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BY THE U.S. GENERAL ACCOUNTING OFFICE

Report To The Director Of The Office Of Management And Budget

The Urban And Community Impact Analysis Program, If Retained, Will Need Major Improvements

The Urban and Community Impact Analysis program, administered by the Office of Management and Budget, has not achieved intended results. Hampered more by administrative rather than technical problems, the program has not effectively informed decisionmakers in the Executive Office of the President of likely urban and community impacts of agencies' proposed initiatives. As a result, it has had minimal influence on Executive Office of the President decisionmaking, and its usefulness and credibility have been questioned.

The current administration is considering whether--and in what form--to continue the program. This report is intended to help the administration make an informed decision. It contains recommendations for making major improvements that GAO considers essential if the program is retained.



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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

GENERAL GOVERNMENT
DIVISION

B-203678

The Honorable David A. Stockman
Director, Office of Management
and Budget

Dear Mr. Stockman:

This report discusses the Urban and Community Impact Analysis program. It is provided to assist you in determining the future course of the program. It recommends improvements that we consider essential if a decision is made to retain the program. It also contains, for your consideration, other matters which may be helpful to you in revitalizing the program, should it be retained.

Because of the short time frame between completion of the draft report and the administration's current deliberations on whether the Urban and Community Impact Analysis program should be retained, we did not obtain Office of Management and Budget comments on the draft report. However, we discussed the draft report findings with Office operating level officials and considered their comments in finalizing the report.

Recommendations to you, which are conditional on retention of the program, are on pages 22 and 23, 27 and 28, and 33. As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House Committee on Government Operations and the Senate Committee on Governmental Affairs not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We are sending copies of this report to the Chairmen, House Committee on Government Operations, Senate Committee on Governmental Affairs; and the House and Senate Committees on Appropriations. We are also sending copies to the following officials whose agencies are discussed in the report: the Secretaries of Agriculture, Housing and Urban Development, Labor, and Transportation; and the Administrator, Small Business Administration.

Sincerely yours,

A handwritten signature in cursive script that reads "Daniel J. Stanton".

For William J. Anderson
Director

D I G E S T

GAO assessed the effectiveness of the Urban and Community Impact Analysis (UCIA) program and found that it has been only minimally effective.

The Office of Management and Budget's (OMB's) 1978 implementing Circular A-116 requires executive agencies to submit UCIA's on all major legislative, budgetary, and regulatory initiatives. The dual purposes of the UCIA program are to (1) identify the likely effects of proposed initiatives on cities, counties, and other communities; and (2) inform decision-makers of proposed agency actions that may run counter to the goals of the President's urban policy. (See pp. 1 to 2.)

The program's future is in question. At this time, no OMB staff is assigned to the program. The current administration is considering whether--and in what form--to continue the program. This report is intended to help the administration make an informed decision.

Because of time constraints, GAO limited its study mainly to OMB and five participating agencies--the Departments of Agriculture, Housing and Urban Development, Labor, and Transportation; and the Small Business Administration.

GAO's observations in the five participating agencies visited cannot be used to draw inferences about all agencies. However, these observations generally parallel those of a 14-agency study done under a Department of Housing and Urban Development contract in 1979.

THE UCIA PROGRAM HAS NOT
ACHIEVED DESIRED RESULTS

The UCIA program has had minimal influence on decisionmaking in the Executive Office of the

President. The underlying causes are numerous:

- OMB's organizational and staffing arrangements have hindered the program's development. (See pp. 8 to 10.)
- The UCIA process is not timely. Analyses often reach users too late to be useful. (See pp. 10 to 11.)
- The Domestic Policy Staff did not play an active role in the program. (See pp. 12 to 14.)
- UCIAs are not prepared on agency regulatory initiatives. (See pp. 14 to 15.)
- Compliance varies among agencies and is generally marked by reluctance. (See pp. 15 to 18.)
- Doubts about the objectivity of analyses hinder their credibility among OMB budget examiners, the key intended users. (See p. 19.)
- The program's 1978 startup may have been too hasty. (See pp. 20 to 21.)

BROADENING PROGRAM COVERAGE AND
AGENCY PARTICIPATION COULD MAKE
THE PROGRAM MORE USEFUL

Required UCIA coverage is limited to major new initiatives. Analyses are not required on (1) base (existing) programs, (2) reauthorizations of existing programs, or (3) major OMB-initiated changes in agencies' budget requests.

Only executive branch operating agencies are required to prepare analyses. While the actions of some independent regulatory agencies can have urban and community impacts, these agencies have been considered outside the purview of presidential executive orders and OMB directives and thus are not required to participate. (See pp. 24 to 28.)

This limited coverage and the exempt status of independent regulatory agencies leave a void which limits the program's usefulness.

PUBLIC DISCLOSURE OF UCIA'S
COULD MAKE THEM MORE USEFUL
AND CREDIBLE

UCIAs on budgetary and legislative initiatives are considered internal OMB staff documents, not releasable to the public. Public interest groups and State and local governments are critical of this confidentiality, maintaining that it damages the program's credibility. (See p. 29.)

Most officials and staff persons questioned in OMB and other agencies had no objections to public disclosure of analyses after OMB and White House decisions are made on agency proposals. This disclosure could (1) promote healthy debate on programs proposed to the Congress; (2) enhance accuracy, objectivity, and quality of analyses; and (3) improve the UCIA program's credibility. (See pp. 31 and 32.)

RECOMMENDATIONS TO THE
DIRECTOR, OMB

GAO recommends that if the UCIA program is continued, the Director, OMB:

--Strengthen the management of the UCIA process by:

- (1) Institutionalizing the process in OMB through stabilized organizational and staffing arrangements.
- (2) Establishing a systematic procedure for monitoring agency compliance and providing agencies feedback.
- (3) Monitoring agencies' preparation of UCIA's on regulatory initiatives.
- (4) Seeking amendments to the establishing executive order that (a) reflect realistically the White House domestic policy staff's intended participation in the process and (b) formally require the staff to cause UCIA's to be prepared on major presidential initiatives.

- Improve the timeliness of submission of UCIA's by:
 - (1) Systematically and promptly following up on missed due dates.
 - (2) To the extent possible, advancing the timing of UCIA activities from the summer and fall into the spring budget review.
- Include program reauthorizations and base (existing) programs in the UCIA process.
- Prepare analyses (or revised analyses) on major OMB changes in agencies' budget initiatives.
- Seek independent regulatory agencies' participation in the UCIA process.
- Make UCIA's available to the Congress and the public not later than when budgetary and legislative proposals are sent to the Congress.
- Form a small interagency task force to advise and assist in designing program improvements which all participants (both UCIA suppliers and users) can support.

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ABBREVIATIONS

DOL	Department of Labor
DOT	Department of Transportation
DPS	Domestic Policy Staff
GAO	General Accounting Office
HUD	Department of Housing and Urban Development
OMB	Office of Management and Budget
SBA	Small Business Administration
UCIA	Urban and Community Impact Analysis
USDA	Department of Agriculture

CHAPTER 1

INTRODUCTION

The Urban and Community Impact Analysis (UCIA) program was established on August 16, 1978, by Presidential Executive Order 12074 and the Office of Management and Budget's (OMB's) implementing Circular A-116. Circular A-116 requires executive agencies to submit UCIA's, a suggested 15 to 20 pages in length, on all major legislative, budgetary, and regulatory initiatives. The purposes of the program are to:

- identify the likely effects of proposed initiatives on cities, counties, and other communities; and
- inform decisionmakers in OMB and the White House of proposed agency actions that may run counter to the goals of the President's urban policy. (Executive Order 12074 and OMB Circular A-116 are shown as appendixes I and II, respectively.)

MAJOR FEATURES OF THE UCIA PROGRAM

The circular requires agencies to analyze their proposed initiatives for potential impacts on (1) income, (2) population, (3) employment, (4) State and local governments' fiscal condition, and (5) such other factors as the agency may consider appropriate and feasible to analyze, such as neighborhood stability, housing, public services, urban sprawl, environmental quality, and cost of living.

Agencies are required to assess the above impacts on each of the following types of geographic areas:

- Central cities.
- Suburban communities (non-central city portions of metropolitan areas).
- Nonmetropolitan (rural) communities.
- Communities with higher than average rates of unemployment.
- Communities with lower than average rates of per capita income.

The UCIA process actually consists of three separate processes for the three types of agency proposals:

- The UCIA process for budget proposals is tied to OMB's budget review process, which occurs in the fall. Circular A-116 requires agencies to submit UCIA's to OMB along with their budget requests.

- The UCIA process for legislative proposals is tied to OMB's legislative clearance process, which is most active during the spring "legislative season." Agencies are required to submit legislative UCIA's along with their major legislative proposals. OMB staff told us, however, that most legislative proposals from agencies also have budgetary implications. This means that the bulk of the legislative UCIA's prepared are submitted and reviewed as part of the fall budget review process along with purely budgetary UCIA's. The fall budget season is, therefore, the period of greatest activity for OMB's UCIA staff.

- Circular A-116 incorporated the UCIA process for regulatory proposals into separate regulatory clearance procedures outlined in Executive Order 12044, entitled "Improving Government Regulations." This process is discussed in chapter 2.

Exemptions

Early in the life of the program, OMB approved about 20 agencies' petitions for exemptions from the program. Most of the exemptions were based on grounds that, because the agencies were so small or their impacts so irrelevant to the UCIA process, they should not be subject to it. For example, the Department of State was exempted because it had no domestic programs, the Commission of Fine Arts because it was considered too small, and the Farm Credit Administration because it had no identifiable relevant impacts.

Volume of UCIA activity to date

Because OMB records were incomplete or in disagreement with agencies' records, we were unable to determine with any precision the number of analyses prepared to date. An estimated 15 agencies had each prepared one or more UCIA's. The following table shows the estimated number of new UCIA's submitted during each of the three budget seasons. Also shown is the number of UCIA's resubmitted from previous years. Although the 47 initiatives concerned were budgetary, some were legislative as well.

	<u>Number of new UCIA's</u>	<u>Number of resubmitted UCIA's</u>
Fall 1978 (fiscal year 1980 budget review)	18	
Fall 1979 (fiscal year 1981 budget review)	14	2
Fall 1980 (fiscal year 1982 budget review)	<u>15</u>	1
Total	<u><u>47</u></u>	

The number of analyses believed to have been submitted each budget season by individual agencies is shown as appendix III.

Reported time spent preparing UCIA's varies

Reports of the amount of time spent preparing each analysis varied widely. Using a prototype UCIA as a basis, an OMB official estimated that an average of 14 staff days was required for each analysis. A study done under contract for HUD showed an average of 10 to 20 staff days, with the Department of Transportation's "over 100 person days" as the maximum reported figure for a single analysis. Averages given us by the agencies we visited ranged from 5 to 50 staff days. The Department of Transportation's average of 40 to 50 staff days was the highest.

Program now inactive

The program's future is in question. In February 1981, following the change in administration, OMB terminated its UCIA program staff and suspended program activities. The current administration is considering whether--and in what form--to retain the program.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our survey objectives were to (1) determine how well the UCIA program had achieved intended results and (2) identify and recommend any needed improvements. Our objectives did not include advising the new administration on whether it should continue the program. However, OMB officials told us the results of our study should be useful to the administration in making that decision. This report outlines several steps we believe are necessary to increase the program's effectiveness if a decision is made to continue it.

Early in the survey it became apparent that the program's problems most urgently in need of attention were procedural rather than technical, administrative rather than programmatic.

This set the main focus of our work, which we directed toward specifying these procedural and administrative problems and identifying possible remedies. We did not independently assess the technical appropriateness of the prescribed UCIA format or the analytical quality of agencies' UCIA's, but we did obtain views of others on these matters.

We limited our survey mainly to OMB, the White House Domestic Policy Staff (DPS), and five participating agencies--the Departments of Agriculture (USDA), Housing and Urban Development (HUD), Labor (DOL), and Transportation (DOT); and the Small Business Administration (SBA). We included HUD because of its role as lead agency in the UCIA process. We selected the remaining four participating agencies arbitrarily from the six agencies (other than HUD) which had prepared at least two UCIA's during the first two budget cycles.

We interviewed officials and staffs in the above agencies and obtained supporting documentation such as reports, directives, correspondence, and UCIA's. We also reviewed studies and papers prepared on the UCIA concept by government officials, academicians, and others.

Our observations in the five participating agencies visited cannot be used to draw inferences about all participants. However, they do indicate major problems in the program. Further, these observations generally parallel those of a 14-agency study done in 1979 by a Massachusetts Institute of Technology consulting team under a HUD contract. 1/

Two problems we encountered limited the extent to which we could document some of our findings:

- Some OMB records were missing, incomplete, or conflicting (an OMB official said that, because the program staff was small, much UCIA business had to be conducted orally without benefit of record-keeping and that some records may have been lost in an office move).
- Some key officials and staffpersons with institutional knowledge were no longer with the Executive Office of the President following the change in administration.

1/Gary Hack and Richard Langendorf, "Learning From Urban Impact Analyses," Jan. 15, 1980. This unpublished HUD-commissioned report, referred to hereinafter as the MIT report, assessed the UCIA program's performance during the period August 1978 through October 1979--the first 15 months of the program.

CHAPTER 2

THE UCIA PROGRAM HAS NOT

ACHIEVED DESIRED RESULTS

The UCIA program has not achieved intended results. It has not effectively informed OMB and White House decisionmakers of likely urban and community impacts of agencies' proposed initiatives, and therefore has had only minimal influence on OMB and White House decisionmaking. The following conditions have contributed to this outcome:

- OMB's organizational and staffing arrangements have hindered the program's development.
- The UCIA process is not timely. Analyses often reach users too late to be useful.
- The Domestic Policy Staff did not play an active role in the program.
- UCIAs are not prepared on agency regulatory initiatives.
- Compliance varies among agencies and is generally marked by reluctance.
- Doubts about the objectivity of analyses hinder their credibility with OMB budget examiners, key intended users.
- The program's startup in 1978 may have been too hasty.

THE PROGRAM HAS HAD MINIMAL INFLUENCE ON DECISIONMAKING IN THE EXECUTIVE OFFICE OF THE PRESIDENT

None of the persons we asked 1/ were able to cite any instance in which the OMB UCIA office or the UCIA process caused changes in agency proposals or influenced OMB or White House decisions. One reason for this was a breakdown in the system at OMB budget examiners' desks.

When an agency's budget request is received at OMB in September, it is referred to the appropriate budget operating

1/Nine officials and eight staffpersons--including OMB budget examiners--of the Executive Office of the President and four participating agencies.

division. From the division, it is further assigned to a branch, then to one of the branch's budget examiners for review. The examiner highlights issues to be raised in OMB-agency hearings, normally held in October. At these hearings agency representatives give oral justifications for their programs and budgets to the examiner, the responsible branch chief, and other OMB staff. Points of contention over funding and other issues are discussed and, where possible, resolved.

After the hearings, the examiner proposes recommendations for an OMB "Director's review", normally held in October or November. The Director's review is attended by the OMB Director, other OMB officials, and appropriate representatives from other elements of the Executive Office of the President. Major decisions on the agency's request are made by the Director on the basis of this review.

If disagreements remain between OMB's position and the agency's request, the Director refers them to the President for resolution.

As an agency's budget proposal progresses through this review process, its outcome (that is, the OMB Director's or the President's decision on the proposal) can be influenced, directly or indirectly, by many people along the way. Budget examiners estimated that as many as 30 to 40 people, or even more, become involved where a major issue is being considered or where discussions and negotiations are prolonged by an agency appeal of an OMB or presidential decision. As one OMB official said, numerous people are involved "concurrently and collectively" in the decisionmaking process.

It was OMB's intent that UCIA's be incorporated into the budget review process. OMB's UCIA program staff would provide the budget examiner a copy of the UCIA and discuss with the examiner any concerns they had as a result of their own study of the analysis. The examiner would consider the results of the UCIA in assessing the agency's budget proposal, with the aim of identifying and adjusting for unintended or inadvertent urban impacts.

At OMB-agency hearings, problems identified with the UCIA results would be discussed and, if possible, resolved. The examiner would make the UCIA findings an integral part of the budget review materials prepared for the Director's approval.

Finally, as a result of all of this, "* * * the President and the Director will look carefully at the urban and community impacts of major initiatives in making budget decisions."

But it hasn't worked that way. For various reasons, information in UCIA's has often not reached decisionmaking echelons in OMB. In fact, it has seldom gotten beyond budget examiners.

Although the drafters of the UCIA process wrote that "* * * the success of this Presidential commitment depends ultimately on the budget examiner * * *," we learned in discussions with budget examiners that:

- They did not always receive UCIA's.
- When they did receive them, the analyses were sometimes too late to be useful.
- Only one of the five budget examiners we interviewed had found a UCIA significantly useful. Some did not even read them.
- Often, UCIA's were not seen by the budget examiners' superiors and were not commented on in branch and division discussions or in "issue papers" prepared for higher officials.
- Budget examiners could recall few instances in which potential urban impacts were discussed at Director's reviews and could recall no Director's review in which the urban impact assessment process played a major role in discussions or had any discernible influence on decisions.

The underlying reasons for the breakdown of the process at budget examiners' desks are discussed later in this report. The important point here is that the UCIA program has not become an integral part of the budgetary decision process.

OMB's UCIA office: Its impact is unclear but apparently minimal

On the management side of OMB, where the UCIA program staff was located, we sought evidence of the program's influence on decisionmaking. The chief of the UCIA staff said that because of the large number of people involved in the decisionmaking process, he could not point to direct causal relationships between his office's activities and the final contents of--or decisions on--agency proposals. He described his office's function as that of a catalyst, pointing out, as an example, its role in sensitizing agencies to urban implications as they draft proposed initiatives.

To illustrate program results, he cited cases where the UCIA process had influenced the final content of two agency initiatives and the development of a coordinated HUD and DOT mass transit and urban development policy. In examining these cases, we found

evidence that the UCIA office may have stimulated healthy debate. However, with regard to the two agency initiatives, there was no evidence that the analysis process had resulted in their being revised in any way. The extent and influence of the UCIA office's involvement in the HUD-DOT policy coordination effort could not be determined with any precision; however, it did not appear to be major.

The disappointing results of the program were implicitly recognized in the President's 1980 National Urban Policy Report. Although maintaining that the UCIA has "vital importance as a component of urban policy," the report acknowledged that it had played a "limited role" to date. The following sections discuss what went wrong.

OMB'S ORGANIZATIONAL AND STAFFING ARRANGEMENTS HAVE HINDERED THE PROGRAM'S DEVELOPMENT

The MIT report was critical of OMB's failure to adequately institutionalize the UCIA process. Specifically, the report said that (1) the process should be incorporated into certain existing OMB procedural documents and (2) additional staff should be assigned ("* * * a single professional is an inadequate staffing level if the program is to achieve its potential.").

In response to the findings of the MIT report, OMB took the following corrective actions to institutionalize the process:

- Incorporated Circular A-116 requirements into (1) OMB Circular A-11 "Preparation and Submissions of Budget Estimates," which instructs agencies on preparation of annual budgets; and (2) the Examiners' Handbook.
- Obtained a temporary detailee from HUD to assist in the OMB UCIA office. As a result, OMB-agency interaction during the fall 1980 budget season appears to have increased considerably over that of 1979.

Indecision on organizational placement and size of staff

Since the early months of the program, there appears to have been considerable indecision and discussion regarding the appropriate organizational placement and staffing level for the UCIA office. During the 2-1/2 years of the program, it had three different "homes" in OMB. During most of our survey, it was lodged within a branch on the management side of the agency. The UCIA office was staffed by (1) the Chief, UCIA, a full-time professional (GS-15 equivalent) under temporary contract; (2) a full-time

secretarial assistant; and (3) during the 1980 fall budget season, the professional detailee discussed above.

The Chief, UCIA office, maintained that 2 years of program experience "suggests that the office requires three professional staff and one secretary." He also contended that giving the office less than branch status had resulted in unwarranted delays and limited access to senior OMB, White House, and agency officials. "Once agencies see this," he wrote, "they have little motivation to comply with the A-116 procedures, and they won't."

We did not examine the staffing and organizational placement issues in depth. Therefore, we cannot speculate on what effect they may have had on the program's development or credibility. Two officials we interviewed, however, did comment on the matter:

--A participating agency official: People at the agency level feel that no one (in OMB, DPS, or the White House) takes the process very seriously. This is evident by the staffing problems faced by the UCIA office and the persistent debate about where to place that office in OMB's organizational structure.

--An OMB budget official: If senior OMB officials and DPS had really been sold on this idea, they would have elevated the UCIA office to a higher level. Since this wasn't done, it can only be assumed that a high priority was not attached to the UCIA process.

Staff lacked permanency and continuity

The UCIA office's professional staff lacked permanency and continuity. Neither the chief of the office nor the 1980 detailee had civil service status. Even if the detailee had had civil service status, she would have returned to her parent agency after a few months, to be replaced eventually by another temporary detailee. The lack of continuity inherent in this rotational arrangement would have hindered accumulation of institutional knowledge.

Following the presidential election in November 1980, the staff's energies and attention were diverted to job hunting. The tempo of program activity generated by the office waned. An OMB official acknowledged that "no substantial progress" was made after November 1980. Had permanent staff positions been authorized, this post-election loss of momentum might not have occurred.

In January 1981, the office's secretarial assistant was released. In February, both professionals were released. Files were placed in storage. This was at the beginning of the spring legislative season, during which the work of monitoring agency

preparation of analyses on legislative initiatives would normally have taken place. Agencies were not informed of these actions or of OMB's intentions regarding the program's future.

THE PROCESS IS NOT TIMELY

Lack of timeliness is probably the single greatest deterrent to the program's usefulness. As pointed out earlier, budget examiners often receive UCIA's too late to use them in their review of agencies' budget proposals. However, there may be a solution to this problem.

Circular A-116 established the following UCIA timetable for each budget cycle:

--By August 31 of each year, each executive agency is required to submit to OMB, with a copy to DPS, brief summaries of all initiatives it tentatively expects to include in its legislative programs or budget submission, and nominate those it will subject to analysis. OMB, in consultation with DPS, will review these nominations and request additions or deletions as appropriate. According to the OMB UCIA staff, their approval of agencies' nominations may be preceded by a negotiating process.

--For the initiatives identified by agencies and approved by the OMB UCIA office, each agency submits UCIA's as part of its regular legislative and budget submissions. Most agencies' budget submissions are due September 15.

Agencies frequently failed to submit the advance summaries and nominations for UCIA's until reminded by OMB. Some submitted them without reminder but after the August 31 deadline. An OMB official said that both situations caused delays in OMB-agency agreements on selections of analyses to be done. With less than 15 days remaining before the September 15 deadline, analyses were commonly late and hastily done. A budget examiner said that examiners need to receive the analyses with the September 15 budget requests in order to have time to adequately consider them during budget review.

To assess the responsiveness of the five agencies visited, we examined data on each agency's submissions during the most recent budget cycle in which each participated. The requirement to send brief summaries of initiatives which would be subject to UCIA's to OMB and DPS by August 31 each year was generally ignored. Four of the five agencies submitted at least one UCIA from 2 to 6 weeks after the September 15 deadline. Of the total of 11 analyses submitted, 6 were late. Three of these were too late to be useful in budget examiners' reviews of agency budget proposals or at OMB-agency hearings in early to mid-October.

Even when UCIA's are submitted by the September 15 deadline, pressures of the fall budget review season tend to discourage budget examiners from devoting adequate time to study of the analyses. In this regard, the MIT report said:

"There is a general consensus among Budget Examiners that it is inappropriate for the UCIA program to be tied to the final few weeks of the year-long budget cycle. Several felt that it would be more effective if urban and community impact concerns were probed during the spring budget review."

An approach to improving timeliness

We discussed this concept with budget examiners and agency officials. With few exceptions, they agreed that if the program is continued, advancing the process into the spring budget review 1/ is feasible and desirable. One budget examiner added the observation that in the fall budget season, dollar decisions tend to drive out policy decisions. Time is short, he said, and dollar considerations have priority. In the spring, the atmosphere is better for policy decisions.

Although we did not explore implementing details of such a change, it would appear that one general approach might be to require agencies to submit nominations of initiatives selected for analysis during the spring review instead of by the August 31st deadline. This would allow more time for OMB-agency discussions on the nominations and more time for agency preparation of analyses after agreement on the nominations. Even if agencies had not made a final decision on which initiatives would be included in their September 15 budget submissions, analysts could begin UCIA work on initiatives likely to be included. As preliminary work was being done on these tentative initiatives and UCIA's, adequate time would be available for informal, more thorough discussions with budget examiners (and the OMB UCIA staff) on matters relating to potential urban and community impacts. Even if the final analyses were not required until the September 15 budget submission, this arrangement could result in improved analyses and their greater use by budget examiners.

1/OMB's spring budget review, or spring planning review, occurs between March and early June. OMB divisions meet with the Director for a general overview of current policy. Following these meetings, policy guidance and planning ceilings are developed. This information is then transmitted to the agencies to guide them in preparing their fall budget submissions.

THE DOMESTIC POLICY STAFF DID NOT
PLAY AN ACTIVE ROLE IN THE PROGRAM

The Domestic Policy Staff 1/ did not carry out its role as outlined in the executive order and the OMB circular. This contributed to the program's ineffectiveness and lack of credibility.

Executive Order 12074

- authorized OMB and DPS to identify major initiatives on which agencies would prepare UCIA's and
- tasked both OMB and DPS with reviewing the analyses.

OMB Circular A-116 states that OMB, "in consultation with" DPS, will

- review the agencies' advance summaries of initiatives and their nominations of those on which they intend to prepare UCIA's and
- review the resulting analyses.

OMB officials said, however, that

- DPS had never participated in reviewing agencies' advance summaries and nominations for UCIA's and that
- prior to the program's third budget season (the fall of 1980), DPS had reviewed no UCIA's.

During the fall 1980 budget season, a consultant was temporarily detailed from HUD to DPS to carry out DPS' UCIA role. The detail was in response to a criticism in the MIT report that DPS was not supporting the UCIA effort. The detailee cited a heavy workload and higher priorities as reasons for DPS' prior non-participation in the program. She was to show the executive

1/Under the Carter administration, this staff was officially called the Domestic Policy Staff. Therefore, when referring to it, we will use the capitalized form, Domestic Policy Staff (DPS). Under the current administration, an equivalent staff exists as part of the White House Office of Policy Development; however, it does not bear the official title, Domestic Policy Staff. Therefore, when referring to the current staff, we will use the lowercased form, domestic policy staff.

agencies that DPS was committed to the program. She told us, however, that she received and reviewed only about one-half of the UCIA's submitted to OMB during that 4- to 5-month period. The Chief, UCIA, screened incoming UCIA's and sent her only those he considered noteworthy. She said she specifically asked him for the HUD analyses but never received them. She said also that she had little communication with the DPS official responsible for urban policy matters and that he never inquired about or saw any UCIA's.

OMB officials charged with making the process work said that the DPS allowed major legislative initiatives with presidential priority to evade the UCIA process. One official, in a memorandum to a top OMB official, pointed out that:

"By the time [agencies' proposed] legislation reaches OMB for clearance, it is too late to initiate a UCIA. DPS works with agencies long before this, but DPS staff have not been requesting agencies to carry out their responsibilities under E.O. 12074 nor have they been keeping the UCIA office informed. As a consequence, major Administration initiatives are escaping this requirement, subjecting us to outside criticisms about our failure to follow through on this commitment. Major energy policy decisions, various deregulation moves, and hospital cost containment are just a few examples."

Included in the intended role of the HUD detailee to DPS was the task of helping to assure that "significant new policies and programs emerging from the Domestic Policy Staff are subject to urban impact analyses * * *." However, because of the election campaign and the press of the fall budget review, there were few presidential initiatives during her detail. The only UCIA prepared as a result of her actions was a single Department of Treasury analysis covering three tax-related initiatives. It appears that her tenure with DPS was not a reliable test of whether the problem of "escaping initiatives" had been solved.

In April 1980, after almost 2 years of experience with the program, the head of DPS stated his intent to include a new "urban impact checkoff" on decision memorandums going to the President. It was to consist of a checklist of questions, with accompanying answers, regarding urban impact. It was to be added to decision memorandums addressed to the President concerning new policies, programs, and regulations. Its purpose would be to ensure that UCIA considerations had been addressed. Although OMB and HUD officials and staff we interviewed knew of the checkoff plan, none of them were able to confirm that it had ever been placed into effect.

The detailee to DPS said that even though the administration's decision to submit the Treasury initiatives to the Congress had already been made when the UCIA was prepared, the UCIA information was still useful to her in dealing with other DPS staff and in drafting the presidential proposal that went to the Congress. She added, however, that during the budget cycle in which she was on the DPS staff, no DPS decisions had been influenced by UCIA's.

The role assigned to the White House domestic policy staff in the administering of the UCIA program is, of course, a procedural matter for the President to decide. We believe, however, that if the staff will not participate in the review of agencies' nominations for UCIA's and the review of UCIA's themselves, these tasks should be deleted from the executive order and Circular A-116. For these tasks to be assigned but ignored harms the program's credibility.

Even more important to the program's credibility, in our opinion, is the inclusion of major White House initiatives in the analysis process. We believe that vigorously subjecting to the process high-priority presidential initiatives originating with the domestic policy staff could reinforce agencies' willingness to participate.

UCIA'S ARE NOT PREPARED ON AGENCY REGULATORY INITIATIVES

As stated earlier (see p. 2), OMB Circular A-116 requires agencies to incorporate UCIA's on proposed regulations into "regulatory analyses" prepared under Executive Order 12044 (now replaced by Executive Order 12291). This part of the UCIA process has not worked.

Executive Order 12044 required agencies to prepare regulatory analyses on certain significant regulatory initiatives. At a minimum, they were to prepare analyses on all regulations that would result in (a) an annual effect on the economy of \$100 million or more or (b) a major increase in costs or prices for individual industries, levels of government, or geographic areas. The analyses were to include a description of alternative ways of dealing with the problem concerned, an assessment of the economic consequences of each alternative, and an explanation of the reasons for choosing one alternative over the other.

Rather than require agencies to prepare and submit separate UCIA's on proposed regulations, OMB Circular A-116 required them to incorporate the UCIA's as a part of the broader-scope regulatory analyses above.

The MIT study team found that, as of October 1979, there was "considerable slippage in the integration of UCIA requirements with regulatory analyses" and that the UCIA office staff did not know

to what extent agencies were actually incorporating UCIA statements in their regulatory analyses.

As of February 1981, 16 months later, the situation was unchanged. OMB was still not monitoring compliance with the regulatory part of the UCIA process, and there was little evidence of compliance by the agencies we visited. Of the five agencies, all except SBA had submitted regulatory analyses to OMB under Executive Order 12044, but apparently only HUD had incorporated UCIA's into the analyses.

In a 1980 progress report, the Chief, UCIA, said he was unable to monitor agency compliance because of a lack of staff. "Without more staff resources to monitor the regulatory process, the UCIA Office is not in a position to improve its role in this area."

Executive Order 12291, dated February 17, 1981, requires agencies to prepare "regulatory impact analyses" on all proposed major regulations. The criteria that trigger an analysis are the same as above under Executive Order 12044, plus a third criterion which broadens the scope of regulations subject to analyses; that is, if the regulation is "likely to result in significant adverse effects on competition, employment, investment, productivity, innovation, or on the ability of United States-based enterprises to compete with foreign-based enterprises * * *"

If the program is retained, OMB needs to (a) begin monitoring agency preparation of UCIA's on proposed regulations and (b) amend Circular A-116 to reflect the replacement of Executive Order 12044.

COMPLIANCE VARIES AMONG AGENCIES AND IS GENERALLY MARKED BY RELUCTANCE

An OMB official said that a UCIA office phone call to an agency was like a knock on the door that no one wanted to answer. In general, agencies have only reluctantly complied with the UCIA process and usually after being pressed by OMB. As noted earlier, in many instances agencies (1) failed to submit advance summaries and UCIA's by the due dates (see p. 10) and (2) apparently ignored the regulatory UCIA requirement (see p. 14). The quality of analyses has been inconsistent. In most of the agencies visited the UCIA process has not influenced the design of agency initiatives. Agency and OMB officials pointed out a number of administrative and technical problems which may have created this situation.

Agency organizational and staffing arrangements: Adequacy varies

The organizational and staffing arrangements for the UCIA process appeared adequate in three of the five agencies visited--HUD, DOT, and DOL. In each of the three agencies, responsibility for

UCIA matters was formally assigned and was placed at a high level, and procedures for handling UCIA's were adequately defined. USDA had extensive organizational arrangements for handling the impact analyses produced by its own internal decision system. However, it does not participate in the UCIA process because officials believe it unnecessarily duplicates their own system. SBA had no clearly defined organizational arrangement for handling UCIA's, and SBA officials' in-house reviews of analyses before submission to OMB appeared to be perfunctory.

HUD: the most active participant

Of the five agencies, HUD, as the lead agency in the UCIA process, was the only willing participant. In fact, HUD has gone beyond the circular's requirements by preparing analyses on existing programs and proposed reauthorizations. This extensive involvement is probably attributable to the urban focus of HUD's mission and the fact that several HUD officials were involved in design of the UCIA process.

While USDA does not formally participate in the UCIA process, it does routinely send copies of its impact analyses to OMB and other agencies in the Executive Office of the President. OMB accepts these analyses as UCIA's, although they do not conform to the prescribed format and, for reasons stated below, have not been considered satisfactory.

DOL, DOT, and SBA have participated despite the views of some agency officials that the UCIA process, as it now exists, is a waste of time. DOL's participation, however, is less than wholehearted. A DOL staffperson said that instead of selecting initiatives for UCIA preparation on the basis of criteria prescribed in Circular A-116, the agency, as a practical matter, nominates only those initiatives which it feels fairly certain will be funded.

Quality of UCIA's varies greatly

The UCIA office staff told us that the quality and length of analyses varied greatly among all of the participating agencies. They were satisfied with the analyses submitted by HUD. However, USDA's analyses were not considered useful because (1) they did not specify geographically the urban impacts of agency proposals and (2) they were descriptive papers designed for internal USDA purposes rather than analytical documents which could be used to aid in OMB's budget decisionmaking.

We examined OMB records to determine OMB's assessment of the quality of UCIA's of the five agencies we visited. Of the 11 analyses the agencies submitted during the most recent budget cycle in which each participated, OMB provided written feedback to two agencies on the quality of only 2 analyses. It commented to DPS about

deficiencies in a third. Among OMB's observations on these three analyses were the following:

- One analysis failed to conform to the Circular A-116 format.
- One analysis lacked (a) substantiating data and (b) information regarding the long-term impact of the proposed initiative.
- All three analyses failed to estimate the relative impact of initiatives on different types of geographic areas.

Failure to address the relative impacts of initiatives on different types of geographic areas has also been identified as a major weakness of UCIA's in general. In an article 1/ they wrote in 1979, two designers of the program cited this as a common deficiency. Another criticism they advanced about the quality of analyses in general was that most impacts identified were of a small and only positive nature.

Although most budget examiners thought UCIA's they had received were understandable and manageable in size, they were dissatisfied with their contents. The examiners cited a number of quality-related reasons for the lack of influence that UCIA's have on OMB decisionmaking. Among their comments were that analyses:

- Are more descriptive than analytical in nature. They focus almost exclusively on the short-term impacts of initiatives and seldom mention more than general impressions.
- Are primarily advocacy documents used by agencies to justify their budget requests.
- Emphasize the most easily measured impacts of proposals.
- Offer little information which is directly relevant for budget examiners.

UCIA's have minimal influence
on agency initiatives

One expected result of the UCIA process, in addition to its influence on OMB and White House decisionmaking, was that it would induce agencies to build a greater urban sensitivity into

1/Lester Salamon and John Helmer, "Urban and Community Impact Analysis: From Promise to Implementation," in The Urban Impacts of Federal Policies, (Baltimore: John Hopkins University Press, 1980), p. 31.

their policymaking procedures. There was no evidence of this sensitizing at any of the agencies except HUD. Moreover, analyses had little or no impact on the final contents of initiatives. In DOL, analyses were done after initiatives were designed, to satisfy the OMB requirement. Several officials in three agencies considered the preparation of UCIAs a useless paper exercise.

The UCIAs' continued lack of influence on agencies' proposals reflects a lack of progress since the MIT study of 1979. The MIT report stated that "most agencies flatly asserted that [in preparing the analyses] they learned nothing new, and that they surfaced no issues that had not already been considered in the policy development process."

Agency officials and staffs
critical of process

With the exception of HUD, agency officials and staffs we questioned were highly critical of the UCIA process. Some advocated eliminating the program. Among their complaints were the following:

- OMB Circular A-116 is too ambiguous. It needs to clarify such things as the definition of a major initiative, the difference between a new program and a reauthorization, and the types of impacts which should be addressed in the analyses. (Three agencies which were not included in our survey expressed similar concerns about these ambiguities in their 1978 comments on the draft version of Circular A-116.)
- Agencies receive little or no feedback from OMB on the adequacy of their UCIAs or how they are used.
- There is no indication that UCIAs are being used by budget examiners, who are ultimately the most important consumers.
- There appears to be little top level support for the UCIA process at OMB, DPS, or the White House.
- It is difficult to prepare UCIAs on new initiatives since there is no existing data base to draw upon.

One official suggested the program's outright elimination. Another favored its elimination unless it was substantially improved. Two others said it should be eliminated unless its usefulness to decisionmakers could be proven.

DOUBTS ABOUT OBJECTIVITY OF
UCIAs HINDER THEIR CREDIBILITY

The perception that self-serving bias exists or may exist in UCIAs is common among OMB budget examiners. Agency officials and staffs said that assuring objectivity is a problem.

OMB's Chief, UCIA, said he did not believe UCIAs were self-serving documents. However, three of the five OMB budget examiners we interviewed considered it unreasonable to expect agencies to submit unbiased assessments of their own programs. They considered the analyses to be advocacy documents rather than neutral information documents. One examiner acknowledged the possibility of bias but did not see it as a major problem. Another said that an unbiased analysis is possible, but that getting it past the agency's upper management is difficult. Generally, examiners' doubts about the objectivity of analyses hurt the program's credibility.

Budget examiners offered several suggestions for preventing bias:

- Have all agencies' analyses prepared by "an outside neutral organization."
- Require approval of each agency's analyses by an agency assistant secretary.
- Set up an independent review office in each agency, bypassing review by the agency secretary.

Agency officials and staffs, almost without exception, recognized the possibility of bias, but none acknowledged its existence in his or her organization. HUD and DOL officials said that to prevent bias, their agencies' analyses are prepared at the policy level rather than in the program divisions, which have program management responsibilities. Other agency suggestions for assuring objectivity included:

- Having a separate, independent organization prepare the analyses.
- As a check and balance, having other organizational elements in each agency review the analyses.
- Requiring review of each agency's analysis by its Office of the Secretary.

SOME OF THE PROGRAM'S DIFFICULTIES
MAY BE TRACEABLE TO A HASTY STARTUP

Interviews, records, and MIT report findings suggest that some of the program's lack of effectiveness and credibility can be traced to hasty planning and implementation when the program was established.

Following are comments and perceptions about the program's 1978 startup:

--The director of an executive branch agency wrote in 1978 that "* * * it might be wise to consider, at the outset, limiting this self-evaluation to a few Departments or Agencies before initiating the analysis system-wide."

--Another agency official told us that early in the life of the program, OMB's UCIA office held an introductory training session which he considered of no value. He said he had the impression at that time that the OMB staff hadn't done their homework before designing the UCIA process. "They weren't aware that there were other decisionmaking systems such as ours within the government. I don't think they considered the possibility of incorporating their analyses into these existing decision systems."

--OMB's Chief, UCIA, wrote in a progress report that "Agreement to move ahead with the UCIA proposal came ahead of a clearly-formulated plan for implementing the details."

The MIT report commented on OMB's failure to establish internal procedures for coordinating the efforts of the management side and the budget side of OMB. Calling the coordination that did exist "ad-hoc and inconsistent", the report said: "Budget examiners were not asked about the advice OMB should give agencies on how to structure UCIA efforts into their budget preparation and legislative development processes." This situation existed despite the fact that the budget examiners were expected to be the major users of UCIA's.

Citing another example of coordination problems, the MIT report said: "When statements were completed in the first [budget] round, they sometimes went to budget examiners and in other cases were sent to the UCIA staff." In our discussions with budget examiners, we learned that the routing of UCIA's to budget examiners in the second and third budget rounds of the program was equally inconsistent and somewhat "chancey." According to examiners, they received some analyses through the UCIA office and some directly from agencies, and they failed to receive some they should have received.

In the summer of 1978, a draft Circular A-116 was circulated for comments within OMB and among executive agencies. The draft was revised on the basis of some of these comments. However, the circular was not placed in the Federal Register with an invitation for public comments until 1 week after the circular's final publication on August 16, 1978. OMB explained in its Federal Register notice that it had forgone the customary 60-day period for formal comments on a draft circular "in order to enable agencies to prepare impact analyses in time for them to be considered during the 1980 Budget cycle commencing in September." In inviting after-the-fact public comments, OMB stated that these comments would "be taken into consideration for subsequent revisions of the Circular."

We were able to locate 23 written comments received by OMB from public interest groups, State and local governments, and regional planning councils. Among these responses were many detailed and apparently carefully considered comments and suggestions. Some responses dealt with issues discussed in this report.

A common theme in OMB's acknowledgement letters to these respondents was that (1) the respondent's suggested improvements for Circular A-116 were being considered and (2) revisions in the circular were planned. In a November 1978 status report, the Chief, UCIA, wrote that "we have learned much from * * * the public interest groups' comments; and we are considering several revisions of the process." However, at the time of our survey 2 years later, no revisions had been made in the circular and, according to the Chief, UCIA, none were planned.

The decision to hastily launch the UCIA process with only minimal planning and without benefit of public comment was apparently not solely an OMB decision. In a May 1978 memorandum, the White House asked OMB to accelerate the OMB clearance process for the issuance of the executive order on the urban impact analysis. A White House official said it was important that the executive order "be issued as quickly as possible to maintain the credibility of the President's commitment to aid our urban areas." This memorandum apparently set the tone of urgency in publishing an implementing circular and putting the UCIA process into motion in time for the fall 1978 budget season.

In retrospect, the program might have fared better had its implementation been delayed until planning and coordination were more complete. If the program is revamped and continued, adequate planning and coordination will be essential to avoid recurrence of past problems.

CONCLUSIONS

UCIA program results have fallen far short of expectations, more because of managerial and administrative deficiencies than because of technical, programmatic problems.

Lack of OMB and White House commitment to the program has resulted in inadequate monitoring of executive agency compliance. The program has suffered a lack of credibility in the executive agencies and on the budget side of OMB. This credibility gap, along with the program's lack of timeliness, has hampered the program's influence in the decisionmaking process.

The program, if retained, must be revamped. All participants, both suppliers and users of UCIA's, should be consulted in the program redesign in order to achieve improvements which all can support. We believe a small interagency task force could be an effective aid to the OMB Director in such an effort. (Some suggestions for issues to be considered by such a task force are discussed on p. 23.)

RECOMMENDATIONS TO THE
DIRECTOR, OMB

We recommend that, if the decision is made to continue the UCIA program, the Director, OMB:

--Strengthen the management of the UCIA process by:

- (1) Institutionalizing the process in OMB through stabilized organizational and staffing arrangements.
- (2) Establishing a systematic procedure for monitoring agency compliance and providing agencies feedback.
- (3) Monitoring agencies' preparation of UCIA's on regulatory initiatives.
- (4) Seeking amendments to Executive Order 12074 that (a) reflect realistically the White House domestic policy staff's intended participation in the process and (b) formally require the staff to cause UCIA's to be prepared on major presidential initiatives.

--Improve the timeliness of the process by:

- (1) Systematically and promptly following up on missed due dates.
- (2) To the extent possible, advancing the timing of UCIA activities into the spring budget review.

- Amend OMB Circular A-116 to delete reference to Executive Order 12044 (revoked) and incorporate preparation of regulatory UCIA's into regulatory impact analyses prepared under Executive Order 12291.
- Form a small interagency task force to advise and assist in designing program improvements which all participants--both UCIA suppliers and users--can support.

OTHER MATTERS FOR THE OMB
DIRECTOR'S CONSIDERATION

The following observations, although not recommendations, are presented with the view that they might be helpful to the Director in revitalizing the UCIA program, should the program be retained.

Possible tasks for
interagency task force

We believe the interagency task force recommended above should include representatives of (1) both the management and budget sides of OMB and (2) participating agencies. Following are some specific tasks which we believe the Director, OMB, could appropriately assign to the task force:

- Developing a workable, mutually acceptable timetable which would improve the timeliness of UCIA's. This would include developing procedures for advancing UCIA actions into the spring budget review.
- Revising Circular A-116 to eliminate ambiguities and clarify terminology.
- Revising the UCIA contents and format to improve the analyses' usefulness to customers (such as the OMB UCIA staff, OMB budget examiners, and the White House domestic policy staff).
- Determining how agencies (such as USDA) which have their own existing, in-house analysis machinery can, with a minimum of additional effort, augment or modify their impact analyses to satisfy the Circular A-116 requirement.
- Establishing procedures for coordination between the OMB UCIA staff, participating agencies, and OMB budget examiners.

CHAPTER 3

BROADENING PROGRAM COVERAGE AND

AGENCY PARTICIPATION COULD MAKE

THE PROGRAM MORE USEFUL

UCIAs have been required only on major new initiatives, and required participation in the program has been limited to executive branch operating agencies. By not including (1) other types of initiatives and (2) independent regulatory agencies OMB has left a significant void in the process.

UCIAs ARE NOT REQUIRED ON PROGRAM REAUTHORIZATIONS

OMB has not included reauthorizations as major initiatives in its interpretation of Circular A-116. Adding reauthorizations as another category of initiatives requiring UCIAs would provide more comprehensive program coverage without some of the problems associated with preparing UCIAs on new initiatives. As previously noted (see p. 16), HUD voluntarily does UCIAs on reauthorizations. Of the agencies we visited, two others--DOL and DOT--have prepared UCIAs on reauthorizations but only because of confusion about whether reauthorizations constitute new initiatives under Circular A-116.

Most of the OMB and HUD officials and staff we interviewed favored requiring UCIAs on reauthorizations. Some reasons cited were the following:

- Analysis of a reauthorization permits looking at a program in its entirety rather than in incremental changes.
- Reauthorization UCIAs would not be subject to the same time pressures as UCIAs on new initiatives since program expiration dates are known well in advance. This would provide analysts more time to prepare better UCIAs. It should also enable agencies to submit analyses on a more timely basis.
- It is easier to prepare UCIAs on reauthorizations than on new initiatives. Reauthorizations have an existing data base to draw upon which facilitates more accurate projection of their impact on geographic areas.

UCIAs ARE NOT REQUIRED
ON BASE PROGRAMS

Circular A-116 does not require UCIAs on base programs; that is, on ongoing programs whose expiration dates and possible consideration for reauthorization are still remote. If the UCIA process is continued, a long-range OMB goal should be to amend the circular to include these programs in the UCIA process.

As early as 1979, OMB considered establishing a system for examining base programs. The system considered would have been selective to ensure a minimal impact on agency workloads. Although it was never implemented, most of the OMB and HUD officials and staff we interviewed considered it still desirable and feasible. Their rationale was the same as that cited above for adding reauthorizations to the process. Other reasons pointed out were that:

--Recent budget restraints limiting the number of new initiatives argue for shifting part of the focus of the UCIA effort to base programs.

--Since major urban impacts lie in base programs, new initiatives cannot be adequately evaluated without examining the base as well.

Base programs could be gradually phased into the UCIA process following the addition of analyses on reauthorizations. To ease the potential workload burden on agency staffs, a limited number of analyses--perhaps one or two--could be required annually from each agency. Moreover, the analyses could be prepared outside of the busy fall budget season.

UCIAs ARE NOT REQUIRED ON
OMB CHANGES IN AGENCIES'
BUDGET INITIATIVES

Proposed agency initiatives may be significantly revised by OMB during the budget review. This may cause changes in the initiatives' potential urban and community impacts or may create new and potentially unforeseen impacts. The lack of assessment of these revisions, which may differ substantially from original agency budget requests, is another void in the process. If the UCIA program is continued, a provision should be made for analysis of these revised initiatives.

We did not examine this problem sufficiently to determine its extent. However, OMB records indicate that as early as December 1978, the need for UCIAs on OMB budget recommendations was recognized. The Chief, UCIA, maintained that there was an increase in the number of such recommendations between 1978 and

1980. Possible solutions to this problem were discussed in OMB in 1980 but no procedures were established to implement any of them.

INDEPENDENT REGULATORY
AGENCIES DO NOT PARTICIPATE

The organization and functions of regulatory agencies vary widely. Some are headed by a single administrator and located within an executive branch agency. Others are organized as independent commissions, composed of several members and a chairman. Regulatory functions of this latter group are currently exempt from the UCIA requirement. This leaves another void in the UCIA process since some regulations may have a greater impact on urban communities than direct expenditures. Ideally, the UCIA process, if retained, should be expanded to include the functions of these independent regulatory agencies.

The OMB staff who designed the UCIA process viewed these agencies as being directed by the Congress rather than the President and therefore exempt from the UCIA process. They wrote, however, that "Since regulatory actions by these independent commissions can have significant geographic consequences, this exemption has serious implications for the UCIA process."

A 1980 Rand Corporation report stated that "In formulating urban policy, there is a tendency to neglect the effect of 'non-budget' programs, such as regulations." 1/

All of the HUD officials and staff we interviewed (three officials, two staff) agreed that the activities of a number of independent regulatory agencies can have direct or indirect urban and community impacts and should be subject to the UCIA process. Some examples that were cited:

- Federal Home Loan Bank Board: Policies which control mortgage money can affect the availability of housing.
- Interstate Commerce Commission: Deregulation of trucking rates can negatively affect jurisdictions on less profitable trucking routes.
- Civil Aeronautics Board: Partial deregulation of air fares can have negative impacts on smaller cities because servicing them may not be profitable.

1/Roger J. Vaughan, Anthony J. Pascal, Mary E. Vaiana, "The Urban Impacts of Federal Policies: Vol. I, Overview," The Rand Corporation, August 1980, p. 18.

Bringing the independent agencies into the process is complicated by the ambiguity of their relationship to the executive branch. Depending on the point of view, they have been variously perceived as an arm of the Congress, an adjunct of the executive branch, and a "fourth branch of government." Regardless of the merits of these various perceptions, these agencies, in correspondence with OMB, have taken the position that they are exempt from complying with presidential executive orders and OMB circulars and are, therefore, exempt from the UCIA process. OMB has not opposed this position.

While our work in this area was limited, it appears that OMB has the following alternative approaches available for obtaining participation by independent regulatory agencies:

- Requesting their voluntary participation (perhaps through a presidential request to the agency heads).
- Seeking legislation requiring their participation.
- Seeking legislation requiring their participation but providing for review of their UCIA's by the legislative branch instead of by the White House domestic policy staff and OMB.

If legislation were enacted mandating the agencies' participation, possibly the proposals of only a small number of them would be found to be applicable to the UCIA process. Those agencies whose activities obviously have little or no urban and community impact could be specifically exempted by the administering agency. Other agencies which believe their activities are not relevant could petition for exemption. It would be incumbent on the petitioning agency to support its claim of non-applicability.

CONCLUSIONS

Expanding the UCIA process to include (1) program reauthorizations, (2) base programs, (3) OMB changes in agency budget initiatives, and (4) participation by independent regulatory agencies could make the process more useful.

Of these actions, it would appear that adding program reauthorizations and OMB changes in agency budget initiatives could be achieved in the least time and with the least administrative effort. Actions on base programs and independent regulatory agencies would seem to represent second priority, longer-range actions.

RECOMMENDATIONS TO THE DIRECTOR, OMB

We recommend that, if the UCIA program is continued, the Director of OMB:

- Amend OMB Circular A-116 to clearly include program reauthorizations in the UCIA process.
- Amend Circular A-116 to include base programs in the UCIA process.
- Prepare UCIA's (or revised UCIA's) on major OMB changes in agency budget initiatives.
- Seek independent regulatory agencies' participation in the UCIA process.

CHAPTER 4

PUBLIC DISCLOSURE OF UCIA's COULD MAKE THEM MORE USEFUL AND CREDIBLE

OMB considers UCIA's on budgetary and legislative initiatives confidential documents and therefore not releasable to the public. Public interest groups and State and local government officials are critical of this confidentiality and believe the UCIA process should provide for public participation. Most officials and staff- persons we questioned in OMB and other agencies had no objections to public disclosure of analyses after OMB and White House decisions are made on agency proposals. We believe public disclosure at that time would be preferable to the present policy.

THE ISSUE: CONFIDENTIALITY OF UCIA's VERSUS PUBLIC DISCLOSURE

The public has access to UCIA's which are included in regulatory analyses. Under Executive Order 12044, which dealt with regulatory analyses, the UCIA segments of such analyses were made available to the public (through the Federal Register) for review and comment. Executive Order 12291, which replaced Executive Order 12044, similarly provides for public access to the new regulatory impact analyses. However, OMB does not provide public access to UCIA's on budgetary and legislative proposals. OMB has given various reasons for this policy. The reason most often advanced is that because UCIA's are tied to the budget review and internal decisionmaking process, they should be considered confidential.

From comments of Federal officials and staffs, public interest groups, State and local government officials, and others, two opposing schools of thought emerged regarding public disclosure of UCIA's:

- As a solely internal staff document--a working document to help decisionmakers arrive at decisions--the UCIA should remain confidential. (As one newspaper editor wrote, "Presidents, after all, are answerable for what they do or don't do, not for the confidential process in which policy is formulated.")
- As a final document in its own right, the UCIA should be available to the public. The public has a right to know what the document says since its contents can have profound effect on them through its influence on proposed legislation.

OMB has viewed UCIAAs as internal advisory documents, and therefore confidential. Other reasons for restricting public participation in the process are cited in the following examples of OMB replies to letters from local governments urging that they be given access to UCIAAs:

--To the Mayor, city of Indianapolis:

"* * * we appreciate that local governments and private interest groups would like to be involved in the UCIA process or at least be able to review the analysis. And this issue will be reconsidered when preparing revisions to Circular A-116. However, our initial decision to keep the UCIA statements confidential was predicated on (1) our belief that agencies would be more candid in their assessments, and (2) our concern that the UCIA process not become a hinderance [sic] to effective decisionmaking. This could very easily happen if special interest groups, not sympathetic to the needs of cities or community areas, use the UCIA process to delay or block adoption of a new policy."

--To the President, Baltimore City Council:

"* * * I understand your concern that the process cannot be fully effective without a strong element of involvement by those most affected by the very urban impacts the process is designed to identify.

"I think you will agree there is no easy way to provide for this. On the one hand, local officials have highly valuable expertise and experience in assessing the impacts of Federal policy decisions, and we would be wasting a valuable policy resource if we do not involve you and many others in our decisionmaking. On the other hand, the UCIA process is specifically designed to provide the President and senior Executive Office staff with analyses of policy options which come up fast, involve fairly confidential deliberation, and which, when part of the budget review, have been traditionally covered by Executive privilege. The result is that we do lose something in local involvement, but we also gain a degree of access to Presidential decisionmaking which more public consultative processes, like * * * Environmental Impact Statements, do not have."

In their 1978 responses to OMB's request for comments on Circular A-116, public interest groups, State and local governments, academicians, and other public entities were strongly critical of the decision to restrict participation in the process. Their views differed widely on the stage in the process at which the public should become involved and the nature of public

involvement, but they were in agreement that public scrutiny was essential to the program's credibility. Following are some of their views, beginning with the view advocating the earliest public access:

- The public should have input into deciding what initiatives on the advance summary list will be subject to UCIA's during the coming year.
- The public should have input into preparation of UCIA's themselves. This would provide more complete information, a variety of perspectives, and therefore greater accuracy. "For example, an impact analysis for a new home loan program would benefit from the input of bankers, homebuilders, local elected officials and others and might prompt consideration of impacts that might otherwise be overlooked."
- Affected parties and interest groups should be given the opportunity to review and comment on draft UCIA's, and agencies should be required to respond to the comments as part of the final UCIA's.
- The public should be given access to UCIA's when the agency sends them to OMB.

Agency and OMB officials and staff had varying views regarding whether and at what stage in the budget cycle UCIA's should be made available to the public. Some thought they should be made available at any time after completion. Few were completely opposed to public access at any time. Some, however, strongly opposed any public comment period, saying that it would cause unacceptable delays in the process. Most either favored or did not object to public and congressional access to UCIA's after OMB and White House decisions have been made and the President's budgetary and legislative proposals have gone to the Congress.

It seems to us that after the Presidential decision process is complete, the Congress and the public could benefit from full information about all sides of major legislative issues being considered by the Congress. The Congress' and the public's access to results of UCIA's could help serve this end. Moreover, it might help mitigate the possibility of biased analyses. The knowledge that UCIA's will be subject to congressional and public scrutiny might serve to enhance accuracy and quality. An overall result of public disclosure should be an improvement in the program's credibility.

AN IDEA THAT MAY HAVE POTENTIAL:
UCIAs DONE AT PUBLIC REQUEST

Of the many recommendations OMB received in 1978, one may have significant long-range potential. The suggestion was made that the UCIA program include a mechanism whereby State and local governments and public interest groups could request that UCIAs be done on initiatives of particular concern to them.

This innovation would give the public some control over the UCIA process. Agencies' selections of major initiatives subject to analyses and OMB and domestic policy staff reviews of these selections are, to some extent, inherently subjective. As the U.S. Conference of Mayors noted, "...there may be proposed Federal initiatives which have broad enough implications to merit an analysis but are not singled out by the agency, OMB, or the Domestic Policy Staff." This analysis-by-petition arrangement could help prevent major initiatives from evading the analysis process.

Our work in this area was limited. We did not examine the problems that would need to be resolved, such as (1) criteria for complying with or rejecting requests, (2) the added workload on agencies, (3) the extent of delays that could result in moving agency proposals through the OMB clearance process, and (4) the question of whether petitions would be submitted to agencies directly or through OMB. However, we would envision that the procedure would be:

- Open to governments and organized groups only, rather than individuals.
- Selective. Requests would be screened, and only those meeting established criteria would be honored; for example, only those in which the petitioner showed reasonable cause to believe that the initiative might have significant adverse urban and community impacts. (One public interest group proposed that "Upon receipt of such a petition, the agency could either undertake the review or else publish in the Federal Register its determination that the review was not necessary, and the reasons underlying this determination.")

CONCLUSIONS

Public disclosure of UCIAs could have a number of advantages. Such disclosure could (1) serve to increase healthy debate on programs proposed to the Congress; (2) enhance accuracy, objectivity, and quality of UCIAs; and (3) improve the UCIA program's credibility. We believe making UCIAs available to the Congress and the public when major budgetary and legislative proposals go to

the Congress is an alternative that would be preferable to the present policy of nondisclosure.

As a vehicle for further increasing the UCIA's usefulness and credibility, opening the program to public requests that UCIA's be done on specific proposed initiatives deserves further review.

RECOMMENDATION TO THE DIRECTOR, OMB

We recommend that, if the UCIA program is continued, the Director, OMB, make UCIA's available to the Congress and the public no later than when budgetary and legislative proposals are sent to the Congress.

OTHER ACTION FOR THE OMB
DIRECTOR'S CONSIDERATION

Since we did no in-depth work on the concept of public requests for completion of UCIA's on agency initiatives, we are making no recommendations regarding it. However, the Director, OMB, may wish to examine its feasibility with a view toward implementing it after other, more urgent program revisions discussed in this report have been addressed.

Urban and Community Impact Analyses

Executive Order 12074. August 16, 1978

By the authority vested in me as President by the Constitution of the United States of America, and in order to establish an internal management procedure for identifying aspects of proposed Federal policies that may adversely impact cities, counties, and other communities, it is hereby ordered as follows:

1-1. Urban and Community Impact Analyses.

1-101. The Director of the Office of Management and Budget shall: (a) develop criteria for identifying major policy proposals to be analyzed; (b) formulate standards regarding the content and format of impact analyses; and (c) establish procedures for the submission and review of such analyses.

1-102. The Director of the Office of Management and Budget and the Assistant to the President for Domestic Affairs and Policy shall review the analyses.

1-2. Agency Responsibilities.

1-201. Executive agencies shall prepare urban and community impact analyses for major policy initiatives identified by the Office of Management and Budget, the Assistant to the President for Domestic Affairs and Policy, or the agencies themselves.

1-202. Each Executive agency shall, to the extent permitted by law, cooperate with the Director of the Office of Management and Budget and the Assistant to the President for Domestic Affairs and Policy in the performance of their functions under this Order, furnish them with the information they request, and comply with the procedures prescribed pursuant to this Order.

JIMMY CARTER

The White House,
August 16, 1978.

[Filed with the Office of the Federal Register,
11:51 a.m., August 17, 1978]



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

August 16, 1978

CIRCULAR NO. A-116

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Agency Preparation of Urban and Community Impact Analyses

1. Purpose. This Circular provides instructions for the preparation and submission of urban and community impact analyses by executive branch agencies. These analyses are to identify the likely effects of proposed major program and policy initiatives on cities, counties, and other communities as defined below and to inform decisionmakers of proposed agency actions that may run counter to the goals of the President's urban policy.

2. Background. The President, in his March 27, 1978, urban policy message to the Congress, announced that executive agencies would be required to prepare urban and community impact analyses for major policy and program initiatives which they propose. He determined that such analyses are necessary in order to ensure that potentially adverse impacts of proposed Federal policies on cities, counties, or other communities be identified during the decisionmaking process.

3. Proposals to be Assessed. Urban and community impact analyses are to be prepared on proposed major policy and program initiatives identified by each agency. All types of initiatives should be considered candidates for this type of analysis, including new programs, expansions in budget outlays, program changes leading to shifts of resources among recipients, program changes affecting State and local governments, changes in tax provisions, new regulations, new regulatory authorities, and other changes in policy or program direction. This Circular is not intended to require urban and community impact analyses of individual projects, however.

Of the types of initiatives identified above, agencies are to subject only their major initiatives to urban and community impact analysis. It is recognized, however, that there is no simple, uniform rule that can be applied to all agencies to identify the initiatives that are major. The following general criteria are therefore intended to provide agencies some guidance in making these selections.

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- a. In the case of regulations, major initiatives are those that will be the subject of economic analyses under Executive Order 12044; and
- b. In the case of all other initiatives, major initiatives are those that are clearly the most important agency proposals in terms of any of the following:
 - i. direct budget cost, either immediately or over time;
 - ii. costs for entities other than the Federal Government;
 - iii. centrality to the agency's or Administration's mission or purposes;
 - iv. visibility;
 - v. likely impact on cities or other types of communities, either in absolute terms or in terms of giving advantages to one type of city or community over other types; or
 - vi. such other factors as the agency considers necessary or appropriate to identify its major initiatives.

As specified more fully in the procedures section below, agencies will indicate in advance which of their initiatives they consider major and therefore subject to the requirements of this Circular. The Office of Management and Budget (OMB), in consultation with the Domestic Policy Staff, will review these agency designations and make any necessary modifications.

4. Impacts to be Analyzed. In order to guarantee uniformity and focus in agency efforts, Sections (a), (b), and (c) below outline the general guidelines agencies should follow in conducting urban and community impact analyses. Not every category or locus of impact will be appropriate in each agency's analyses, however, and some agencies may anticipate urban or community impacts not identified in the guidelines. Therefore, agencies may, with OMB's concurrence, add to or amend the guidelines in order to report the urban and community impacts that are most relevant and useful.

- a. Types of Impacts. To the extent analytically feasible, analyses should identify the impact a proposed major initiative is anticipated to have with respect to:

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- i. employment, especially minority employment;
 - ii. population size and composition, including the degree of racial concentration or deconcentration;
 - iii. income, especially that of low-income households;
 - iv. the fiscal condition of State and local governments; and
 - v. such other factors as the agency may consider appropriate and feasible to analyze, such as neighborhood stability, housing availability, availability and quality of public services, degree of urban sprawl, environmental quality, cost of living, or others.
- b. Locus of Impacts. For each of the foregoing types of impact, the analysis should seek to identify:
- i. absolute impacts, including direct or indirect benefits or costs, on the following types of places:
 - o central cities
 - o suburban communities
 - o nonmetropolitan communities
 - o communities with higher than average rates of unemployment
 - o communities with per capita income lower than the U. S. average, taking account, where possible, of differences in tax rates and cost of living
 - o such other categories of places as the agency considers appropriate and necessary;
 - ii. relative impacts, that is, any differential effects that an initiative is likely to have on one type of place as compared to other types, with special attention to the types of places noted in b(i) above.
- c. Time Period. Analyses should clearly identify the time period over which the indicated impacts are anticipated. Where appropriate, impacts that are short term (under 3 years) should be differentiated from those that are long term (3 or more years).
5. Types of Analysis. Projected urban and community impacts should be quantified to the extent possible. However, where

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reliable quantification is not possible, qualitative assessments are acceptable. Urban and community impact analyses are to be brief (about 15-20 pages) and should contain a 2-3 page summary of impacts accompanied by explanatory material indicating the basis for the judgments in the summary. Attachment A provides a suggested format for the summary of impacts, but agencies may alter this format if necessary.

To the extent possible, agencies should utilize the regulatory analyses required under Executive Order 12044 and the assessments of impacts on the "quality of the human environment" required under Executive Order 11514 in completing their urban and community impact analyses.

6. Procedures. The procedures to be used for different types of major initiatives are as follows:

- a. Regulations. The procedures outlined in Executive Order 12044 will apply. Urban and community impact analyses should be incorporated into the economic analyses of significant regulations required in Executive Order 12044.
- b. Legislative and Budgetary Proposals.
 - i. By August 31 of each year, each executive department or agency, unless specially exempted by the Director of OMB, shall submit to the Director of OMB, with a copy to the Assistant to the President for Domestic Affairs and Policy, brief summaries of all the initiatives it tentatively expects to include in its legislative program or budget submission, and nominate those it will subject to urban and community impact analysis. OMB, in consultation with the Domestic Policy Staff, will review these agency nominations and request additions or deletions as appropriate. When proposals are advanced at other times of the year, a similar procedure will apply to determine which should be subjected to urban and community impact analysis, and this procedure should be activated as far in advance of the final Executive Office decision as possible.
 - ii. For the initiatives so identified, agencies shall submit urban and community impact analyses as part of their regular legislative and budget submissions, according to the procedures outlined in OMB Circular A-19 for legislation and OMB Circular A-11 for budget proposals. OMB, in consultation with the Domestic Policy Staff, will review the

resulting analyses to determine their compliance with the requirements of this Circular and may request revisions by either the submitting agency or any other agency with expertise in the area.


- iii. For the Fiscal Year 1980 budget season, the procedures outlined in 6(b)(ii) above will apply, except that agency designation of which initiatives to subject to urban and community impact analysis will be due on September 15, 1978, and the analyses themselves will be due one day prior to the agency's budget hearing at OMB.
- c. Other Major Initiatives. For other proposed major policy or program changes, agencies should submit urban and community impact analyses to OMB and the Domestic Policy Staff as far in advance of decisions as possible. Such analyses will form part of the material required for final action.

7. Definitions. For purposes of this Circular, the following definitions apply:

- a. Central city--a city of 50,000 population or more forming the central core of a Standard Metropolitan Statistical Area, as defined and designated by OMB Circular A-46, as revised.
- b. Suburban community--any place, other than a central city, within a Standard Metropolitan Statistical Area.
- c. Nonmetropolitan community--any place located outside a Standard Metropolitan Statistical Area.
- d. Fiscal condition--the relationship between the resources available to units of general government and the expenditures committed and other financial obligations undertaken by such governments.
- e. Direct costs--those costs experienced by the Federal Government, either in the form of budget outlays or in the form of revenue losses.
- f. Indirect costs--costs resulting from Federal Government action but borne by others (e.g., business cost increases due to pollution control requirements or increases in the cost of delivering State and local government services). Included here are reallocations of benefits among geographic areas, types of

recipients, etc., due to changes in eligibility, distribution formulae, and the like.

- g. Minorities--Hispanic; Black, not of Hispanic origin; Asian or Pacific Islanders; American Indian or Alaskan Native.
 - h. Low income--households with low income as defined in the Comprehensive Employment and Training Act.
8. Effective Date. This Circular is effective immediately and will remain in effect until rescinded.
9. Inquiries. All questions or inquiries should be directed to ~~the~~ Office of Management and Budget, Deputy Associate Director for Organization Studies, Economic Development Division. Telephone number (202) 395-5017.



James T. McIntyre, Jr.
Director

Attachment

(No. A-116)

Circular No. A-116

ATTACHMENT A

Proposed Format for Summary of Urban
and Community Impacts

The attached is intended to provide a suggested format for summarizing the results of urban and community impact analyses. The summaries are not intended to substitute for the impact analyses themselves, but rather to supplement them by providing a succinct overview of the basic conclusions. The summaries should be attached to the complete analyses when they are submitted to OMB.

The impacts to be summarized in the summary sheets are those identified in Section 4(a) of the Circular plus such others as the agency considers necessary and appropriate. As indicated, both absolute and relative impacts are to be noted. Relative impacts are those that affect different places disproportionately--for example, an investment tax credit may benefit both central cities and suburbs absolutely, but may provide special advantages to suburbs compared to central cities because new plant investment may tend to concentrate in non-central city locales.

Each conclusion noted on the summary should be supported and explained in the body of the impact analysis. Where quantitative assessments and empirical proof are lacking, qualitative judgments supported by expert opinion, simulations, or state-of-the-art judgments will be acceptable.

Agency: _____

URBAN AND COMMUNITY IMPACT ANALYSIS

Summary

A. Background

1. Initiative:

2. Brief Description of Initiative (including extent of Federal control over uses of funds):

3. Overall Objectives and Likely Benefits:

4. Costs:

B. Impacts

1. Impacts on central cities, including those with high unemployment rates and those with low per capita incomes.
 - a. Absolute Impacts

b. Relative Impacts

2. Impacts on suburban communities, including those with high unemployment rates and low per capita incomes.

a. Absolute Impacts

b. Relative Impacts

3. Impacts on nonmetropolitan communities, including those with high unemployment rates and those with low per capita incomes.

- a. Absolute Impacts

- b. Relative Impacts

4. Other (please specify):

- a. Absolute Impacts

b. Relative Impacts

Prepared By:

Telephone Number:

Approved By:

Date Prepared:

URBAN AND COMMUNITY IMPACT ANALYSES
SUBMITTED EACH BUDGET SEASON, BY AGENCY

<u>Agency</u>	<u>Budget Season</u>		
	<u>Fall 1978</u>	<u>Fall 1979</u>	<u>Fall 1980</u>
ACTION	1		
Department of Agriculture	1	2	<u>a/2</u>
Department of Commerce		1	2
Department of Defense			1
Department of Energy		<u>b/1</u>	3
Environmental Protection Agency		1	
Federal Home Loan Bank Board	1		
Department of Health and Human Services	3	1	1
Department of Housing and Urban Development	4	4	3
Department of Interior	1	1	
Department of Labor	3		1
Small Business Administration	1	<u>a/1</u>	1
Department of Transportation	2	<u>a/2</u>	
Department of Treasury			1
Veterans Administration	<u>1</u>	—	—
Total	<u>18</u>	<u>c/14</u>	<u>a/15</u>

a/Plus one resubmission.

b/Still in draft at time of our survey.

c/Plus two resubmissions.

URBAN AND COMMUNITY IMPACT ANALYSES
SUBMITTED EACH BUDGET SEASON, BY AGENCY

<u>Agency</u>	<u>Budget Season</u>		
	<u>Fall 1978</u>	<u>Fall 1979</u>	<u>Fall 1980</u>
ACTION	1		
Department of Agriculture	1	2	<u>a/2</u>
Department of Commerce		1	2
Department of Defense			1
Department of Energy		<u>b/1</u>	3
Environmental Protection Agency		1	
Federal Home Loan Bank Board	1		
Department of Health and Human Services	3	1	1
Department of Housing and Urban Development	4	4	3
Department of Interior	1	1	
Department of Labor	3		1
Small Business Administration	1	<u>a/1</u>	1
Department of Transportation	2	<u>a/2</u>	
Department of Treasury			1
Veterans Administration	<u>1</u>	—	—
Total	<u>18</u>	<u>c/14</u>	<u>a/15</u>

a/Plus one resubmission.

b/Still in draft at time of our survey.

c/Plus two resubmissions.

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