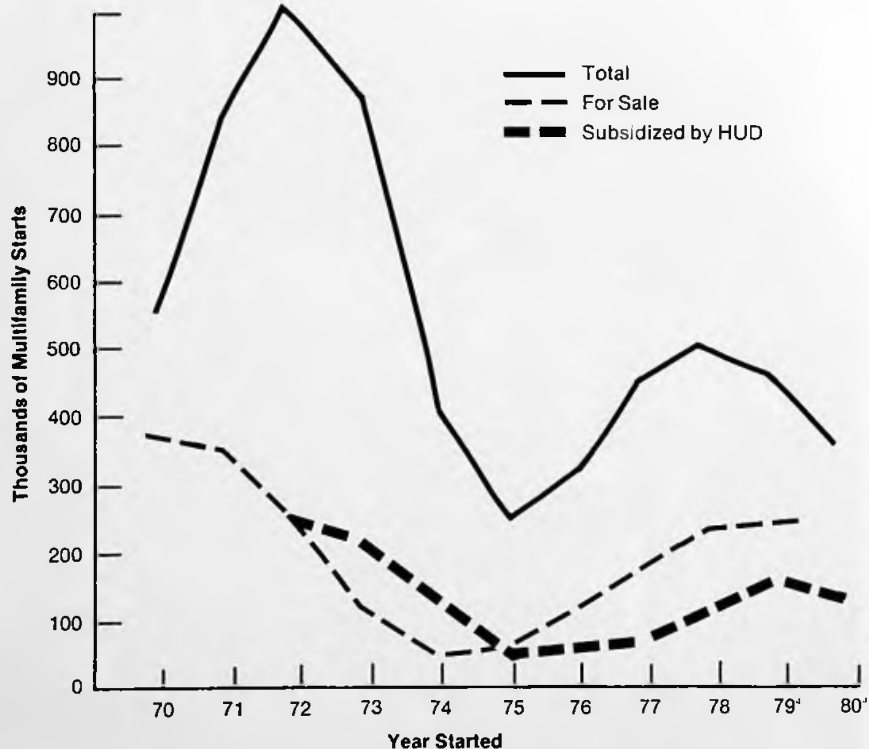
Housing in the suburbs is primarily made up of owner-occupied, single family, detached units. But the suburban stock is more diverse than is generally recognized.

Three in every ten suburban units are renter-occupied; 11% of owner-occupied units are found in other than single-family structures. Condominium ownership and mobile homes are adding to suburban housing diversity.

Suburban housing is newer than in central cities and in better condition. Conditions such as inadequate plumbing and physical deterioration are half as common in suburbs as in central cities. Suburban dwellers like their neighborhoods: 87% declared themselves satisfied in 1977.

Figure ES-1

Multi-Family Units Started in Structures with Five or More Units by Intended Tenure



SOURCE: Bureau of the Census. Construction Report C20, "Housing Starts"

*Estimated by U.S. Department of Housing and Urban Development.

Suburban neighborhoods are dominantly white. However, between 1970 and 1978, the number of blacks living in suburbs rose from 3.4 million to nearly 4.8 million. More than half of the net migration of blacks to suburban areas between 1970 and 1978 took place after 1975. Nevertheless, even after these gains, blacks still account for only about six percent of total suburban population, half of their share of total United States population. Blacks and other minorities remain disproportionately concentrated in central cities.

Non-Metropolitan Housing

Growth in non-metropolitan areas during the 1970's resulted in high levels of new residential construction and a general upgrading of

the quality of the housing stock. However, a substantial proportion of non-metropolitan housing units is old, and the condition of housing remains a serious problem in many areas. Among housing units of all ages, single family, owner-occupied units predominate.

The rate of homeownership in non-metropolitan areas is high and increasing. Nearly 70% of non-metropolitan households own their own housing unit. This is a significantly larger proportion than for central cities and is comparable to suburban areas, despite the far lower income levels characteristic of non-metropolitan areas.

Fiscal Conditions in Cities

One of my continuing concerns has been to help the Nation's cities strengthen their fiscal position to

withstand the continuing pressures of inflation and the recurrent threat of recession. Immediately after I took office, this administration proposed, and Congress enacted, an economic stimulus package (including Anti-Recession Fiscal Assistance, Local Public Works, and CETA) which provided almost \$9 billion in additional aid to States and cities. Congress is now actively considering the administration's proposal to provide Targeted Fiscal Assistance to local governments with local unemployment rates of 6.5% or more, as well as its recommendations to continue and improve the targeting of revenue sharing. Many components of this administration's urban policy have helped in achieving this fiscal objective.



Fiscal problems can arise in any municipality when the cost of providing public services rises more rapidly than revenues. However, fiscal problems impact most heavily on those communities with troubled economies, significant losses of middle-income citizens, and an increasing proportion of low-income residents who are heavily dependent on public services. The revenues of these communities are limited by their stable, or often declining, tax base. At the same time, costs have increased, particularly those related to social services and infrastructure. In these jurisdictions, fiscal strains can become severe despite vigorous local efforts and increases in intergovernmental aid. In addition, recessions can impact heavily on city budgets.

Central City Fiscal Conditions

Local jurisdictions have two major sources of revenue: Locally generated revenues and assistance from

other levels of government. Local revenue generally comes from property, sales and income taxes, and from user charges.

Intergovernmental assistance is primarily in the form of Federal and State aid.

Federal and State aid has been the most rapidly growing revenue source for central cities since the late 1950's. Federal aid to cities has increased sharply since the late 1950's as the National Government has accepted a greater responsibility for helping hard-pressed cities and their impoverished residents. The greatest increases in Federal aid have been to the most needy central cities. Table ES-4 shows that Federal aid per \$1000 of community income is larger in cities experiencing the greatest degree of hardship. However, until this administration came into office, growth was strongest in cities with lesser degrees of hardship. In 1977 and 1978, the targeting of direct Federal aid to needy cities became much more pronounced with the addition of substantial

countercyclical aid, an emergency measure to cope with recession.

Government expenditures are difficult to compare among cities. High per capita expenditures may reflect resident demand for high quality or an extensive array of public services; low per capita expenditures may reflect the efficiency with which services are provided or local discipline in holding down payrolls and other costs. A generally accepted basis for comparing municipal expenditure patterns is to focus on just those municipal functions that are performed by virtually every city. These include police and fire protection and sanitation services. Central cities spend very different amounts to provide these common municipal services. In 1977, cities with declining population spent more per capita than growing cities; this was true for both high and low need cities and for cities of all sizes.

Table ES-4

Direct Federal Aid Per \$1,000 of Community Income by Quintiles of Hardship

Quintile of Hardship ¹	Percentage Increase							
	1970	1971	1972	1973	1974	1975	1976	1970-1976
1	\$5.33	\$10.52	\$12.69	\$16.67	\$17.27	\$19.17	\$23.07	333%
2	7.21	7.04	11.32	15.61	17.22	16.21	21.26	195
3	2.91	6.05	8.26	12.12	16.15	14.43	15.55	435
4	1.61	3.37	6.09	7.57	9.78	10.02	12.20	613
5	2.28	3.48	5.94	9.67	10.99	11.06	14.17	521

SOURCE: *Pockets of Poverty* (Washington, D.C.: U.S. Department of Housing and Urban Development, May 1979), p. 20. Adapted from a table by Richard Nathan of the Brookings Institution.

¹This hardship index combines growth and resident need factors, and is therefore more aggregated than the typology used elsewhere in the Urban Policy Report. Nevertheless, the agreement is sufficient to use the rankings to illustrate broad differences in tax effort. Cities fall into the quintiles as follows:

- (1) Newark, Pittsburgh, St. Louis, Cleveland, Philadelphia, Minneapolis, Oakland, Buffalo, Detroit, Cincinnati.
- (2) Milwaukee, Chicago, Seattle, Boston, Baltimore, San Francisco, Akron, Louisville, Los Angeles, Rochester.
- (3) New Orleans, St. Paul, Toledo, Columbus, Norfolk, Birmingham, Atlanta, Sacramento, San Diego, Denver.
- (4) Dallas, San Jose, Miami, El Paso, Omaha, Wichita, San Antonio, Charlotte, Memphis, Tulsa.
- (4) Honolulu, Albuquerque, Indianapolis, Nashville, Tucson, Long Beach, Phoenix, Austin, Baton Rouge.

City Boundaries and Fiscal Problems

Many fiscal problems are concentrated in central cities, because their municipal boundaries contain the population and facilities most costly to service, while their tax base is often weaker than that of nearby suburban communities. Central city annexation of surrounding areas is one way to relieve these fiscal pressures. This course of action is generally only available in growing areas of the Nation. It was taken by some cities during the 1970's, especially in the South and West.

Another means of coping with fiscal strain is to shift traditional municipal functions to governments with more extensive and more rapidly growing tax bases. Nearly one-third of the cities responding to a recent survey indicated that they had shifted one or more functions to another unit of government in the previous ten years. County governments, special districts and States were the most common points of transfer. Counties most often received the law enforcement and public health functions, and State governments, the social service functions, including welfare.

The recent period of high inflation has had difficult impacts on city finances. Slowdowns in the national economy reduce city revenues and, in the short run at least, may increase municipal costs. The best available estimates suggest that the recession of 1975 cut local government revenues across the Nation by almost six percent in 1975 and by somewhat more than five percent in 1976. Because large, older cities tend to be more reliant on recession-

sensitive revenues such as personal and business taxes than are other local governments, they tend to suffer recessionary impacts more severely. The limited evidence that is available on the impact of recession on local government costs also indicates that expenditures increase as joblessness brings higher unemployment, welfare dependency, and criminal activity.

Capital plant investment tends to be viewed by city officials as a discretionary item that can be postponed in any given year, unlike police, fire, and sanitation services. This has meant that, in the face of fiscal pressure, capital budgets are often cut back sharply. There is a growing body of evidence showing that city capital investment in vital water, street and sewer facilities is running well below replacement rates. This is especially true in older, distressed cities.

Older cities also tend to have high capital plant maintenance costs and face major rehabilitation needs because of the age of their physical plant. Newer, growing cities, in contrast, more often face the cost of installing new capital facilities. Both situations bring additional pressures on city budgets.

Fiscal Conditions in the Suburbs

Suburbs vary more widely than central cities in their responsibility for providing public services, with the larger suburbs generally providing a wide range. The capital plant problems in most suburbs are still associated with the needs of growth, especially with respect to water supply and sewers. These were the top development priorities cited by suburban officials in a

recent HUD survey. While suburban fiscal problems tend to be far less pressing than those of central cities, there are many instances of seriously needy suburbs, whose conditions are comparable to those of troubled central cities. In the North, these tend to be close-in communities; in the South, they are more apt to be semi-rural areas at the urban periphery.

Non-Metropolitan Fiscal Conditions

Non-metropolitan communities have traditionally had low tax and expenditure levels as compared to central cities, but also provide many fewer public services. In small towns and unincorporated areas, individual volunteers frequently perform many of the functions provided by metropolitan municipalities. Non-metropolitan tax effort rises sharply with population size. Communities under 2,500, in particular, show very low tax effort, generating only half the tax revenue per \$1,000 of income of non-metropolitan cities larger than 25,000. The largest non-metropolitan cities have average tax effort only moderately below that for metropolitan cities over 50,000. Nearly one in ten large non-metropolitan cities displays high tax effort.

Energy Conservation and Preservation of the Environment

Conserving energy while at the same time preserving the quality of our environment are two vital goals of my administration. To help achieve these ends, we have provided the Nation with its first comprehensive energy policy—and kept its tough recommendations consistent with environmental quality objectives.

Lead -
shifting

Cities are major consumers of energy. Residential space heating and cooling and transportation require major amounts of energy, but are also potential sources of significant conservation. Compact urban development at moderate to high densities can achieve energy savings. Increasing the energy efficiency of housing can also reduce energy consumption in urban areas. With the encouragement of States, localities and the Federal Government, homeowners, landlords and builders can do a great deal to improve the insulation in both new and existing dwellings. Their efforts can be supplemented by encouragement of higher density, and shared-wall patterns of construction.

More compact development also promotes savings of energy used in transportation. Modest increases in density can make the overall pattern of urban development more compact, thereby reducing the amount of energy spent on trips to work, schools, shopping, and other activities. Higher density development also increases the potential for use of energy-saving mass transportation.

The relationships between urban development patterns and air quality levels is less clear than is the case with respect to energy conservation. Dispersed development tends to reduce the exposure of the urban population to some pollutants, but it also encourages increased generation of transportation-related pollutants. In some cases, trade-offs will need to be made between air quality and urban development goals. For example, greater use of coal is essential to our efforts to become less dependent on foreign energy sources,

but makes air quality improvement more difficult. Greater and more innovative use of emission controls will help resolve some of these problems and provide State and local government with more flexibility to foster appropriate land use patterns.

Another aspect of community development with which we must be concerned is the loss of farm land to development. This subject is presently being studied by several Federal groups. The Secretary of Agriculture and the Chairman of the Council of Environmental Quality are co-chairing the National Agricultural Lands Study, which will report on whether there is a need to limit conversion of farm land to urban uses. Other studies are underway to examine the soil, water, and related resources of the Nation. Until these

studies are completed, it is difficult to arrive at more than a general idea as to how serious is the potential for farm loss. What we do know is that encouragement of compact development, wherever feasible, is consistent with the preservation of high quality agricultural land.

Discrimination and the Welfare of Minorities

We have taken many steps to combat housing and employment discrimination against minorities and women. But racial segregation and discrimination continue to affect both the welfare of minority persons and the condition of American cities. Segregation and discrimination fragment urban housing markets, limiting the choices of blacks, Hispanics, other minorities,

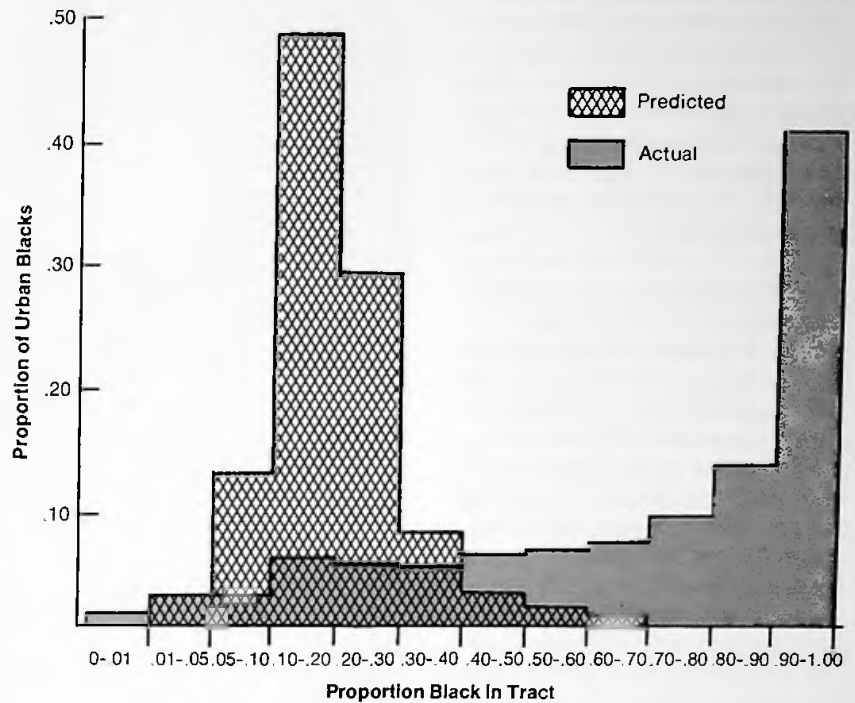


and families headed by women. Exhibit ES-3 compares the actual distribution of blacks across tracts of varying racial composition with the distribution that would be expected if income rather than race governed the neighborhood choices of black households. Within cities, minorities tend to live in neighborhoods that are racially and ethnically segregated and that frequently receive public services of inferior quality. Minority families face a restricted set of housing choices, live in housing of lower quality than other households, and are much less likely than whites to own their own homes.

Discrimination and residential segregation affect the character of minority participation in the job market. Minority workers have less direct access to employment opportunities. This is especially true for those who live in segregated central cities and who subsequently have poorer access to suburban areas where job opportunities are expanding. When compared to majority whites, they are more likely to reverse commute from central city residences to suburban jobs.

Exhibit ES-3

Actual and Predicted* Distribution of Urban Blacks By Proportion Black in Tract: 1970 (76 SMSA's)



*The predicted distributions are based on the assumption that the expected number of blacks and whites in any given census tract depends solely on the income distribution of the tract's residents and on the income distribution of blacks and whites in the metropolitan area as a whole.

SOURCE: A. B. Schnare, "Housing in Black and White: An Analysis of Segregation in U.S. Metropolitan Areas," Contract Report 246-3. (Washington, D.C.: The Urban Institute, 1977.)

Federal, State, and Local Response to Urban Problems

Federal Response

The administration's urban policy is premised upon the development of a strong partnership among all levels of government. Targeting additional resources to the neediest jurisdictions, helping economically disadvantaged residents irrespective of location, and eliminating or mitigating actions that exacerbate local distress will require active cooperation of the Federal, State, regional, county and local governments.

As noted earlier, Federal aid has become an important source of local government revenue. The amount of Federal assistance to State and local governments increased at an average annual rate of 14.9% between 1955 and 1978. In recent years, the rate of increase in Federal assistance to States and localities has slowed in response to administration efforts to control inflation and the phasing-out of countercyclical programs enacted to combat the most recent recession. Nevertheless, total grants-in-aid for States and local

governments have risen faster than the rate of inflation during my administration.

As Federal assistance levels off, increased attention will be devoted to improving the efficiency and effectiveness of existing programs. As Federal resources become less plentiful, it becomes increasingly important to assure that Federal assistance is well-targeted on the basis of equitable criteria and that Federal assistance is expended in a manner that yields the greatest benefits to economically disadvantaged persons and needy communities.

State Response

The fifty States bear the primary responsibility for the form and character of urban governance. Cities, counties, and other local forms of government are primarily the offspring of States. State constitutions and laws determine their very existence, their scope and jurisdiction, their functional responsibilities, and their authority to raise revenues.

In a pattern closely following the expanding role of Federal aid, States have significantly enlarged their programs of aid to localities in recent years. Every State now offers some form of intergovernmental aid to local governments. State aid tends to be concentrated on counties and local school districts. This is because States have been increasing their financial support for local education, while they have increasingly relied upon counties to deliver State mandated income maintenance and health care services to low-income people.

Recently some States have begun to assist urban communities. A recent survey of State activity to aid distressed communities found that a broad range of initiatives are available to States to help distressed communities, but that only a few of these initiatives have yet been enacted by a majority of the States. (See Table ES-5.) This "scoreboard" of State efforts suggests that there is considerable scope for expanded effort by the States.

Local Response

Most public services are delivered and most public programs are carried out at the local level. Most place-oriented Federal and State



programs are designed to provide financial and policy backing to local governments who in turn are responsible for implementation. In general, Federal and State agencies provide critical support for local action, but in the final analysis it is local government that must act.

The Nation's local governments are numerous and diverse. There

were 79,862 local governments in the United States in 1977. A little less than half were general purpose local governments: 3,042 counties, 10,862 municipalities, and 16,822 townships. The remainder consisted of 25,962 special districts and 15,174 school districts.

Table ES-5

Summary of State Actions to Assist Distressed Communities

<i>Field</i>	<i>Action Taken by States</i>	<i>Number of States Taking Action</i>
Housing Finance	Provide financial assistance to lower income households	44
	Geographic targeting in home rehabilitation aid	19
	Targeted home rehabilitation tax incentives	17
	Fair housing statutes	30
Economic Development	Targeting site development aid to underdeveloped communities	15
	Promote commercial and manufacturing facilities in distressed communities	11
	Tax credits to stimulate industrial development in designated needy areas	12
	Tying small business aid to community need indicators	8
	Customized job training	23
Community Development	Authorize creation of local renewal agencies	48
	Targeted community development aid	18
	Preferential siting of State facilities in distressed communities	4
Fiscal Reform	Targeted State-local tax and revenue sharing	21
	New school finance equalization plans (since 1970)	25
	Cutting per-pupil expenditure disparities within the State (since 1970)	17
	State assumption of at least 90% of local welfare costs	30
	Authorization of local sales or income taxes to reduce reliance on property taxes	36
	Reimbursement to localities for State-mandated expenses	16
	Authorize local tax base sharing	1

SOURCE: Report to Office of Community Planning and Development, HUD, by the National Academy of Public Administration and the U.S. Advisory Commission on Intergovernmental Relations, September, 1979 (mimeo).

As Table ES-6 shows, all of these local governments are enmeshed in the intergovernmental system. Municipalities and special districts receive large shares of their general revenue from the Federal Government, while counties and school districts receive large shares of their general revenue from State governments. Total intergovernmental revenue from the Federal and State governments amounted to 39.2% of local government general revenues in 1976-77. Townships receive more than one-quarter of their revenues from intergovernmental transfers; municipalities, more than a third; counties, more than two-fifths; and school districts, nearly one-half. Policy questions now center less on whether Federal and State assistance should be provided to local governments than on how the assistance should be targeted to correspond to differences in need.

Forces Affecting Cities in the Coming Decade

The state of the national economy, patterns of population change, and rising energy prices are among the forces that will have important effects on cities and their residents during the 1980's. Some of the trends observed during the 1970's may continue, but if they do, we can anticipate that the rate of change in the 1980's will be somewhat slower. The spreading out of population and employment will not be as rapid as it has been, largely because of the slower rate of growth anticipated for the national economy.

While this is a realistic forecast, it is one that concerns me. In particular, I am concerned that some

Table ES-6

Local Government Revenue by Source and Type of Government, 1976-77

	Counties	Municipalities	Townships	School Districts	Special Districts
Total Revenue¹	\$42.6	\$73.5	\$6.8	\$62.9	\$14.4
Revenue Source					
Intergovernmental Revenue	44.2%	32.7%	28.4%	50.1%	30.1%
From Federal Government	8.8	12.1	7.2	1.5	17.1
From State Government	33.7	19.2	19.5	47.1	5.8
From Local Government	1.7	1.4	1.7	1.4	7.1
Revenue From Own Sources	55.8	67.3	71.6	49.9	69.9

¹Dollars in Billions.SOURCE: U.S. Bureau of the Census, 1977 *Census of Governments*, Vol. 4, No. 5, Table 2.

central cities which have experienced population and job loss in the 1970's may continue to face economic and fiscal difficulties during the 1980's. Their economies may be bolstered somewhat by my administration's economic development programs and by more intensive use of existing and centrally located capital facilities. However, this source of support may not be sufficient to reverse the forces of existing decline. Cities with a contracting job base can expect to be more severely affected by recessions than growing communities. Many central cities and inner suburbs may continue to be less attractive to many forms of business and industry than non-

metropolitan areas and suburban communities with good access and inexpensive, vacant land.

Several factors will work to sustain the continued growth of the outer suburbs and non-metropolitan areas. The number of households will grow and will be especially rapid among those age groups for whom homeownership is attractive. Incomes will rise for most American urban households. Continued economic growth at the metropolitan fringe will attract households to suburban locations. National economic difficulties appear likely to postpone rather than halt expansion in such communities. While non-metropolitan and outer suburban communities will not be without problems, they will generally have more resources

available for addressing them than will declining cities or older inner suburbs.

Unless public policy to expand opportunities is effective, minority groups and the poor will be increasingly concentrated in central cities and inner suburbs. Because of the selective effects of migration, increased concentrations of disadvantaged people are most likely to occur in central cities experiencing population and job loss. Disadvantaged groups are unlikely to share fully in the modest income growth of the coming decade. At the same time, the costs they pay for basic commodities, such as energy and housing, will almost certainly rise even more rapidly than inflation.

Overall, the 1980's promise to be a decade of continuing challenge for the large urban centers of the Nation. Central cities with declining population and high levels of poverty and community need will face serious problems of economic and fiscal stress. Federal, State and local action, supported by the private sector, is essential if these difficult prospects are to be improved. Suburbs and non-metropolitan communities, for the most part, face more pleasant prospects. They should continue to be the focus of national growth. At the same time, growth will bring with it threats to the very quality of life that has made these outer communities attractive.

The concluding part of this Executive Summary will present the policy guidelines that, in my judgment, are called for in the 1980s. They build on the partnerships begun in response to the 1978 urban policy. They go beyond that base to detail the steps needed to sustain and improve the quality of life in urban America in the coming decade.

The policy that I announced in 1978 represented a comprehensive, long-term commitment by this administration to the Nation's urban areas. It called for the creation of a new partnership among all levels of government, the private sector, and neighborhood and voluntary organizations in a major effort to make America's urban communities better places in which to live and work. It aimed both to make cities more healthy and to improve the lives of the people who live in them.

In the two years since the announcement, considerable progress has been made in addressing the Nation's most pressing urban problems. New partnerships have been formed. More public sector resources have been targeted to needy urban communities and disadvantaged people. More private sector resources have been leveraged to revitalize urban economies. Many urban centers and neighborhoods are showing renewed vigor, leading to increased jobs, expanded tax bases, and renewed residential neighborhoods. Federal program coordination has been improved, and sensitivity to the urban impacts of Federal actions has grown.

I am pleased that signs of revitalization and hope have emerged in a growing number of urban areas. But more remains to be done. The Federal Government must continue to help distressed communities create more attractive living environments and to attract families, businesses, and industries that will strengthen their local economies.



The Federal Government must help non-distressed communities ward off incipient decline, eliminate pockets of poverty, and foster increased economic opportunities for minorities and economically-disadvantaged groups. The Federal Government must help economically-disadvantaged persons attain increased opportunities for upward social and economic mobility and greater geographic mobility.

The aims of the 1978 urban policy have been refined and strengthened for the 1980's. Working in partnership with State and local governments, the private sector, and voluntary and neighborhood groups, this administration reaffirms its commitment to the following urban policies:

- **Policy I: Strengthen Urban Economies.** Action will be taken to strengthen the economic vitality of America's urban communities and to assist distressed communities to compete successfully for households and jobs.
- **Policy II: Expand Job Opportunities and Job Mobility for the Long-Term Unemployed and Disadvantaged.** Action will be taken to increase job opportunities for the structurally unemployed where they live and to increase their mobility to communities where jobs are available.
- **Policy III: Promote Fiscal Stability.** Action will be taken to assist cities to strengthen their tax base and meet urgent revenue needs.

- **Policy IV: Expand Opportunity for Those Disadvantaged by Discrimination and Low Income.**

Action will be taken to eliminate discrimination and increase access for all population groups to good quality housing, pleasant neighborhoods, and needed community services.

- **Policy V: Encourage Energy-Efficient and Environmentally-Sound Urban Development Patterns.**

Action will be taken to encourage State and local efforts in cooperation with the private sector to promote urban development patterns that conserve energy and environmental quality without limiting mobility or economic development.

Policy I: Foster Strong Urban Economies and Strengthen the Economies of Needy Urban Communities

Fostering urban economic revitalization is one of the central aims of my urban policy. National economic and demographic trends bringing growth and prosperity to some urban communities are bringing economic distress to others. Distressed communities need assistance in adapting to change and creating new bases for vital, productive economic activity. To achieve this objective, the Federal Government must: first, examine the urban impacts of its actions and halt or modify those that inadvertently cause harm to distressed urban areas; and second, take positive steps to encourage increased public and private investment in distressed communities. Since announcing the urban policy in 1978, numerous steps have been taken consistent with these demands. Consideration of the urban and community impact of governmental actions has been made an integral part of Federal decision

making. Federal facility location and procurement have been targeted to distressed communities. The investment tax credit has been modified to encourage rehabilitation of existing facilities. Federal economic development incentives, such as Urban Development Action Grants and Economic Development Administration grants and loans, have been expanded significantly. A great deal has been accomplished, but we must continue to improve the effectiveness of these measures. I am recommending the following additional steps:

A. Actions to Make Federal Economic, Tax and Regulatory Policies More Supportive of Urban Economies

This administration recognizes that national economic, tax, environmental, and regulatory policies can have unintended harmful or intended positive consequences for our Nation's urban communities. We will continue to balance legitimate national commitments made by Congress and this administration concerning the environment and energy conservation with commitments to help cities and towns strengthen their economies. The administration also reaffirms its commitment to achieve close coordination between necessary national economic policies aimed at reducing inflation and urban policies directed at economic revitalization. We will strive to:

- (1) *Strengthen linkages among macroeconomic, sectoral and place-oriented policies.*

During the 1980's, my administration will continue to strengthen

linkages among macroeconomic, sectoral, and urban policies. We will seriously consider adding an analysis of the economic status of urban communities to the President's Annual Economic Report to Congress. The analysis would describe the effect of problems faced by various industrial sectors on our cities and towns. Federal agencies will expand efforts to monitor macroeconomic, sectoral, and community economic performance.

(2) Revise tax policies that inadvertently harm urban areas.

I am requesting a review of the effect of Federal tax code provisions on urban economies. Among the items to be reviewed are methods of accelerated depreciation that favor the financing of new over existing structures, the issuance of non-targeted industrial revenue bonds, and the effect of tax code provisions on the rental housing market.

(3) Reduce paperwork and regulatory burdens on businesses desiring to locate or expand in distressed communities.

This administration will expand efforts to reduce paperwork and regulatory burdens on urban business. We will examine regulatory inhibitions on economic development activities in troubled communities, focusing on key regulations that constrain risk capital, commercial lending, plant expansion and transport costs.

(4) Reduce the inadvertent negative impacts of Federal actions on the economic vitality of distressed communities.

I reaffirm my Executive order requiring Federal departments and agencies to subject key legislative, budgetary, and regulatory initiatives to urban impact analysis and to consider modifying policies or programs that hurt urban areas. Provisions governing current urban impact analysis under A-95 and environmental impact procedures will be strengthened. The new community conservation guidelines will be affirmatively implemented by all agencies and monitored by the IACC.

(5) Develop strategies to meet air quality as well as economic development objectives.

EPA has made substantial progress in helping communities to reconcile air quality and economic development objectives. For example, it now allows communities to "bank" emission reductions for use in offsetting pollution emitted by new or expanded industrial plants. Private firms are now allowed to cast a "bubble" over their operations and increase or decrease emissions for different activities so long as they meet overall standards. My administration will continue to work with State and local governments as well as the private sector to evaluate the impact of current air quality standards on health, the environment and local economies. Flexible strategies will be developed to allow distressed communities to meet air quality objectives while, at the same time, addressing their job development needs.

B. Actions to Help Distressed Urban Communities Adjust to Change and Achieve Healthier Economies

Federal action can support local economic revitalization efforts. It can help cities and urban counties retain and attract businesses and jobs by assisting them in coping with outmoded, seriously deteriorated facilities and utilities. It can stimulate additional private sector investment by locating Federal facilities in distressed communities and targeting Federal purchases to firms in those communities. Toward this end, Federal policy will:

(1) Help distressed urban communities repair and improve vital infrastructure.

Current and foreseeable budget constraints preclude substantial new programs to help needy communities respond to major infrastructure needs. Increased funding for HUD's community development block grants and EDA's public works programs have provided much needed assistance. Both HUD and EDA are conducting major studies of urban infrastructure needs. Assisted by these studies, this administration will carefully examine options for expanding the use of existing programs for infrastructure rehabilitation and for responding to local needs with cost-effective new initiatives.

(2) Help maintain and improve vital urban transportation systems.

I have pledged to use over \$16.5 billion from the windfall profits tax over the next decade to improve

our mass transportation systems. Of that, \$13 billion will be allocated to increase mass transit capacity, \$2.5 billion directed to promote the energy-efficient use of the automobile, and \$1 billion will fund research on automotive fuel efficiency.

The Department of Transportation will continue to review projects prior to funding to assure that they are energy-efficient, environmentally-sound, and not harmful to distressed communities. DOT will also reaffirm its commitment that transportation development improve access by minority and low income households to better housing, jobs and services. To the extent statutes permit, it will grant priority to better management and to increased rehabilitation of existing highways, transit systems and airports as alternatives to major new construction projects.

(3) Expand public and private investment in distressed communities through Federal facility location and procurement.

My Executive orders on facility location and targeted procurement have resulted in the increased use of central business areas to meet Federal agency space needs and greater focusing of Federal purchases in labor surplus areas. To achieve even more rapid progress, I will consider changes to strengthen GSA's ability to oversee Federal facility location and procurement efforts. I will also consider strategies to improve our ability to target facility location and procurement to needy communities.

(4) Assist local governments to conserve energy and develop new and alternative energy sources.

The administration is committed to helping local governments to develop better energy planning and management capabilities and improved energy conservation and development strategies. We will review immediately ways that the Federal Government can assist local governments to conserve energy, to develop new and alternative energy resources (for example, through district heating or cogeneration), and to integrate energy conservation and resource development objectives into local community and economic development plans and programs.

(5) Continue strong Federal support for economic self-help development initiatives.

Aware of the limitations of government and the potential of self-help economic development, my administration has supported a number of proposals to strengthen self-help initiatives. These include HUD's Neighborhood Self-Help Development Program, the National Consumer Cooperative Bank, improvements in ACTION's Urban Volunteer Corps, and charter funding for Community Development Corporations. This Federal commitment to help citizens help themselves will continue to be emphasized as we enter the 1980's.

To this end, I will encourage all pertinent Federal agencies to promote public-private and non-governmental partnerships for community economic development. Efforts will be directed toward improving coordination and cooperation among local gov-

ernments, community based organizations, voluntary associations, private developers, investors, bankers, and grant-making organizations in the planning, financing, implementation and management of community development programs.

Policy II: Expand Job Opportunities and Job Mobility for Long-Term Unemployed and Disadvantaged in Urban Communities

Between December 1976 and December 1979, the national unemployment rate declined by one-fourth to 5.9%, and the number of people employed increased by over 9.2 million. Total employment reached an all-time high of 98 million at the end of 1979. During the same period, the unemployment rate declined in all major urban areas, and the number of people employed in urban areas increased significantly. Despite this dramatic improvement in the employment picture, many urban communities, particularly those that are needed, continue to experience high unemployment rates, especially among minorities, youths, and the poor.

To increase job opportunities for those who need them most, this administration has improved the targeting of employment and training assistance to the economically-disadvantaged, created the Private Sector Initiatives Program to increase private sector employment opportunities for Comprehensive Employment and Training Act enrollees, substantially expanded youth employment and training programs, and created the Targeted Job Tax Credit to provide

employers with an incentive to hire disadvantaged workers. These programs are beginning to have an effect, but even stronger action is needed to assure that economically-disadvantaged persons do not bear the brunt of urban economic distress. The following actions to address this issue are compatible with this administration's balanced budget objectives:

(1) *Strengthen current interagency agreements to target jobs resulting from federally-assisted projects to disadvantaged workers.*

Within the limits of existing law, strong efforts will be made to assure that the maximum feasible number of jobs created by federally-aided projects and procurement contracts go to economically disadvantaged persons. I am asking Federal agencies to require that local employment plans be included in applications for Federal assistance, and that these plans be made a major factor in funding decisions. We will redouble our efforts to meet and exceed job creation goals for distressed urban communities.

(2) *Evaluate the Targeted Jobs Tax Credit program to ensure that it provides jobs for disadvantaged workers.*

Creation of the Targeted Jobs Tax Credit to replace the expiring Employment Tax Credit was an important achievement of my 1978 urban policy. It has increased the employment of disadvantaged young workers, Vietnam veterans, handicapped workers, and other targeted groups. We will evaluate the early impact of the tax credit

and initiate any efforts that are needed to make it more successful.

(3) *Enact this administration's Youth Employment Initiatives.*

Young workers between 18 and 24 suffer the highest unemployment rate in the Nation. To prevent this tragic loss of talent and erosion of youthful self-confidence, I have proposed a major new youth employment initiative. This initiative provides disadvantaged youth with graduated training and work experience, including basic education skills, tied to their growing maturity and job-readiness. It strengthens the capacity of existing educational institutions to equip youths with necessary job skills and provides work experience to prepare youths for the world of work. I continue to assign high priority to passage of the Youth Employment Initiatives by the 96th Congress.

(4) *Expand geographic job mobility for disadvantaged workers.*

Persons with low job skills living in economically distressed urban communities are more likely to be unemployed, and to be unemployed for longer periods, than similar persons in economically thriving communities. This administration has acknowledged its responsibility to assist workers displaced from their jobs as a result of Federal action. We will continue to seek ways, in cooperation with State and local governments and the private sector, to assist workers in communities losing employment in seeking jobs where they are available. The Employment Service already offers some assistance to workers. I am requesting an examination of existing and new approaches to

increase job mobility and more clearly link job training and job placement efforts. Possible reforms in the CETA program, tax policies, and welfare programs will be considered.

Policy III: Promote Fiscal Stability in Urban Communities.

Through its tax policies and the economic development programs administered by EDA and HUD as well as other agencies, my administration has helped many needy communities strengthen their economic position and their long term fiscal viability. Improvements in the local tax base from the retention and expansion of local jobs and the improved employment and income status of residents will increase local revenue sources. These actions will also help reduce fiscal disparities among local governments within metropolitan areas. Until these improvements take hold, economically hard-pressed communities will continue to need substantial fiscal assistance from the Federal Government.

During the last recession, this administration worked with Congress to enact the Economic Stimulus Program that provided substantial countercyclical assistance to urban communities in the form of Anti-Recession Fiscal Assistance, Local Public Works assistance, and sharply increased CETA public service employment positions. This assistance was largely phased out when the economy recovered. Other administration actions have increased the targeting of Federal assistance to communities suffering from longer-term fiscal strain. A dual formula was developed for the Community Development Block Grant program which in-

creased allocations to older distressed urban communities. Improvements were made to the formulas for allocating CETA assistance. Special funds from Title I of the Elementary and Secondary Education Act were provided to needy urban areas. EDA now provides substantial aid to distressed urban communities as well as rural areas. These and other changes have improved the targeting of assistance to needy places and disadvantaged people. I am recommending the following additional steps to improve the targeting of fiscal assistance and to strengthen local management capacity:

(1) *Consider ways to take cost differentials into account in distributing Federal aid.*

Because of the persistence of regional and place-to-place cost differentials, Federal aid formulas may inadvertently discriminate against high cost areas. Recognizing the complexity of the issues involved, I will examine the advisability of incorporating an index capable of measuring cost differentials into the criteria used to distribute aid under formula and discretionary grant programs.

(2) *Modify and extend the General Revenue Sharing program and enact the Targeted Fiscal Assistance program.*

To achieve the dual objectives of balancing the Federal budget and providing local fiscal relief, I have proposed extension of the General Revenue Sharing program with important modifications: first, elimination of the State share for a

savings to the Federal budget of \$2.3 billion; second, provision of \$500 million in transitional fiscal assistance to local governments to offset Revenue Sharing funds that were formally passed through to them by States; and third, improved targeting of the local share of Revenue Sharing funds to provide additional relief to communities with high tax and poverty burdens.

In addition, I have proposed the creation of a Targeted Fiscal Assistance program in fiscal year 1980 of \$250 million aimed at local communities experiencing long term economic distress. With shrinking tax bases and growing dependent populations, these communities lack the capacity to provide essential services and restore their economic health and competitiveness without outside assistance.

(3) *Refine the criteria for distributing grant programs to improve the targeting of funds to needy communities.*

This administration will make continued efforts to improve the criteria used in grant programs so that Federal assistance is fairly and equitably targeted to needy places and needy people. Provisions governing aid distribution will be subjected to intensive analysis. Current indices measuring such problems as unemployment will be improved to more precisely indicate local problems. Methods to improve accurate counting of minorities and low-income people in census reports will be initiated.

(4) *Strengthen State and local management capacity.*

My administration will continue to support actions to strengthen the

public management capacity of local government. Federal agencies will be encouraged to expand current programs to promote State and local government productivity and management capacity. The Intergovernmental Personnel Act will be amended to authorize grants for the development of management systems. In addition, priority will be allocated to executive reforms to reduce the adverse impact of Federal action on State and local productivity.

Policy IV: Expand Opportunity for Those Disadvantaged by Discrimination and Poverty.

A. Actions to End Discrimination

I am proud of this administration's efforts to combat discrimination against minorities, women, and the handicapped. Reorganization and strengthening of civil rights enforcement activities have led to significant improvements in implementing equal employment opportunity. Still more can be done to further the gains already made.

The promise of equal housing opportunity must become a reality. I will continue to press for congressional passage of amendments to the Civil Rights Act of 1968 that will strengthen HUD's ability to secure prompt and equitable compliance with the fair housing provisions of Title VIII. Consistent with the administration's effort to strengthen Title VIII, I will soon issue an Executive order that will strengthen inter-agency efforts with respect to achievement of fair housing objectives.

From the beginning of my term, I have worked with the Congress to increase opportunities for minority business. As a result of our efforts, enormous progress has been made in the last three years:

- Federal procurement from minority-owned firms has increased by nearly two-and-one-half times;
- Federal deposits in minority-owned banks have nearly doubled;
- Minority ownership of radio and television stations has increased by 65%;
- The Section 8(a) program operated by the Small Business Administration has been reformed to improve targeting to minority-owned business.

My administration is committed to expanding upon the progress made to date. This year we will triple the 1977 level of Federal procurement from minority-owned firms. My 1981 budget improves the targeting of Small Business Administration loans to minority-owned businesses. We will also expand management, technical, and training assistance for minority firms and provide funding for minority capital development under the SBA's Minority Enterprise Small Business Investment Company program.

I am also proposing that Congress establish the Minority Business Development Agency within the Department of Commerce. That Agency, a successor to the Office of Minority Business Enterprise, was established last year under administrative authority, but I believe Congressional authorization would strengthen its operating abilities.

B. Actions to Expand Housing Opportunities

Despite rapid inflation in housing costs and rising interest rates, actions on the part of my administration have helped to maintain new housing construction, make mortgage credit available, and assist low income households to secure affordable housing. However, persistence of rapid inflation and the need for tight monetary policy threaten the progress that has been made in expanding housing opportunities. To address these needs, I have incorporated in my fiscal 1981 budget a proposal for 300,000 assisted rental units, a 25% increase over 1980 levels. This recommendation reflects my concern about the number of poor Americans still living in substandard housing. The following additional actions will be taken:

(1) Coordinate housing production with efforts to conserve the existing housing stock.

This administration will continue to base its housing assistance programs on a careful study of local market conditions and household needs. Current market analysis procedures will be strengthened to assure consistency among the location and number of federally-assisted or insured units, local market conditions, and local community efforts to conserve the existing housing stock and preserve older neighborhoods.

(2) Encourage neighborhood revitalization for new and present residents.

This administration will strive, through amendments to existing programs, to encourage the revitalization of neighborhoods while

assuring that displacement of persons in connection with Federal or federally-assisted programs and activities is minimized. Where such displacement is unavoidable, appropriate relocation assistance will be provided through strategic local use of existing Federal programs including Section 8, 312 and CDBG funds. Additional efforts will be directed at expanding the supply of housing available to low- and moderate-income persons in urban areas.

(3) Increase housing choices outside areas of concentration for low- and moderate-income households.

I strongly support efforts to encourage localities and the private sector to provide an expanded range of housing options to low- and moderate-income households and minorities. Continued efforts to foster housing mobility and choice will be initiated by this administration. We will work with localities to strengthen their fair share housing plans. We will encourage localities to use housing assistance programs in innovative ways to provide expanded metropolitan-wide housing choices for disadvantaged households now concentrated in older centrally located neighborhoods.

(4) Expand housing opportunities for low- and moderate-income households.

The private housing market, acting alone, is not able to meet the housing needs of low- and moderate-income families at price levels within their financial resources. At the same time, budgetary con-

straints limit Federal aid that can be offered. Now, more cost-effective housing strategies must be considered. In this regard, it should be noted that if the supply of rental housing were increased in urban areas where rental shortages exist, use of Section 8 assistance for existing rental units would permit more lower-income households to be assisted with the same total cost. Thus, if adequate amounts of rental units can be produced or are available, it would be possible to increase the use of Section 8 existing subsidies. I recommend:

a. An immediate review of rental housing shortages and consideration of new mechanisms to expand the production of rental housing, if and where needed, thereby permitting greater reliance on the Section 8 Existing program to provide housing for low- and moderate-income households, where appropriate.

b. Use of Section 8 New Construction rental assistance and public housing funds to meet the special housing needs of large families, the elderly, and the handicapped; to provide increased flexibility in tight rental markets; to expand low-income housing opportunities in non-impacted neighborhoods; and to meet strategic revitalization needs.

C. Action to Improve Urban Services

Numerous steps have been taken by this administration to improve basic social services. The Food Stamp program has been expanded and the purchase requirement eliminated. Federal assist-

ance for education has expanded 75%. A National Health Plan has been proposed which will provide millions of low-income Americans with health coverage for the first time, as well as improved Medicare coverage for the elderly and protection for every American family against the disastrous costs of extended illness. Also proposed are a Child Health Insurance program to provide health care for disadvantaged children and a Mental Health System Act to improve mental health programs. Finally, this administration's welfare reform proposal is now before Congress.

Improving the quality of social services has been and will continue to be a major urban policy commitment. Needy communities, in particular, require continued Federal, State and county assistance to provide adequate community services. Although budgetary constraints limit the size of future increases in key programs such as Title XX and ESEA, they do not prevent the reform of existing programs or consideration of new partnerships among Federal, State, county and local governments to secure better service delivery. In this context, the administration will:

(1) Improve the effectiveness of Title XX.

Title XX of the Social Security Act is the basic Federal program of aid to States and localities for provision of social services to low-income families and individuals. States are solely responsible for allocating social service funds among programs and jurisdictions within the State. To increase the responsiveness of State allocations to local community needs, I have recommended that States be re-

quired to consult with local governments so that plans for allocating Title XX funds reflect community needs. In addition, this administration will consider additional means of focusing Title XX assistance on the needy.

(2) Improve health care services.

The administration's proposed national health care programs will go far toward improving access to health care services in urban communities. Expanded insurance coverage provided by my health care initiative will permit millions of low- and moderate-income urban residents a chance to secure medical treatment without excessive financial burdens. My cost containment proposal will slow the exceedingly rapid growth of hospital costs.

While congressional debate proceeds on these initiatives, we will examine ways to improve the Medicare/Medicaid programs and to stabilize the financial position of public hospitals enabling them to continue to serve the medical needs of low-income people.

(3) Improve urban education.

This administration reaffirms its commitment to quality integrated education for all students. The Departments of Housing and Urban Development, Health and Human Services, and Justice will work together to develop creative ways to achieve housing and school integration. The new Department of Education will focus Federal efforts on the Nation's public education needs. Title I of the Elementary and Secondary Education Act will continue to provide financial support to many needy school districts. Efforts

already have been made to increase the focus of ESEA on needy communities and students. Passage of the Youth Employment Initiatives will provide significant new support for junior and high school education while strengthening ties between education and employment.

Policy V: Encourage Energy-Efficient and Environmentally-Sound Urban Development Patterns

The growth and development of urban communities in the next decade will exert major influence on national policy objectives regarding energy conservation, environmental improvement, and the preservation of farm land. Patterns of growth and change will also influence—and be affected by—infrastructure investments, neighborhood quality, and the production of various types of housing.

Current urban development patterns serve most Americans, but at some cost to low-income households, environmental quality, and energy efficiency. Present patterns cause substantial reliance on the private automobile; this has increased personal choice in the work-home relationships but limits the mobility of those without cars. It also has contributed to deterioration of environmental quality and to high levels of per capita energy use for transport and housing.

The administration reaffirms its 1978 policy commitment to work with State and local officials and the private sector to encourage urban development patterns which are both energy-efficient and environmentally-sound and which will accommodate expanded economic growth, community devel-

opment and household mobility needs.

A. Actions to Assist Local Communities to Define Development Options and Strategies

This administration will continue to assist State and local governments and the private sector to define urban development options and strategies which balance growth and revitalization priorities.

At my request, HUD has asked the Urban Land Institute to create a Council on Development Choices for the 1980's composed of a cross-section of political leaders, public officials, private sector leaders, urban analysts and representatives of public interest groups. The Council will develop specific options with respect to efficient, equitable growth patterns. The analyses and recommendations of the Council will be completed in early 1981, and will be used to initiate a continuing dialogue among private citizens and public officials at all levels of government on future urban development priorities.

The Department of Agriculture has taken initial steps, and is studying the need for other measures, to protect prime agricultural cropland from conversion to urban uses. Several States have made parallel studies. These efforts will be linked to HUD's effort to define development choices. Together, progress can be made toward achievement of two different but highly compatible national objectives: preservation of prime agricultural land and control of unplanned urban sprawl.

At the local level, the administration will encourage State, areawide and local planning with respect to development choices.

Significant steps have already been taken by the administration to simplify and coordinate data and analysis requirements for current planning assistance programs. The administration will continue to work in partnership with other levels of government and the private sector to encourage State, areawide and local development policies which reflect an integrated set of development and revitalization priorities consistent with energy conservation, economic development and environmental quality goals. Toward this end, the following steps will be taken:

(1) Amend A-95 and NEPA guidelines.

I am asking the Office of Management and Budget to amend A-95 guidelines to assure more equitable representation among constituent members; require comprehensive policy plans as a prerequisite for continued clearinghouse designation; strengthen the relationship of State, regional and areawide planning groups to functional or single-purpose planning entities; and consolidate areawide planning and assistance programs into a single annual entitlement.

Both A-95 and NEPA guidelines currently include general language related to the initiation of urban impact analyses. Both will be evaluated in light of their ability to help public and private groups preparing related A-95 reviews and/or environmental impact statements to understand the effect of Federal actions on urban development patterns. Amendments to each set of guidelines will be made, if necessary, in order to refine, clarify, and strengthen the urban impact analysis process.

(2) Review and consider change in Federal planning assistance programs.

I will continue to encourage each Federal agency to review its planning assistance programs and program prerequisites for ways to improve linkages to State, area-wide, and local comprehensive land use planning. Federal programs should encourage recipients of assistance to acknowledge national urban policies, including energy conservation and environmental objectives, in their plans. Greater coordination between assisted planning efforts and assisted development projects must be achieved.

B. Actions to Assure Federal Activities Foster Energy-Efficient and Environmentally-Sound Development Patterns

Federal actions should reinforce, to the extent possible, the development of energy-efficient and environmentally-sound urban development patterns. The administration will consider the following additions to steps already taken:

(1) Amend Federal tax laws to remove possible preferences favoring new development over rehabilitation of existing structures.

See Policy I.

(2) Amend OMB guidelines regarding the President's Executive order on urban impact analysis and strengthen the inter-agency response to the Executive order.

At present, OMB guidelines with respect to my Executive order on urban and community impact analysis do not explicitly require

Federal agencies to examine the potential impacts of their proposed policies upon urban development patterns or upon energy, environmental, and economic development objectives. I am requesting a review of the experience with urban and community impact analysis to date, including the feasibility of incorporating these additional considerations in the guidelines. I am also directing each agency to increase its efforts to respond to the Executive order on urban impact analysis and to provide my staff with continuous progress reports on their efforts to initiate urban impact analyses.

(3) Refine Community Conservation Guidelines.

The Administration's new Community Conservation Guidelines, announced in November of 1979, have won substantial support from public officials, various public interest groups, and leading private sector executives. Numerous community impact analyses of large commercial developments have been prepared at the request of locally elected mayors and county executives. They have generated coordinated actions by Federal agencies to help the job base, economies, and shopping areas of existing communities. The IACC will continue to monitor and assure an affirmative and vigorous agency response to the guidelines.

(4) Review the urban development impacts of key Federal policies and programs.

My administration will review the relationships between Federal programs related to highways, housing, infrastructure and economic development, and urban development patterns. This review will be undertaken in close cooperation with the Council on Devel-

opment Choices. Specific recommendations will be made to facilitate more effective, coordinated inter-agency strategies to meet land settlement objectives.

Toward Responsible Federalism

The decade of the 1980's will pose new and difficult challenges for the Federal system. Resource constraints will make it difficult for national, State and local levels of government to respond to the public services needs generated by an increasing population. In addition, the appropriate roles and responsibilities of each level of government must be reconsidered in light of the spatial redistribution of resources and needs.

Already, roles are changing. Many States have taken on an aggressive urban agenda. Some urban counties have accepted new responsibilities with respect to the funding and provision of urban services. Some regional groups in partnership with local governments are attempting to turn areawide plans into meaningful action. Federal roles are changing as well, as the National Government increasingly accepts a greater share of the cost burden of providing welfare and health care for the Nation's low income citizens and the addresses challenges of the Eighties.

A sustained dialogue is required among Federal, State and local officials and interested public interest groups regarding an equitable and efficient assignment of functions and costs to each of the basic levels of government. I intend to continue this dialogue, so that we can strengthen the partnership that has already developed in support of this administration's urban policy.

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