

of San Francisco

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

EXECUTIVE
FG 11-15
FG 11-1

OFFICE OF
THE DIRECTOR

July 26, 1966

MEMORANDUM FOR MR. CALIFANO
MR. MOYERS

Subject: OEO

Attached is a memorandum and a tabular analysis of
"spin-offs" from OEO.

The memo is sort of rambling, but it reflects my
best judgment to date.

Charles L. Schultze

Charles L. Schultze
Director

Attachments

Reorganization of OEO

COPY LBJ LIBRARY

The major features of reorganization

With several minor exceptions, all of the OEO programs outside of the Community Action Program (CAP) can be split off and assigned to other agencies. The attached table spells out the "spin-offs" which can be undertaken.

The CAP was originally set up to do four things:

1. Promote the establishment in each local community of a planning and action agency which could be responsible for an overall, community-wide attack on poverty.
2. Promote and assist the development of a comprehensive plan to attack poverty in each locality, utilizing and channeling existing programs and funds.
3. Coordinate the execution of this plan; bringing to-gether the various Federal, State, and local agencies involved.
4. Provide a flexible source of financing to meet needs which could not be met through existing programs.

In practice, two unforeseen developments occurred:

First, the problem of participation of the poor in the Community Action Agency raised the spectre of establishing a new power center, in opposition to the "establishment." Much of this problem has died down, and accommodations have been reached. However, to do their job, the CAA's will have to be a continual irritant to the existing welfare, health, and employment service bureaucracies. Within reasonable bounds, this is all to the good.

Second, both because some of the old-line agencies (Employment Service, local health departments, etc.) were often incapable or unwilling to move off the dime, and because of natural bureau-cratic empire-building, OEO began to develop its **own** "service" programs (health care, employment counseling, etc.) in opposition to the established programs.

COPY LBJ LIBRARY

The CAP has not lived up to expectations

- in developing comprehensive local plans to attack poverty
- in reshaping and utilizing existing programs
- in providing day-to-day coordination.

But progress in these directions is beginning to be made.

In any event, the CAP should not be dismembered or abandoned. Its role is a vital one. If we destroy it, we would soon have to create something like it under another name. From a practical standpoint, CAP has hundreds of millions in grants outstanding to local community action agencies. It would be politically impossible to abandon these agencies and their programs. It would be almost as difficult to break up the CAP and try to fund its component parts (legal services, neighborhood centers, Upward Bound, etc.) in several different agencies.

The CAP should be transferred intact to another agency (see below), with a directive:

- to move quickly to stimulate the development of comprehensive local anti-poverty plans
- to utilize existing programs and funds to the maximum extent possible, using its own funds primarily to fill in gaps.

Where to put CAP

Of all the places CAP might be transferred, HEW seems the best bet.

Outside of the manpower area, most of the programs involved in the poverty war are found in HEW

- health
- education
- public assistance
- family services.

None of the present agencies or bureaus in HEW, however, is capable of handling the CAP. The component parts of HEW are all oriented towards the States, via formula grants, rather than towards the cities. Nevertheless, there is a solution to this dilemma: establishing the Director of OEO, along with CAP, as a separate unit in HEW reporting directly to the Secretary. This course of action would have several very important advantages:

1. It would give HEW a major unit directly involved in the cities. This would help balance the HEW programs. While most of the HEW programs provide grants to the States, they eventually involve the cities -- school boards, public health departments, welfare agencies, etc. Putting CAP into HEW would help give Secretary Gardner a means of getting more direct contact with his ultimate clients (the cities) rather than his immediate clients (the States).
2. Right now, no one person has the real authority to settle major coordination problems in the poverty program. When conflicts arise, agencies bicker among themselves and nobody can settle the dispute. Shriver's coordinating "authority" is greater on paper than in practice. But if CAP were in HEW, then almost all of the poverty-related programs except manpower would be under one roof. Coordination with Labor would still be necessary. But the area of indeterminate authority would be substantially nar-rowed.

There are a host of very specific coordination prob-blems between HEW and OEO which could be eased by this solution

- how are health services for Head Start children to be carried out and financed?
- how can Title XIX of the Medicare amend-ments be best used in conjunction with the poverty program?
- how can all the many welfare, health, counsel-ling, and other services offered by HEW agencies be combined with the Neighborhood Centers of OEO?

The more we look into this problem the more it is clear that one agency head cannot "coordinate" another one. The more, therefore, that we can put all of the various programs affect-ing poverty under one roof, subject ultimately to one Secretary, the less chance there is for duplication, bureaucratic feuding, red tape, etc. Clearly, we cannot put everything affecting poverty in one Department. But by putting the Director of OEO, along with CAP, in HEW, we can get two-thirds of this goal.

CAP could be put in HUD. This Department is supposed to be the Department of the cities. But while housing for the poor is an important part of the poverty problem, most of the services involved in the war on poverty trace back to HEW. HUD has no leverage on local welfare or health programs. Putting CAP in HUD would simply raise the spectre of further endless inter-agency negotiations on the relationship between CAP and HEW. Moreover, it is a mistake to think that HEW has no business in the cities. As I said earlier, HEW's ultimate clients are local agencies. The problem is that most of its funds go through a State intermediary. HEW would benefit from getting additional levers on the use of its funds at the local level -- e.g., how Title I ESEA funds are spent on education of the poor. CAP, located in HEW, would give John Gardner important additional leverage.

CAP could be put in Labor. Manpower services are a very impor-tant part of the war on poverty. But, as a general rule, it is easier to break manpower services out of CAP and put them in Labor than to go the opposite route, i.e. -- break out the welfare and health functions, put them in HEW and the remainder in Labor. Moreover, the overall planning activity in local communities fits in with HEW's other functions (planning health and welfare services) than with Labor's. Finally, HEW needs the leverage more than Labor.

Finally, the Director of OEO and the CAP could be left in the Executive Office of the President. This has several

disadvantages:

xxx

1. Nothing is gained in the way of better coordination with Labor, or Hew, or HUD.

5

2. Regardless of what the law says, OEO has not gained in prestige or authority by being in the Executive Office. The real authority of agencies in the Executive Office is gained by their close contact with the President in their everyday operations. The President should not be involved in the CAP's operations.

3. Following through on the last point, CAP must, if it is to do its job well, get in hot water with the city bureaucracies and their mayors. If CAP is close to the President, he loses by this association, and CAP will lose its freedom of action because of the sensitivity of its relationship with the President. But transfer to HEW will

- provide a buffer between the President and CAP's necessarily controversial actions
- paradoxically give CAP greater freedom of action.

How to accomplish the reorganization

There are two options. Both have one common element -- transfer the Director of OEO, plus CAP, plus Vista, plus the migrant program, to HEW. The Office of Economic Opportunity (perhaps renamed) would remain as a separate entity reporting directly to the Secretary. (Eventually the OEO job could be broadened to include general responsibility for HEW's relationships with local communities and a new Under Secretary for Community Programs established).

This transfer could be made by Reorganization Plan, as authorized in Section 601(b) of the Economic Opportunity

Act.

The spin-off of other functions could be accomplished

1. Simply by having the Director delegate the relevant functions to the agencies involved as provided in Sec. 602(d) of the Act. As you know, many of OEO's programs are already so delegated.

COPY 100 LIBRARY

2. By affecting a complete transfer of the functions through a Reorganization proposal.

I have not made up my mind as between the two options. I tend to favor the first, as a temporary solution, at least.

It leaves with the Director of OEO control over the allocation of funds. In the past this has given him some leverage in getting delegated programs improved.

It is easy, however, to overstress the importance of this point. And I suspect that the Secretary of Labor would be even more dismayed by the thought of a subordinate official in HEW allocating "his" budget, than he is presently over having Shriver do it out of the Executive Office of the President.

Nevertheless, at least for the first year, I would vote for the "delegation" solution.

I will need to do a lot of work in pinning down details, and assuring myself of the precise legal constraints on our freedom to reorganize as indicated. I will need to get staff help for this. But I won't move on these details until further notice.

Political problems

There is one major political problem which would result from my suggestions. If OEO is split up and the Director

(along with CAP) is transferred to HEW, the Administration will be accused of downgrading the war on poverty.

I have, as yet, found no solution for this problem. Obviously, the transfer should be accompanied by the strongest possible language pointing out that the reorganization is designed to strengthen substantially the war on poverty. It would be ex-tremely helpful to have the Director named as an Under Secretary in HEW. If this could be done in the same Reorganization Plan which made the transfer, the prestige attached to this new position might help solve the problem. At the moment I am not sure whether the creation of a new Under Secretary is possible in the Reorganization Plan. If it isn't, it would require addi-tional legislation, which might be unwise at the moment.

I will check on this last possibility.

COPY LBJ LIBRARY

Title & Section	Program	1967 \$	Transferred or Delegated to:	Comment
I. Sec. 101- 110	Job Corps	228	Labor	Now run by OEO; conservation camps delegated to Agric. & Interior.
Sec. 111- 116	Neighborhood Youth Corps	300		
	- out-of-school	(139)	Labor	Now delegated to Labor
	- in-school	(81)	HEW - Office of Education	Now delegated to Labor; how-ever, program essentially involves local school boards.
	- summer program	(74)	Labor	Now delegated to Labor.
II. Sec. 202- 211 (except 205(d))	Community Action (<u>including</u> Head Start, but <u>excluding</u> Nelson amendment employment program)	901	HEW	Director of OEO <u>and</u> Community Action Program transferred to OEO and run as a separate organization reporting directly to the Secretary.
Sec. 205(d)	Public employment (Nelson amendment)	13	Labor	Now part of CAP.
	Small Business Development Centers	5	SBA	These centers are set up by CAP, but loans are now already made by SBA. Consolidation in SBA is highly desirable.

Title & Section	Program	1967 \$	Transferred or Delegated to:	Comment
Sec. 212- 218	Adult Basic Education	30	HEW: Office of Educ.	Already delegated to HEW
III. Sec. 301- 305	Rural loans	28	Agric.	Already delegated to Agric.
311	Migrants	37	HEW	Should stay with Director of OEO within HEW
IV. Sec. 401- 407	Economic Opportunity Loans	-	SBA	SBA is now making these loans with its own funds.
V. Sec. 501- 503	Work Experience	160	Labor	This program is <u>now</u> delegated to HEW. In giving it to Labor, some provision needs to be made for very close working relationships with the HEW Welfare Administration.
VI. Sec. 603	Vista	26	HEW	Should stay with Director of OEO within HEW.
-	Draft rejectee program	5	Eliminate	