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THE WHITE HOUSE
WASHINGTON

TO: JIM CANNON

FROM: RAY HANZLIK

_____ For your information.

_____ Per our conversation.

Comment:

Per your request

Handwritten notes:
✓ Put in
Govt-to-Govt
order



THE WHITE HOUSE

WASHINGTON

May 27, 1976

MEMORANDUM FOR:

JIM CANNON

FROM:

STEVE McCONAHEY *SM*

SUBJECT:

Government-to-Government
Regulations

Attached is a revised package for our government-to-government reform program. The package includes a cover memo to the President from you and Jim Lynn summarizing the plan in response to his May 7th request. Included as well is a revised description of our plan of attack including more specific ideas on targets for action and a clearer description of how this effort will be undertaken. The third item is a draft letter to the Cabinet outlining this program and the assignments for each agency. Finally, there is a list of Presidential activities associated with the start-up of this effort.

I recommend that we agree on this package as soon as possible. The OMB and Paul MacAvoy efforts are moving along in their initial stages, and decisions are being made on how to support and oversee those two efforts from the White House. If we want to be cut into the deal, we need to act.

I recommend that you speak with Jim Lynn about this proposal before the end of this week. He will be out of town four days next week and then will be departing on June 10th for a trip overseas. In the interim he is swamped with spring reviews. We simply can not wait for his return before we get moving.

Having seen the revised OMB and MacAvoy proposals, I am convinced that there remains a need for overall White House coordination of the regulatory reform efforts. This is particularly true since all three activities will be affecting the same agencies through different groups.

If I were a Cabinet Secretary, I would ask the question, "how are all of these efforts being linked together?" At the present time there is no answer to this question. I anticipate that the submission of our proposal will force this question to be answered.

Attachment

THE WHITE HOUSE

WASHINGTON

May 27, 1976

MEMORANDUM FOR: THE PRESIDENT

FROM: JAMES M. CANNON
JAMES T. LYNN

SUBJECT: Government-to-Government Regulations Reform Program

Attached to this memorandum is a plan of action and related materials establishing a program to relieve state and local governments of excessive Federal regulations. This proposal is in response to your request of May 7, 1976.

The proposed program includes the following key elements:

- Immediate attention focused on selected priority problem areas, with initial reform results by September 1.
- Consultation with and participation by representative state, county and local officials in the program, including the final identification of program targets.
- Initial focus on the three existing block grant programs, which are experiencing gradual "recategorization" through regulations.
- Primary responsibility for program results assigned to the department and agency heads, who will be tasked with drafting and implementing individual agency action plans.
- Joint Domestic Council/OMB oversight.

The specifics of the program are outlined and discussed in Tab A. The program will be under the general direction of Steve McConahey, your Special Assistant for Intergovernmental Affairs, with day-to-day management of the program directed by Ray Hanzlik, who ran the Domestic Council public hearings last fall.

Tab B is a memorandum to the Cabinet outlining their role and responsibilities in the program.

Tab C is a suggested list of Presidential actions in support of the program. We recommend a briefing and discussion of this effort occur at the next Cabinet meeting.

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DISAPPROVE _____

COMMENT:

Attachments

GOVERNMENT-TO-GOVERNMENT REGULATIONS

REFORM PROGRAM

This proposal sets forth a plan of action in response to the President's request of May 7, 1976, to initiate a program that will relieve state and local governments of excessive Federal administration regulations.

THE SITUATION

Two major themes of this Administration have been the reduction of big government, and the return of more authority to state and local governments. A number of Presidential actions has given substance to these themes, with the block grant proposals and support for the re-enactment of general revenue sharing being prime examples. Moreover, this commitment to rebalance the relationship between the Federal government and state and local governments has gained strong bi-partisan support.

Unfortunately, the President's initiatives and reforms in Federal assistance to state and local governments are seriously undermined by the administrative regulations and procedures imposed on state and local officials by Federal agencies. This problem is most acute in categorical grant programs, which represent eighty-percent (\$48 of \$60 billion) of the Federal aid that goes to states and localities. However, evidence is also available to suggest that the existing block grant programs are becoming increasingly regulated by administrative actions. Although some of these program regulations reflect a Congressional mandate, a substantial number are administratively initiated.

The administrative and management burden imposed on state and local governments by these regulations has reached the point where it is now the primary inter-governmental issue for governors, mayors and county officials.

Evidence of the seriousness and urgency of this problem has come from many sources. Testimony on the subject by state and local officials was heard at each of the Domestic Council Public Forums held last fall. Federal over-regulation and program management were priority subjects discussed at the February meeting of the National Governors Conference. Secretary Simon, in his meetings with governors over the past year, has collected extensive data supporting this Federal imposition on state and local administrations. The Advisory Commission on Intergovernmental Relations, the National Commission on Productivity, the Federal Paperwork Commission, the National Science Foundation, and Brookings have studied this question and urge remedial action. And, along with the professional literature, the media are giving this subject increased attention.

The message from state and local officials can be summarized essentially as follows: Many Federal administrative regulations promulgated by the departments and agencies are inconsistent, unnecessarily restrictive, overlapping, inflexible, insensitive to local needs, and/or unnecessary. Their impact increases program costs, compromises program benefits, complicates program administration, expands state and local bureaucracies, steals responsibility and decision-making authority from state and local officials, and adds to the beneficiaries' frustration and disillusionment with government. As one Governor has stated: "The best thing the Federal Government could do to help state and local government would be to get some of the regulations out of our hair and let us do the job."

Although the Administration is addressing the Federal regulatory problem, the efforts to date have not focused on government-to-government regulations. The focus of the Agenda for Government Reform Act program, announced on May 13, 1976, and the EPB task force effort to review specific Federal program regulations in FEA and OSHA is on the private sector and the general economy. Moreover, the recent OMB proposal on management initiatives, though including some aspects of regulatory reform, concentrates on the control and oversight of the Washington bureaucracy.

As a result, a major gap exists in the overall regulatory reform effort. To fill this gap, a Presidentially directed and White House coordinated effort is required to attack the burdensome problem of government-to-government regulations, thereby committing action and resources to the President's policy of restoring to state and local governments their lost authority.

The time is ideal for Presidential action on this problem. The President's long-standing position against unnecessary Federal requirements on state and local governments is fully consistent with the sentiments of the people and their local officials. The current situation provides a ready-made opportunity to take the initiative on this big government issue -- an issue that impacts on the lives of most Americans and has contributed to the "anti-Washington" mood. Given the supportive attitude that most governors, mayors and county officials have for the President's intergovernmental policies, this opportunity affords a useful tool to mobilize strong bi-partisan support from these state and local leaders.

PROPOSED ACTION

In response to this situation, a joint White House-OMB program is proposed to focus needed Presidential attention on the problems of Federal government-to-government regulations. This program is designed to produce visible, near-term substantive results, while simultaneously instituting procedures to maintain a longer-term, comprehensive reform effort. Specifically, this effort is aimed to accomplish three objectives:

1. Implementation of reform measures for a select number of regulatory problem areas, identified as the most onerous for state and local governments, and adaptable to prompt administrative reform.



2. Establishment of uniform guidelines within the Executive Branch for consultation, review and comment by state and local officials concerning proposed new regulations, and Secretarial review and analysis prior to promulgation.
3. Initiation of an on-going reform program to encompass additional Federal assistance programs impacting on state and local governments.

The timing of this program and the availability of resources, along with the uniqueness of the problem and the constituency affected, dictate that the proposed program incorporate several essential elements:

- Primary responsibility for the program should be placed within the agencies building upon existing reform activities and stimulating new efforts where none exist; in both cases, agency resources and administrative mechanisms will be utilized. The creation of a new, ad hoc program structure should be avoided.
- White House leadership (jointly by the Domestic Council and OMB) and coordination throughout the program are required, especially to coordinate inter-agency efforts.
- The program should complement and not duplicate the other Administration regulatory reform efforts in progress: the task force program under Paul MacAvoy's direction; the management improvement effort initiated by Jim Lynn; the Agenda for Government Reform program headed by Ed Schmults.
- Final identification and selection of program targets must include inputs from state and local officials, who could also perform an on-going advisory role. Consultations with members of Congress may also be advisable at the appropriate time.

PROGRAM END-PRODUCTS

As planned, this effort will aim at achieving specific improvements in Federal government-to-government regulations, including:

- Reduction of grant application paperwork and processing.
- Simplification and elimination of inconsistencies in planning requirements and documentation.
- Elimination of unnecessary and/or redundant reporting requirements.
- Elimination of unnecessary mandates; e.g., structural, service or organization requirements, not relating to program performance.
- Identification of legislative changes necessary to achieve administrative simplification.

PROGRAM TARGETS

The final selection of specific targets will in part be determined through consultation with agency officials and state and local government representatives. However, at a minimum, four general target areas have been identified for initial attention:

1. The Block Grant Programs.

There is growing evidence that existing block grants, designed to provide state and local governments maximum flexibility in the use of Federal funds, are being encumbered by administrative rules and procedures. One frequently cited example is the reporting on Affirmative Action/EEO compliance required by the CETA and LEAA block grant programs; another is inconsistent rulings by different agency regional offices through the ten Federal regions. These programs are currently under study by several organizations, including OMB, ACIR, Brookings and the National Academy of Sciences, as well as the program agencies. Results from these efforts will help determine what changes in regulations and procedures are necessary.

Three existing block grants to be studied under this effort are:

- Omnibus Crime Control and Safe Streets Act of 1968, administered by the LEAA, Department of Justice.
- Comprehensive Employment and Training Act of 1973 (CETA), administered by the Employment and Training Administration, Department of Labor.
- Housing and Community Development Act of 1974, administered by the Department of Housing and Urban Development.

2. Categorical Grant Programs.

The Federal categorical assistance programs for state and local governments present a very broad target for regulations reform, and the attention here will be selective and limited in the initial program phase. The breadth of this target, however, is partly offset by the large percentage of programs administered by one agency, the Department of Health, Education and Welfare. Fortunately, HEW has recently initiated an ambitious and comprehensive in-house regulatory reform program aimed at programs considered most burdensome to the states and localities. In this case, the White House program is designed to further energize the HEW effort, perhaps giving added focus to one or two key problem areas, and to activate similar programs in the other Federal agencies. Within this target area, specific elements of categorical programs may be selected for initial attention, such as planning requirements and plan utilization, reporting requirements, and audit procedures. And, some attention will be given to the simplification of categorical programs where block grant legislation has been proposed but not enacted (e.g., health, social services, education.)

consulting and review of new regulations vary widely, both among and within agencies. There is near-unanimous opinion that the established comment procedures for proposed new regulations are unevenly enforced, narrow in jurisdiction (permits comment only by the major public interest groups), and inefficiently administered by the agencies. Specific improvements will be sought through consistent guidelines for Secretarial review and state and local government consultation.

PROGRAM ORGANIZATION

The White House

Although the major responsibility for achieving the objectives of this program will rest with the agencies, visible and active White House leadership is essential to:

- Give the effort a clear Presidential mandate.
- Signal this mandate to the departments and agencies.
- Demonstrate to state and local officials the priority and seriousness of the program.
- Insure that the objectives are achieved in a timely manner.
- Provide coordination among the departments and agencies.

White House oversight will be a joint Jim Lynn/Jim Cannon responsibility, with general direction of the effort assigned to Special Assistant to the President for Intergovernmental Affairs, Steve McConahey and daily program management provided by Ray Hanzlik of the Domestic Council. Limited staff support will be detailed from the participating agencies, as needed, and a budget of \$10-25,000 from Domestic Council funds will be available for any meeting, travel, consultant or related administrative expenses.



Management of the effort will involve monitoring of progress, coordinating inter-agency efforts, bridging specific ideas with state, county and local experience. Specific corrective action will be reviewed by the normal channels of the Domestic Council, OMB, and other selected staff.

Office of Management and Budget

Program implementation is dependent on OMB program co-sponsorship and assistance, particularly from the management side of the organization. OMB will provide several essential elements of this program:

- o Program expertise and analytical capabilities needed to insure quality control in program results.
- o Linkage, where necessary, with the Federal intergovernmental field network, including the Federal Regional Councils and the Under Secretaries Group.
- o Jurisdiction and supervision of the A-85 Circular program, which is currently under OMB review, and which will be an integral part of the regulations comment procedures established by this program.
- o Coordination with the new management initiatives program, which includes some regulatory reform elements.
- o Reinforcement of the Presidential mandate given this program, which would be viewed skeptically by the Federal agencies and by state and local officials without OMB involvement.

A close, day-to-day working relationship between White House program personnel and appropriate OMB staff will be maintained throughout the reform effort.



Federal Departments and Agencies

The heads of the departments and independent agencies will be tasked with the responsibility of drafting and implementing individual plans for agency regulations reform, and with supporting the elements of the overall program involving cross-agency efforts. Each department and agency head will be requested to appoint a high-level subordinate, with direct access to the Secretary or Administrator and with full authority to direct and manage the agency program. These agency program directors will collectively form a program "working group" that will meet regularly with White House and OMB program personnel to monitor and guide the progress of the overall effort.

Advisory Resources

To insure an effective link between this effort and (a) state, county and local officials, as well as (b) White House policy, two advisory groups will be utilized:

A. The New Coalition

Key to the acceptance and success of this program is direct involvement by state, county and local officials. The New Coalition, a group of representative governors, mayors, county executives and state legislators (formed to provide coordinated response to intergovernmental and programmatic issues) provides an important source of ideas and advice for this effort. (Governor Bob Ray of Iowa is its current Chairman.) This group can assist in the identification of priority problem areas and suggest workable reforms. It will be called upon periodically to help select targets and provide reactions to possible improvements.

B. White House/OMB Advisory Group

An ad hoc advisory group within the White House, formed to provide policy guidance for the program, and to act as a coordinative group vis-a-vis related projects and efforts, will be convened periodically. Members of the group will consist of representatives from the Domestic Council, OMB, and other selected White House staff units.



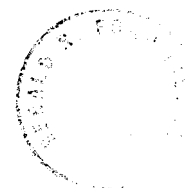
MEMORANDUM FOR: THE HONORABLE _____
Secretary of _____

FROM: JAMES T. CONNOR

SUBJECT: Government-to-Government Regulations
Reform Program

The President has directed the implementation of a program aimed at relieving state and local governments of the growing burden of excessive Federal public assistance program regulations. This effort is an important and integral part of the President's overall regulatory reform program. It is designed to support and build upon the individual departmental and agency reform programs already underway, providing central coordination and integration of the overall effort. The program has three stated objectives:

1. Implementation of reform measures for a select number of regulatory problem areas, identified as the most onerous for state and local governments, and adaptable to prompt administrative reform.
2. Establishment of uniform guidelines within the Executive Branch for consultation, review and comment by state and local officials concerning proposed new regulations, and Secretarial review and analysis prior to promulgation.
3. Initiation of an on-going reform program to encompass additional Federal assistance programs impacting on state and local governments.



Attached as Tab A is the plan outlining this effort, which includes the following key elements:

- Primary responsibility for program results to rest with the department and agency heads, who are tasked with drafting and implementing individual agency plans.
- Immediate attention to focus on selected priority problem areas, with initial reform results by September 1.
- Program targets to include regulations and procedures for the existing block grants, selected categorical programs, and procedures for comment and review of new regulations.
- Consultation with and participation by representative state, county and local government officials in the program.
- Joint Domestic Council/OMB program management and oversight.

The President has requested full support and participation by members of the Cabinet and heads of the independent agencies in this effort, and specifically requests the following actions be taken:

1. Appointment of a high-level subordinate with direct access to the department heads, to act as the departmental contact with the White House management group and as the in-house program director.
2. Preparation of a departmental plan of action based on the guidelines outlined in the attached plan and provided by the White House management group in a meeting scheduled for _____.
Plans should be ready for review by _____.



3. Commitment of sufficient personnel and resources to insure substantive reforms in the selected target areas, with initial results evident by September 1, 1976.

The President recognizes the differences in program administration and regulatory practices among the various departments and agencies, and thus is giving maximum responsibility to agency heads to design and implement efforts tailored to individual agency requirements. White House oversight will provide necessary program coordination, inter-agency cooperation and policy guidance.

White House oversight will be a joint Jim Lynn/Jim Cannon responsibility, with general direction of the effort assigned to Special Assistant to the President for Intergovernmental Affairs, Steve McConahey, and daily program management provided by Ray Hanzlik of the Domestic Council.



PRESIDENTIAL ACTIVITIES

<u>Date</u>	<u>Event/Location</u>	<u>Presidential Action</u>	<u>Reason</u>	<u>Media Activity</u>
	Cabinet Meeting (Cabinet Room)	Briefing on Regulatory Reform Program	Kick-off effort	Possible Press briefing
Mid-to-late June	Major Speaking Forum (Before State Legisla- ture or similar body)	Speech on Big Government	Publicize Regulatory Reform effort	Full Coverage
June	Meeting of New Coalition (White House)	Discussion session with group	Signal priority of effort to state and local governments	Press Conferer by New Coaliti

THE WHITE HOUSE

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3. Cross-Cutting Regulatory Problems.

Judging from comments and data available, one of the regulatory problems most troublesome to the states and localities is the inconsistencies and overlap among regulations issued by different Federal agencies. Several examples illustrate this issue:

- Guidelines differ across agencies on the nature of public participation required in the development of state plans necessary for Federal funding.
- Requirements imposed by Federal agencies on a single jurisdiction are in some cases duplicative, uncoordinated and at times contradictory.
- OMB and GSA Circulars establish uniform standards for Federal management practices, vis-a-vis state and local jurisdictions. Yet in practice, Federal rules, procedures and practices for each program tend to evolve independently and often at variance with the established standards.
- Agencies differ in their implementation of the Uniform Relocation Assistance Act, resulting in different assistance for similar situations.

The effort in this area will focus on specific cross-cutting regulatory problems in order to correct the most serious duplications and inconsistencies.

4. New Regulations Procedures.

The regulations problem area that arouses the most criticism from state, county and local officials is the lack of opportunity to comment on proposed Federal regulations and the lack of lead time to implement them. Moreover, some regulations do not receive a thorough Secretarial-level review prior to issuance. The practices for



consulting and review of new regulations vary widely, both among and within agencies. There is near-unanimous opinion that the established comment procedures for proposed new regulations are unevenly enforced, narrow in jurisdiction (permits comment only by the major public interest groups), and inefficiently administered by the agencies. Specific improvements will be sought through consistent guidelines for Secretarial review and state and local government consultation.

PROGRAM ORGANIZATION

The White House

Although the major responsibility for achieving the objectives of this program will rest with the agencies, visible and active White House leadership is essential to:

- Give the effort a clear Presidential mandate.
- Signal this mandate to the departments and agencies.
- Demonstrate to state and local officials the priority and seriousness of the program.
- Insure that the objectives are achieved in a timely manner.
- Provide coordination among the departments and agencies.

White House oversight will be a joint Jim Lynn/Jim Cannon responsibility, with general direction of the effort assigned to Special Assistant to the President for Intergovernmental Affairs, Steve McConahey and daily program management provided by Ray Hanzlik of the Domestic Council. Limited staff support will be detailed from the participating agencies, as needed, and a budget of \$10-25,000 from Domestic Council funds will be available for any meeting, travel, consultant or related administrative expenses.

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Advisory Resources

To insure an effective link between this effort and

- (a) state, county and local officials, as well as
- (b) White House policy, two advisory groups will be utilized:

A. The New Coalition

Key to the acceptance and success of this program is direct involvement by state, county and local officials. The New Coalition, a group of representative governors, mayors, county executives and state legislators (formed to provide coordinated response to intergovernmental and programmatic issues) provides an important source of ideas and advice for this effort. (Governor Bob Ray of Iowa is its current Chairman.) This group can assist in the identification of priority problem areas and suggest workable reforms. It will be called upon periodically to help select targets and provide reactions to possible improvements.

B. White House/OMB Advisory Group

An ad hoc advisory group within the White House, formed to provide policy guidance for the program, and to act as a coordinative group vis-a-vis related projects and efforts, will be convened periodically. Members of the group will consist of representatives from the Domestic Council, OMB, and other selected White House staff units.

On occasion, the Advisory Commission on Intergovernmental Affairs, the Productivity Commission, and other outside resources may be of advisory assistance.

TIMETABLE FOR ACTION

The program will be implemented in three phases. Phase I is the period between now and June 30, during which:

- The Cabinet will be briefed, agency resources assigned to the program, and individual agency plans of action drafted and reviewed.
- Specific program targets will be identified and selected; initial consultation with the New Coalition and other advisory groups will also occur during this period.
- Working plans will be drafted for updating procedures for regulation comment and review.
- Inter-agency groups will be organized as needed to attack high-priority cross-agency regulations.

Phase II begins with the implementation of the individual agency reform plans and will run through the remainder of the year. Initial results of this phase should begin appearing by September 1.

Phase III, which will begin sometime during Phase II, will focus on expanding this effort to other programs and instituting the improved procedures for the review of new program regulations prior to their issuance.

PRESIDENTIAL ACTIVITIES

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THE WHITE HOUSE

WASHINGTON

May 27, 1976

MEMORANDUM FOR: THE PRESIDENT

FROM: JAMES M. CANNON
JAMES T. LYNN

SUBJECT: Government-to-Government Regulations Reform Program

Attached to this memorandum is a plan of action and related materials establishing a program to relieve state and local governments of excessive Federal regulations. This proposal is in response to your request of May 7, 1976.

The proposed program includes the following key elements:

- Immediate attention focused on selected priority problem areas, with initial reform results by September 1.
- Consultation with and participation by representative state, county and local officials in the program, including the final identification of program targets.
- Initial focus on the three existing block grant programs, which are experiencing gradual "recategorization" through regulations.
- Primary responsibility for program results assigned to the department and agency heads, who will be tasked with drafting and implementing individual agency action plans.
- Joint Domestic Council/OMB oversight.

The specifics of the program are outlined and discussed in Tab A. The program will be under the general direction of Steve McConahey, your Special Assistant for Intergovernmental Affairs, with day-to-day management of the program directed by Ray Hanzlik, who ran the Domestic Council public hearings last fall.

Tab B is a memorandum to the Cabinet outlining their role and responsibilities in the program.

Tab C is a suggested list of Presidential actions in support of the program. We recommend a briefing and discussion of this effort occur at the next Cabinet meeting.

APPROVE _____

DISAPPROVE _____

COMMENT:

Attachments



GOVERNMENT-TO-GOVERNMENT REGULATIONS
REFORM PROGRAM

This proposal sets forth a plan of action in response to the President's request of May 7, 1976, to initiate a program that will relieve state and local governments of excessive Federal administration regulations.

THE SITUATION

Two major themes of this Administration have been the reduction of big government, and the return of more authority to state and local governments. A number of Presidential actions has given substance to these themes, with the block grant proposals and support for the re-enactment of general revenue sharing being prime examples. Moreover, this commitment to rebalance the relationship between the Federal government and state and local governments has gained strong bi-partisan support.

Unfortunately, the President's initiatives and reforms in Federal assistance to state and local governments are seriously undermined by the administrative regulations and procedures imposed on state and local officials by Federal agencies. This problem is most acute in categorical grant programs, which represent eighty-percent (\$48 of \$60 billion) of the Federal aid that goes to states and localities. However, evidence is also available to suggest that the existing block grant programs are becoming increasingly regulated by administrative actions. Although some of these program regulations reflect a Congressional mandate, a substantial number are administratively initiated.

The administrative and management burden imposed on state and local governments by these regulations has reached the point where it is now the primary inter-governmental issue for governors, mayors and county officials.

Evidence of the seriousness and urgency of this problem has come from many sources. Testimony on the subject by state and local officials was heard at each of the Domestic Council Public Forums held last fall. Federal over-regulation and program management were priority subjects discussed at the February meeting of the National Governors Conference. Secretary Simon, in his meetings with governors over the past year, has collected extensive data supporting this Federal imposition on state and local administrations. The Advisory Commission on Intergovernmental Relations, the National Commission on Productivity, the Federal Paperwork Commission, the National Science Foundation, and Brookings have studied this question and urge remedial action. And, along with the professional literature, the media are giving this subject increased attention.

The message from state and local officials can be summarized essentially as follows: Many Federal administrative regulations promulgated by the departments and agencies are inconsistent, unnecessarily restrictive, overlapping, inflexible, insensitive to local needs, and/or unnecessary. Their impact increases program costs, compromises program benefits, complicates program administration, expands state and local bureaucracies, steals responsibility and decision-making authority from state and local officials, and adds to the beneficiaries' frustration and disillusionment with government. As one Governor has stated: "The best thing the Federal Government could do to help state and local government would be to get some of the regulations out of our hair and let us do the job."

Although the Administration is addressing the Federal regulatory problem, the efforts to date have not focused on government-to-government regulations. The focus of the Agenda for Government Reform Act program, announced on May 13, 1976, and the EPB task force effort to review specific Federal program regulations in FEA and OSHA is on the private sector and the general economy. Moreover, the recent OMB proposal on management initiatives, though including some aspects of regulatory reform, concentrates on the control and oversight of the Washington bureaucracy.

As a result, a major gap exists in the overall regulatory reform effort. To fill this gap, a Presidentially directed and White House coordinated effort is required to attack the burdensome problem of government-to-government regulations, thereby committing action and resources to the President's policy of restoring to state and local governments their lost authority.

The time is ideal for Presidential action on this problem. The President's long-standing position against unnecessary Federal requirements on state and local governments is fully consistent with the sentiments of the people and their local officials. The current situation provides a ready-made opportunity to take the initiative on this big government issue -- an issue that impacts on the lives of most Americans and has contributed to the "anti-Washington" mood. Given the supportive attitude that most governors, mayors and county officials have for the President's intergovernmental policies, this opportunity affords a useful tool to mobilize strong bi-partisan support from these state and local leaders.

PROPOSED ACTION

In response to this situation, a joint White House-OMB program is proposed to focus needed Presidential attention on the problems of Federal government-to-government regulations. This program is designed to produce visible, near-term substantive results, while simultaneously instituting procedures to maintain a longer-term, comprehensive reform effort. Specifically, this effort is aimed to accomplish three objectives:

1. Implementation of reform measures for a select number of regulatory problem areas, identified as the most onerous for state and local governments, and adaptable to prompt administrative reform.

2. Establishment of uniform guidelines within the Executive Branch for consultation, review and comment by state and local officials concerning proposed new regulations, and Secretarial review and analysis prior to promulgation.
3. Initiation of an on-going reform program to encompass additional Federal assistance programs impacting on state and local governments.

The timing of this program and the availability of resources, along with the uniqueness of the problem and the constituency affected, dictate that the proposed program incorporate several essential elements:

- Primary responsibility for the program should be placed within the agencies building upon existing reform activities and stimulating new efforts where none exist; in both cases, agency resources and administrative mechanisms will be utilized. The creation of a new, ad hoc program structure should be avoided.
- White House leadership (jointly by the Domestic Council and OMB) and coordination throughout the program are required, especially to coordinate inter-agency efforts.
- The program should complement and not duplicate the other Administration regulatory reform efforts in progress: the task force program under Paul MacAvoy's direction; the management improvement effort initiated by Jim Lynn; the Agenda for Government Reform program headed by Ed Schmults.
- Final identification and selection of program targets must include inputs from state and local officials, who could also perform an on-going advisory role. Consultations with members of Congress may also be advisable at the appropriate time.

PROGRAM END-PRODUCTS

As planned, this effort will aim at achieving specific improvements in Federal government-to-government regulations, including:

- Reduction of grant application paperwork and processing.
- Simplification and elimination of inconsistencies in planning requirements and documentation.
- Elimination of unnecessary and/or redundant reporting requirements.
- Elimination of unnecessary mandates; e.g., structural, service or organization requirements, not relating to program performance.
- Identification of legislative changes necessary to achieve administrative simplification.

PROGRAM TARGETS

The final selection of specific targets will in part be determined through consultation with agency officials and state and local government representatives. However, at a minimum, four general target areas have been identified for initial attention:

1. The Block Grant Programs.

There is growing evidence that existing block grants, designed to provide state and local governments maximum flexibility in the use of Federal funds, are being encumbered by administrative rules and procedures. One frequently cited example is the reporting on Affirmative Action/EEO compliance required by the CETA and LEAA block grant programs; another is inconsistent rulings by different agency regional offices through the ten Federal regions. These programs are currently under study by several organizations, including OMB, ACIR, Brookings and the National Academy of Sciences, as well as the program agencies. Results from these efforts will help determine what changes in regulations and procedures are necessary.

Three existing block grants to be studied under this effort are:

- Omnibus Crime Control and Safe Streets Act of 1968, administered by the LEAA, Department of Justice.
- Comprehensive Employment and Training Act of 1973 (CETA), administered by the Employment and Training Administration, Department of Labor.
- Housing and Community Development Act of 1974, administered by the Department of Housing and Urban Development.

2. Categorical Grant Programs.

The Federal categorical assistance programs for state and local governments present a very broad target for regulations reform, and the attention here will be selective and limited in the initial program phase. The breadth of this target, however, is partly offset by the large percentage of programs administered by one agency, the Department of Health, Education and Welfare. Fortunately, HEW has recently initiated an ambitious and comprehensive in-house regulatory reform program aimed at programs considered most burdensome to the states and localities. In this case, the White House program is designed to further energize the HEW effort, perhaps giving added focus to one or two key problem areas, and to activate similar programs in the other Federal agencies. Within this target area, specific elements of categorical programs may be selected for initial attention, such as planning requirements and plan utilization, reporting requirements, and audit procedures. And, some attention will be given to the simplification of categorical programs where block grant legislation has been proposed but not enacted (e.g., health, social services, education.)

3. Cross-Cutting Regulatory Problems.

Judging from comments and data available, one of the regulatory problems most troublesome to the states and localities is the inconsistencies and overlap among regulations issued by different Federal agencies. Several examples illustrate this issue:

- Guidelines differ across agencies on the nature of public participation required in the development of state plans necessary for Federal funding.
- Requirements imposed by Federal agencies on a single jurisdiction are in some cases duplicative, uncoordinated and at times contradictory.
- OMB and GSA Circulars establish uniform standards for Federal management practices, vis-a-vis state and local jurisdictions. Yet in practice, Federal rules, procedures and practices for each program tend to evolve independently and often at variance with the established standards.
- Agencies differ in their implementation of the Uniform Relocation Assistance Act, resulting in different assistance for similar situations.

The effort in this area will focus on specific cross-cutting regulatory problems in order to correct the most serious duplications and inconsistencies.

4. New Regulations Procedures.

The regulations problem area that arouses the most criticism from state, county and local officials is the lack of opportunity to comment on proposed Federal regulations and the lack of lead time to implement them. Moreover, some regulations do not receive a thorough Secretarial-level review prior to issuance. The practices for

consulting and review of new regulations vary widely, both among and within agencies. There is near-unanimous opinion that the established comment procedures for proposed new regulations are unevenly enforced, narrow in jurisdiction (permits comment only by the major public interest groups), and inefficiently administered by the agencies. Specific improvements will be sought through consistent guidelines for Secretarial review and state and local government consultation.

PROGRAM ORGANIZATION

The White House

Although the major responsibility for achieving the objectives of this program will rest with the agencies, visible and active White House leadership is essential to:

- Give the effort a clear Presidential mandate.
- Signal this mandate to the departments and agencies.
- Demonstrate to state and local officials the priority and seriousness of the program.
- Insure that the objectives are achieved in a timely manner.
- Provide coordination among the departments and agencies.

White House oversight will be a joint Jim Lynn/Jim Cannon responsibility, with general direction of the effort assigned to Special Assistant to the President for Intergovernmental Affairs, Steve McConahey and daily program management provided by Ray Hanzlik of the Domestic Council. Limited staff support will be detailed from the participating agencies, as needed, and a budget of \$10-25,000 from Domestic Council funds will be available for any meeting, travel, consultant or related administrative expenses.

Management of the effort will involve monitoring of progress, coordinating inter-agency efforts, bridging specific ideas with state, county and local experience. Specific corrective action will be reviewed by the normal channels of the Domestic Council, OMB, and other selected staff.

Office of Management and Budget

Program implementation is dependent on OMB program co-sponsorship and assistance, particularly from the management side of the organization. OMB will provide several essential elements of this program:

- o Program expertise and analytical capabilities needed to insure quality control in program results.
- o Linkage, where necessary, with the Federal intergovernmental field network, including the Federal Regional Councils and the Under Secretaries Group.
- o Jurisdiction and supervision of the A-85 Circular program, which is currently under OMB review, and which will be an integral part of the regulations comment procedures established by this program.
- o Coordination with the new management initiatives program, which includes some regulatory reform elements.
- o Reinforcement of the Presidential mandate given this program, which would be viewed skeptically by the Federal agencies and by state and local officials without OMB involvement.

A close, day-to-day working relationship between White House program personnel and appropriate OMB staff will be maintained throughout the reform effort.

Federal Departments and Agencies

The heads of the departments and independent agencies will be tasked with the responsibility of drafting and implementing individual plans for agency regulations reform, and with supporting the elements of the overall program involving cross-agency efforts. Each department and agency head will be requested to appoint a high-level subordinate, with direct access to the Secretary or Administrator and with full authority to direct and manage the agency program. These agency program directors will collectively form a program "working group" that will meet regularly with White House and OMB program personnel to monitor and guide the progress of the overall effort.

Advisory Resources

To insure an effective link between this effort and (a) state, county and local officials, as well as (b) White House policy, two advisory groups will be utilized:

A. The New Coalition

Key to the acceptance and success of this program is direct involvement by state, county and local officials. The New Coalition, a group of representative governors, mayors, county executives and state legislators (formed to provide coordinated response to intergovernmental and programmatic issues) provides an important source of ideas and advice for this effort. (Governor Bob Ray of Iowa is its current Chairman.) This group can assist in the identification of priority problem areas and suggest workable reforms. It will be called upon periodically to help select targets and provide reactions to possible improvements.

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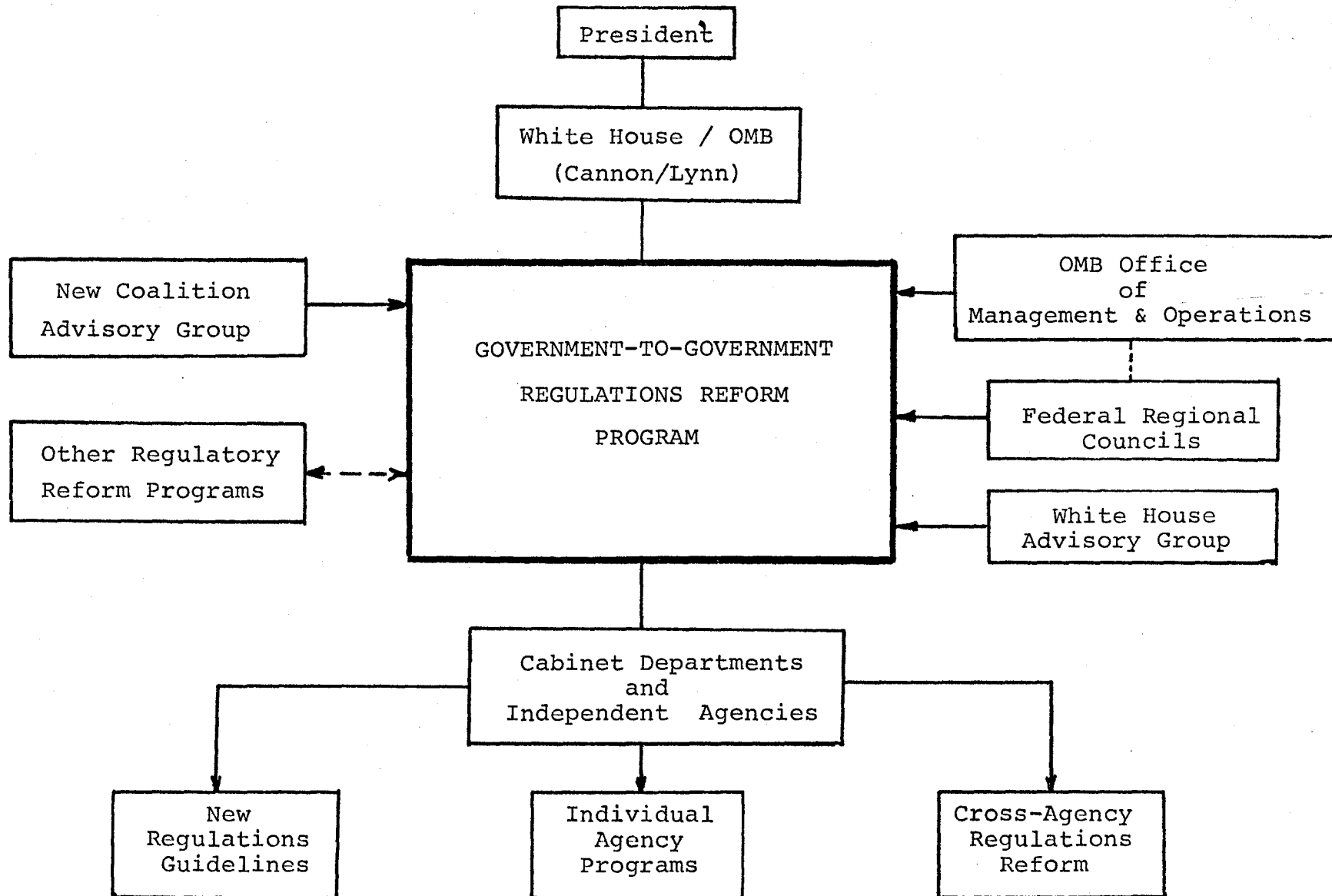
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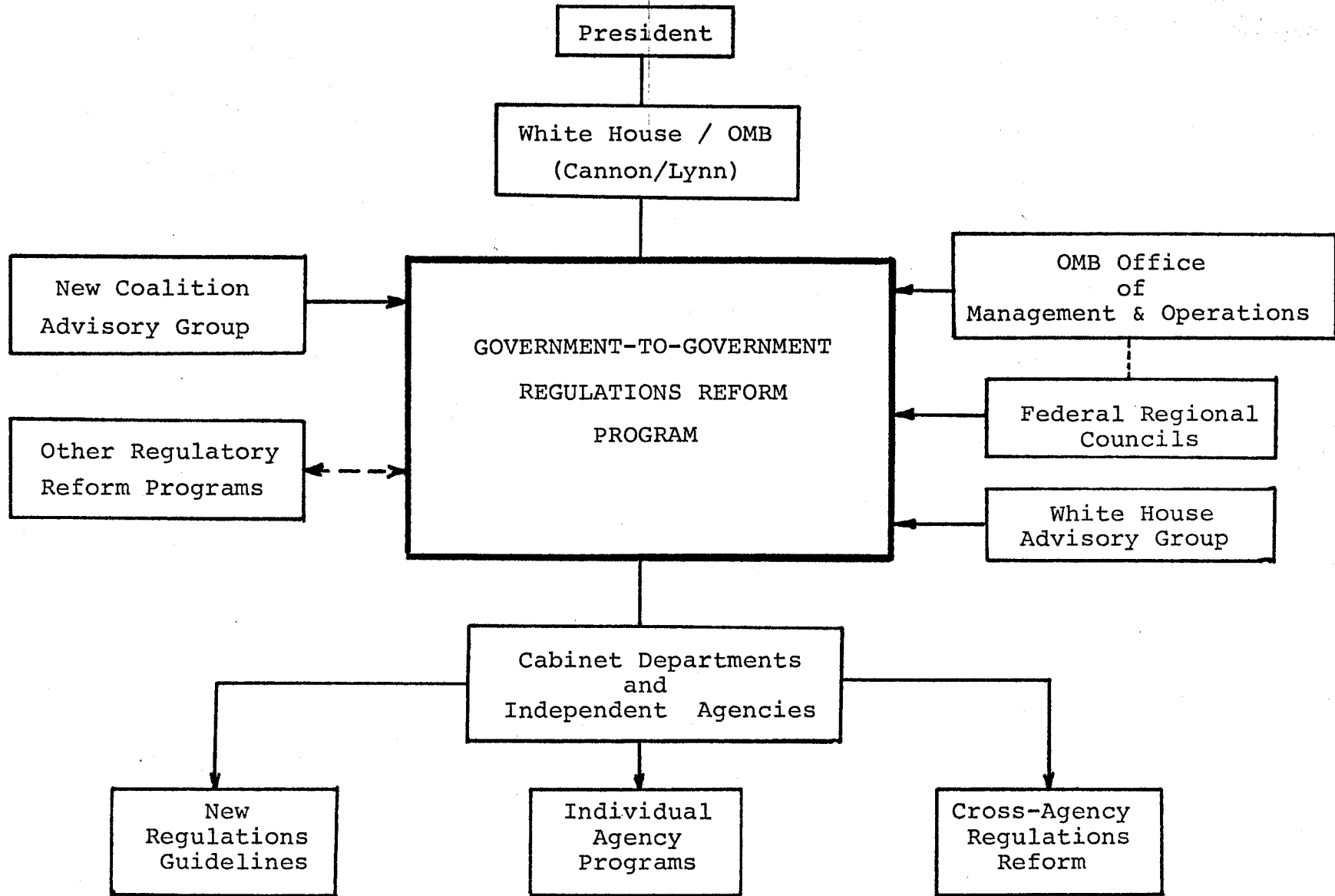
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PROGRAM COORDINATION



PROGRAM COORDINATION



THE WHITE HOUSE

WASHINGTON

May 27, 1976

MEMORANDUM FOR:

JIM CANNON

FROM:

STEVE McCONAHEY *SM*

SUBJECT:

Maintenance of Effort (MOE)

One of the recurring issues raised by state, county and local officials is the restrictive manner of most maintenance of efforts (MOE) requirements of the Federal Government. In most cases, failure to provide a certain level of financial support based on previous expenditures results in the loss of all Federal assistance available to them under the program involved.

At a time when state and local governments are facing severe economic hardships, these MOE requirements limit the flexibility that local governments have in using Federal funds and in allocating their local resources. Several state and local officials have proposed that when they reduce the amount of the local contribution, that they receive a corresponding reduction in Federal share rather than a total loss of Federal support.

The Department of Treasury has drafted a piece of legislation to correct existing MOE requirements. I have attached a copy of the preliminary Treasury proposal. I think this is an item we should give serious consideration to and probably include in our urban message.

Attachment

cc: Art Quern

important
Steve
good idea
Gov - to - Gov
implications
Quern

UNIFORM TREATMENT BY THE FEDERAL GOVERNMENT OF MAINTENANCE OF
EFFORT REQUIREMENTS IMPOSED ON STATE AND LOCAL GOVERNMENTS

PROBLEM:

Many state and local governments during times of economic downturns and for other reasons would like to reduce the amount of money which they contribute toward a joint Federal/State or local program and receive a corresponding reduction of the Federal share. Many statutes require the elimination of all Federal funds if the state or local share is reduced by any amount. The effect is a reduction in flexibility in the use of resources by state and local governments.

PROPOSED SOLUTION:

The provisions of law creating this problem are numerous and cover virtually every committee in the Congress. The problem is clearly one of intergovernmental relations. The attached language is submitted to the Intergovernmental Relations Subcommittee of the Senate Government Operations Committee as a statement of national policy which will allow proportionate reduction in the level of Federal financial assistance equal to any such reduction by a state or locality.

EXPLANATION OF THE PROPOSED BILL:

The proposed bill is in three sections:

Subsection (a) expresses the sense of the Congress that states and localities not be divested of Federal financial assistance when those governments have failed to maintain a statutory level of fiscal or expenditure effort if such failure is due to economic or other conditions which require an adjustment in the level of fiscal or expenditure effort in states and localities.

Subsection (b) generally modifies each statute which contains any such provision by requiring that it be modified as provided in subsection (c).

Subsection (c) - the department or agency charged with the administration of any such provision of law is authorized to issue regulations which would specify the circumstances under which a state or locality could be relieved of otherwise applicable statutory requirements for maintenance of fiscal or expenditure efforts. The regulations could provide for a proportionate reduction in Federal financial assistance.



(a) It is the sense of the Congress that States and localities receiving Federal financial assistance, in the form of grants or otherwise, not be divested, by whatever means, of such financial assistance for a program period because such States or localities themselves have failed to maintain a specified statutory level of fiscal or expenditure effort for the assisted program or project, if such failure is due to economic or other conditions which require an adjustment in the level of fiscal or expenditure effort of the State or locality.

(b) Notwithstanding any other provision of law, any statute heretofore enacted, which provides Federal financial assistance to States or localities, in the form of grants or otherwise, and requires that, as a condition for receiving such Federal financial assistance, the State or locality itself maintain a specific level, as required by statute, of fiscal or expenditure effort with respect to the program or project assisted, is hereby modified as provided in subsection (c) of this section.

(c) The head of the Department or agency in whom administration of a statute described in (b) above is vested, is hereby authorized to issue regulations, in accordance with 5 U.S.C. 553, which specify the circumstances under which a State or locality will be relieved of the otherwise applicable statutory requirement to maintain a level of fiscal or expenditure effort and shall provide for reduction of the Federal financial assistance which is proportional to the reduction in the level of fiscal or expenditure effort by the State or locality.



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