

A STRATEGY FOR  
FEDERAL URBAN POLICY:  
THE  
ACTIVATION OF  
STATE LAW-MAKING

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Because of the success Minnesota has had with the Twin Cities Metropolitan Council, and because of our own role in thinking out the design of the Council when it was set up by the Legislature in 1967, we've been interested--in the Citizens League--to follow the discussions about federal urban policy.

Our particular interest has been in what might be done to improve the organization of the urban areas, both in making decisions and for delivering services. Money and programs are vital, of course. But there is no shortage of interest in these. What is short, it has seemed to us, is an understanding of the fundamental importance of institutional arrangements . . . and, of course, of ideas for institutional change that are--at the same time--constructive and politically implementable.

We think we have some innovative and useful ideas, which we have written down in the memo attached. We hope you will read it, with some care.

In most of the urban areas of this country there is not really a shortage either of money, or of talent, when the regional 'city' is taken as a whole. The problems are in the legal, municipal 'city' . . . because the area is not organized in such a way that decisions can be made, money raised, and systems built and operated so as to bring together problems with resources.

The federal government--constitutionally, in our system--cannot change this situation directly. But it can set in motion a process which, moving through the states whose governments do have such authority, can work a basic institutional change. What is needed, on the part of the national government, is simply a clear sense of what strategically has to be done, combined with a skillful and tactful diplomacy with the states. It will also take patience. What is not needed--thankfully--is another whole set of regulations and planning requirements.

It can all be reduced to two steps, which can be stated simply:

- 1) It is essential to get a process of state law-making under way, on the major issues within the urban areas. Revenue systems, land-use controls, local government organization--all are basically set up, and reorganized, by state law. This will not handle the problem of the New York area. But it will handle the great majority of urban situations, and will free up the federal government to deal with the limited number of multi-state urban areas that remain.
- 2) It is essential to get the proposals . . . the bills . . . moving to the state legislature to come out of a local political process in which the problems have been looked at from the perspective of the urban area as a whole. In practical terms, this means that the planning and coordinating agency in each metropolitan area--whether set up as a council of governments or in some other way--should now begin to develop a legislative program.

These conclusions are more fully explained in the memo attached. We respectfully submit them for your consideration.

## THE ACTIVATION OF STATE LAW-MAKING, AS A STRATEGY FOR FEDERAL URBAN POLICY

Some brief identification of the organization submitting these ideas probably is in order at the start.

The Citizens League has been in the Minneapolis/St. Paul metropolitan area for 26 years. It is a non-profit, private educational corporation. Its main activity is the in-depth analysis of local community policy issues, and the preparation of proposals for public action. It does not do work for clients. It has general, sustaining funding from the Twin Cities area, and determines its own program of work.

It has come to be -- in budget, staff, membership and reputation -- one of the largest, best known and most successful of these private-sector metropolitan-based organizations, dealing with basic issues of local public affairs.

Its active members include persons with substantial experience in business, in non-profit and civic organizations, and in government -- in the Legislature, the Metropolitan Council, and local office, elected and appointed.

Over the last 15 years, especially, its study committees have worked out much of the rationale and the design for the reorganization of local government and finance which has been carried out by the State of Minnesota, for the Twin Cities metropolitan area. The program of tax-base sharing, carried forward currently in the report to the President by the Urban and Regional Policy Group, was originally **designed** in a study committee of the Citizens League, in 1969.

1. The 'urban' problem deserving primary attention by the federal government is the problem of the way the major metropolitan regions are organized for purposes of the effort to deal with public finance, policy-making and service delivery.
  - a. The primary, and most fundamental, dimension of the urban problem is the intra-metropolitan dimension. The farm-to-city (or city-to-rural) dimension is real, but does not present policy issues of comparable magnitude. The inter-metropolitan dimension presents some real issues, but is a separate and less manageable question.
  - b. The urban problem is not most usefully seen, by the federal government, as the sum total of the problems of housing, security, education, transportation, waste disposal, etc., within an urban region. The urban problem, for national policy purposes, is the inability of the region itself to assemble the resources of leadership, money and formal authority with which to attack the specific problems in its particular urban service systems -- divided, as the region typically is, into politically and fiscally separate and independent units.
  - c. The indispensable first step toward a solution therefore is for the federal government to try to secure the establishment of a mechanism for policy-making and for revenue-raising that embraces both the urban core and the urban fringe.
  - d. The 'institutional strategy' -- enlarging and reorganizing the system of government and finance within the urban regions, to reflect the physical

growth and the increasing complexity of these regions, and to expand their capability both to deliver service and to raise revenue -- is a major element of the domestic policy of most nations of the world. It is as needed and important an element of policy in the United States as it has been in England, Denmark, France, etc.

It has not been present in this country because it cannot be carried out directly by the national government, given our federal system. Our federal government is in confusion about the definition of the 'city' it wishes to use as the basis for its urban policy. Intellectually, it does frequently recognize the reality of the metropolitan area -- the 'daily urban system' of the geographers. It has required the creation of metropolitan planning bodies. But it is less interested in their performance than in their composition -- because politically, at the same time, it recognizes the reality of the municipality. Thus, our metropolitan regions continue with general governments that are not regional, with regional governments that are not general, and with regional organizations of general policy jurisdictions that are not governments.

- e. It is possible, however, as well as necessary, to carry out an institutional reorganization of the metropolitan regions of the United States. It is also feasible, and appropriate, for the national government to play an important and primary role. It will have to be an in-direct role, moving through the authority of the states over the systems of urban governmental organization and finance.

The 'urban strategy' becomes, therefore, in substantial part, a 'state strategy.'

## 2. This institutional problem is a major cause of urban distress.

- a. There is real, economic distress. There are whole regions that have obsolete, high-cost plants, and are in a line of business for which there is declining demand. This kind of distress it is both appropriate and feasible for the national government to act on. This is also the inter-regional dimension of urban policy: moving people to jobs, or jobs to people, between and among the major urban regions of the country; or between metropolitan and non-metropolitan areas.
- b. There is distress also within metropolitan regions created in significant part by the policies followed in the arrangements for the raising and spending of revenue, for the handling of public problems, and for the delivery of public services. It can be distress on the outer fringe of the region, in the 'suburbs' where the growth of population on a thin tax base has led to inadequate facilities, overcrowded schools and high tax rates. Or it can be distress at the core of the region, in the 'central city,' where the aging facilities and declining population and stable tax base has also led to high service costs and high tax rates.
- c. The impact of institutional arrangements in creating distress can be seen most clearly by taking one of the soundest and least distressed regions in the nation . . . Houston, perhaps . . . and running out, hypothetically, a set of conscious actions to create the kind of situation which has grown up, without conscious action, in the most seriously distressed regions.

Suppose, for example, that the Houston area were, by 1980, to be divided into 10 geographic areas. Each area would be incorporated separately, and given its own city council and staff, and local newspaper. Each would henceforth be required to support the public services its citizens require from the revenue it could raise by taxes on the property and on the residents physically located within its new borders. The central business district would be located in one such new municipality; the near-downtown residential areas in another; the post-war residential areas in another; the suburban commercial areas in another, and so forth.

The primary impacts, on local tax rates and service levels, would be apparent almost immediately. These would, in turn, create secondary impacts through their influence on the locational decisions of individuals and businesses. Over a period of time, the disparities would widen and substantial distress would be created -- along with growing appeals to the federal government for fiscal relief.

- d. The institutional reorganization for the major urban regions consists simply of an effort to run this sequence of steps in reverse, in areas where today neither the fiscal base nor a policy body covers the urban region as a whole. In other words, an effort at limited unification.
3. 'State', in a state strategy, should mean 'the process of state law-making.'
- a. The problems in the urban areas are not fundamentally problems in service delivery. There are, clearly, major problems with services, and service delivery. But underlying these is the problem of the political institutions that make decisions about services, service levels and their financing. It is these problems with the policy-making institutions that it is most basic to address.
  - b. Nor are the answers - directly -- the solutions enacted in one region for growth control, or in another region the new transportation system or in another the management for public finance or metropolitan structure. The Twin Cities area, for example, is much admired for its new approaches in all these areas. But what has been done there is not the lesson from that region's experience. Rather -- as the chairman of the Twin Cities Metropolitan Council put it in their report to the 1978 Minnesota Legislature:

*"The Council continues to draw interest nationally. People in other urban areas are interested in the Council's organizational structure and its responsibilities. They are equally interested in the process through which change has occurred in the Twin Cities area, and what they can 'borrow' for their own area from the Twin Cities area's experience.*

*"The unique form of the Council and regional commissions here may not be suited to the needs of Burlington, Chicago, Detroit, Boise and San Jose, but the process may be.*

*"The guiding force behind the process that set up the 'Minnesota Experiment' is clearly the Minnesota State Legislature*

*a fact that should be recognized in other states if they are to bring about needed urban change. Legislatures must be involved and knowledgeable about urban problems, and they must be willing to deal courageously and intelligently with the difficult, complex and frustrating questions these problems present.*

*"The key to the Minnesota process has been a legislature that has been willing to set up a management system for the Region, to provide tools to make the system work, and to give policy direction to stimulate and support those efforts.*

*"The Minnesota Legislature has done these with consistency; first, in 1967 when the Council was established; second, in 1969 when the policy-implementation model of the Council and the Metropolitan Sewer Board was set up; third, in 1974, when regional governmental relationships were pinned down through the Metropolitan Reorganization Act, and fourth, in 1976 when a mechanism for coordinating and integrating regional and local planning was established through the Metropolitan Land Planning Act."*

- c. The mechanisms constructed to deal with urban affairs on the executive side of state government typically do not constitute policy-making mechanisms of this sort. Rather, these institutions will have to be created -- new, or out of something else presently existing.
- d. Given the nature of the problems, these institutions will be obliged to deal with issues on which the real interests of the different parts of the urban region conflict. Their systems of representation and voting will have to be designed to resolve these conflicts.

It is unlikely, therefore, that such mechanisms can be agreed-upon by the local government units which presently compose the typical regional council. Their advice and participation will be important. But the state government will need to establish some formal and continuing mechanism. This will need to be done officially, by statute.

4. The most important, and most appropriate, initiative -- to activate the process of state law-making -- will come from the regional council covering each major urban region.

- a. The experience with the important metropolitan reorganizations so far suggests that the major initiative does not come from governors. They are, of course, a part of the law-making process. Their initiative should be encouraged. But they should not be relied-upon as the principal source of proposals on these sub-state issues.
- b. The federal government has never tested the potential that lies in the metropolitan organizations created as a result of its 1966 urban legislation. In part, these regional clearinghouses function to advise federal agencies whether projects that local governments want to finance with federal aids are, or are not, consistent with regional plans. In part, they function as a mechanism through which the local governments can work cooperatively on projects on which the interests of their members do not conflict.

Neither relationship -- with the federal agencies, or with the constituent local units -- can possibly produce the institutional rearrangement that is required. Neither the agencies nor the local units have either the capability or the desire to change the system of urban governmental organization and finance.

- c. The productive relationship -- so far not yet tried, or explored -- is to face the metropolitan planning and policy body, instead, toward its own state government . . . required to translate its understanding of the problems of its region, and what ought to be done about them, into the form of bills to be sent to the legislature for action.

5. Two actions by the federal government are required, to implement this state strategy.

- a. The federal government should require that, as a condition of their continuing to receive 701 funds and other planning assistance after a defined year (say, 1983), the metropolitan clearinghouses must prepare and present, biennially, a legislative program, addressing the major issues and problems of the region -- specifically including the issues of the system of local government and public finance.
- b. The federal government should require that the states take the responsibility for establishing this process. The maintenance of the systems of local government and finance is, constitutionally, their responsibility. If these systems have been allowed to deteriorate, in such a way that the resulting problems press on the federal government for solution, the federal government is entitled to press on the states to meet their responsibilities.

The states should therefore be required -- again, by 1983 -- to enact the regional clearinghouses separately into state law. In other words, to pass the questions of representation and voting in these regional clearinghouses through the process of state law-making, where the test will be to create a mechanism capable of handling the issues about service levels, service delivery, governmental reorganization and public finance within the metropolitan region.

There is precedent for this. As a condition of receiving federal highway aids after 1916, the states were obliged to establish a statutory agency for the handling of this system. More recently, in 1976 the states were required to enact their criminal justice planning agencies separately into law, as a condition of continuing to receive federal aid under this program.

6. The essence of the state strategy is to establish a *process* through which the major problems of the metropolitan urban regions will be taken up, and acted on. This process is the process of state law-making.

It emphatically should not be an effort to prescribe -- in general, or for any particular region -- what the outcome of that law-making process must be. It should not prescribe what the system of local government organization must be. It should not prescribe what the system of public finance must contain. It should not prescribe what the physical development plan must be. Conditions differ, among the major metropolitan areas, and variations are both necessary and appropriate.

*Nor should the federal government attempt to prescribe the makeup of the metropolitan organization which will be studying issues and preparing the recommendations for the state legislature. Each state should be free to set up that mechanism as it -- and as the people and the local governments of the region -- desire, so long as the state assumes the responsibility for its working effectively, to prepare, debate and approve bills that address the major problems of the region. There will be strong pressures by one interest or another, to prescribe a mechanism that will give that interest a preferred position in the discussion that will occur within each region. These should be resisted. All interests will have an opportunity to argue their case when the question of establishing the regional clearinghouse in law comes before the legislature of the state.*

7. This state strategy, aimed at a basic institutional rearrangement within the metropolitan regions, will be difficult, and controversial, and will require some considerable time before it begins to produce significant results.

It is justified by the following considerations:

- a. The alternatives -- of a permanently open-ended federal financial commitment to deal with the problems of distressed cities, or of continually deteriorating conditions -- are unacceptable.
- b. It is not intended -- at least, not initially -- for the most distressed urban regions. It will contribute little, early, to the problems in the Northeast, where (among other problems) some of the largest metropolitan areas are multi-state situations. But this is not its purpose. It is mainly intended for those urban regions elsewhere in the country, that are single-state situations and where the problems are not yet so serious. The strategy, in effect, is to get the maximum number of situations handled at the state/regional level, where an institutional rearrangement can make a difference at a fairly early date . . . so that the efforts of the federal government can be concentrated on the areas where the problem is more severe, and requires more of the kind of help the national government can provide.
- c. Most of the most important metropolitan regions are, in fact, single-state situations. Down the Pacific Coast; through the Mountain states; the Southwest; the deep South; the Border states; the Great Plains. There are problems along the Missouri/Mississippi/Ohio river system. But the rest of the Middle West, the Great Lakes states and New England . . . all have their principal metropolitan areas mainly within the borders of the state. The major exceptions are the Middle Atlantic states: New York, Philadelphia, and the National Capital region.
- d. The federal government would not have to act alone. Significant forces exist within almost every metropolitan region, disposed toward the sort of limited unification of the region that emerges as desirable from the standpoint of federal policy. Most of these are in the private sector, which has, in many cases moved, long since, to adjust the boundaries within which it operates to the new and larger dimensions of the metropolitan region. Again, the great potential here has been obscured in this case by the tendency to view the problems of the federal system



as "inter-governmental" problems -- without a private dimension.

- e. This strategy -- to say again -- would not represent the total urban policy by the federal government. It represents only one (though an essential) element of an urban policy.
8. The state strategy needs to be approached essentially as a problem in diplomacy, not as the imposition of additional 'planning requirements.'
- a. ~~Because~~ the strategy of state-law-making is necessarily a strategy of in-direct action, it will require a new and different approach on the part of the federal government. Essentially, it is the approach traditionally taken to the strategy of foreign policy, when the national government has always been obliged to seek results in situations where it normally cannot take direct action.
  - b. A fair case can be made, in fact, that, since 1947, the government has accomplished far more in the reorganization of the institutions of Western Europe than it has in the reorganization of the institutions of governance in the great urban regions of this country. With the clear objective of limited political and economic unification in mind, and with leverage of economic and financial aids . . . but always with respect for the need for the other governments themselves to take the action that was required . . . a whole set of multi-national institutions has been brought into being. It is possible that direct elections will be held in the fall of 1978 to a European Parliament.  
  
(Reflecting this, it has been suggested -- perhaps only facetiously -- that urban policy in this country should become the responsibility principally of the Department of State. Its development of a system for reporting, reliably, what is really going on in the areas in which it is interested -- with political intelligence, economic intelligence, diplomatic intelligence -- adds at least a superficial attractiveness to the idea of making that department responsible. No comparable system exists, for the departments operating domestically.)
  - c. A fair case can be made, too, that results will be better and will come sooner than the general low regard for the process of state law-making would suggest. The modernization of state legislatures over the past 15 years remains arguably the most significant and almost certainly the least-reported change in the American governmental system.
9. It would be helpful, and appropriate . . . as a part of the effort to reconstruct the institutional framework of the major urban regions . . . to call up explicitly the parallels with the period in which our institutions of governance were created, 200 years ago.

We are leaving behind, now, the Bicentennial of the Revolution and moving into the Bicentennial of the Constitution. This is not a date, but a period -- during which people were struggling with the inadequacies of the Articles of Confederation, and beginning to shape the new institutions created in 1787 and finally finished only about 1820, with the last of the major Supreme Court tests of jurisdiction and powers in the new system.

In this period the country was constructing its basic "institutions of social choice." The policy-making institutions. After that, it spent the next 150 years building the executive institutions: the civil service, in the national government and in the states and urban governments; and the great corporate administrative organizations, in the private sector. It was also, of course, expanding the range of services provided.

Now, increasingly, the problem troubling government is not how to get something done. The troubling questions involve, rather, what is the right thing to do? They are issues of tradeoffs, priorities, choices -- arising at a scale for which the existing, two-centuries-old mechanisms are now inadequate. So, once again, the need is to emphasize the reorganization of institutions on the policy-making side.

This is what is proposed, in the 'state strategy' for dealing with the problems of the urban regions. There are indeed problems with executive/administrative institutions in the urban areas. But these are -- with the major exception only of the Post Office -- institutions the federal government does not own or control. They are organized, and must be re-organized under the framework of state law.

State law-making, therefore, becomes one of the absolutely critical processes through which the federal government must move, for an improvement of the conditions in the major urban regions.