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**THE IMPACT OF REAGAN-ERA POLICY CHANGES ON
GOVERNMENTAL AND NON-PROFIT AGENCIES IN
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I. INTRODUCTION

President Reagan has enjoyed considerable success in redeeming his 1980 campaign pledge to reduce the role of national government in domestic affairs and to alter national-state and national-local governmental relationships. President Reagan's most notable long-term achievement in pursuit of these objectives was the consolidation of numerous categorical grant-in-aid programs into the nine block grants, a major aspect of his "new federalism." However, the greatest immediate impact came from the budget cuts of domestic programs that affect our cities and the people living in them. Hardest hit have been social services, employment, education, and health programs. Congress has approved about half of the domestic cuts recommended by the President; Palmer and Sawhill (1984; p. 13) estimated that for FY 1985, federal spending for social programs would be about 9 percent or \$38 billion less than under prior policies.

With the announcement of each new proposal designed to further his goals of devolution, and less government in general, groups fearing adverse affects publicly ventilate their disagreements. Thus, the release of the President's Executive Budget each year brings a predictable outcry from mayors, governors, and interest-group spokespersons declaiming the great disasters inherent in the Reagan proposals. In the FY 1986 round, Toledo's Republican Mayor Donna Owens said that she, as chair of the National League of Cities' Finance, Administration and Intergovernmental Relations Policy Committee may find herself "leading the assault by cities against Mr. Reagan's \$973.7 billion budget" (The [Toledo] Blade, February 5, 1985). To underscore the Mayor's concern, Toledo's Department of Community Development Director, L. M. Duckworth told the Toledo City Council "if the Reagan administration's proposed budget was passed by Congress intact, the effect on Toledo would be disastrous" (The [Toledo] Blade, February 26, 1985).

While President Reagan's budget cuts portend disaster to many city officials, his view is just the opposite. He stated it clearly before a March 1984 meeting of the National League of Cities:

"I appreciate that the cities you represent have felt the pain of reducing the growth of Federal spending, but to continue down that path America was on would have meant disaster" (The New York Times, March 6, 1984).

With both the President and his critics of his "new federalism" predicting disaster if the other side prevails, it is important to analyze empirically results produced so far by the Reagan approach.

This study examines the impact of the Reagan administration changes on governmental and non-profit agencies in Northwest Ohio.² We generated the data for our analysis by questioning the individuals who are most involved with responding to the changes: those who administer the federal-state-local programs at the operating level. We mailed questionnaires to all persons identified as department heads or higher in state, county, city, village, township, and special district government agencies and to heads of all non-profit agencies (and department heads in the larger ones) in Fulton, Henry, Lucas (Toledo), Ottawa, and Wood counties in Northwest Ohio.³

Our respondents are close to programmatic details so they have first-hand acquaintance with the changes taking place--both those emanating from the national level of government plus the state and local government responses. They are in an excellent position to discuss the local impact of recent federal fiscal and policy changes from the perspective of individual program areas in the local governmental and non-profit sectors.⁴

The agencies of the respondents represent the diversity of *The Journal of Finance and Politics*, Vol. 2 (1987), Issue Art. 5. profit activity expected at the local level. The program areas of the respondents are as follows:

PROGRAM AREA	NUMBER
Community development	18
Health services	30
Social services	34
Infrastructure, transportation and utilities	27
Protection and safety	31
Education and information	25
Multi-purpose	6
Other	63
No response	14

II. RESULTS

For perspective, we asked our respondents if they viewed the Reagan administration, including its "new federalism," favorably or unfavorably. Responses varied by type of program. The most favorable responses came from administrators in community development (55.6 percent). The most unfavorable responses came from social services (73.5 percent unfavorable), followed by health services (53.3). Overall, 43.1 percent of the respondents were generally favorable and 44.4 percent were generally unfavorable to the Reagan administration changes: 12.5 percent would not tell us their view. Considering that metropolitan Toledo votes strongly Democratic, this view is surprisingly friendly to President Reagan.

A. Intergovernmental Relations

Observers of the governmental process could reasonably expect major changes in the relationship between the federal government and local governments during the years of the Reagan administration. In terms of relations with the federal government, however, much less has changed than we expected. Few respondents (22.5 percent) feel that their federal reporting requirements have been reduced since 1981 while 29.4 percent said they are actually spending more time on federal reporting. Adding to the increased burden, 46.0 percent say that they spend more time on state reporting.

A key point in the Reagan philosophy of federalism is that states are willing

and able to assume greater responsibility in the design, implementation, and financing of urban programs. If the "new federalism" works as President Reagan envisages, the closer state-local relationship will bring greater state technical assistance to the localities. Very little of that is occurring in Northwest Ohio. Only 20.1 percent of our respondents noted an increase in state technical assistance; 70.1 percent saw no change and nearly 10 percent claimed an actual decrease.

Respondents provided part of the explanation for the lack of additional state technical assistance. Some 60.2 percent said that the State of Ohio is unprepared to carry out the increased responsibilities assigned to it under the Reagan administration's "new federalism."

The state came in for considerable criticism in the open-ended responses to our questions. One respondent explained:

We regeared systems, cut frills, eliminated some things that really shouldn't have been there....Staff is more productive, but burning out. Don't know how much longer they can keep the killing pace. The state makes more and more expensive demands, which reduces service.

Other respondents complained of "almost no discretion on how to use state money," "much more strict state regulations," and the state has "distorted [local] roles."

We asked a series of questions about national and state government agencies with which respondents were familiar. On their perceptions of whether or not higher level government officials understand their local problems and issues, respondents were somewhat more critical of national officials. More than half the respondents (55.3 percent) felt that federal agencies did not understand local problems and issues, while 46.4 percent of the respondents said that state agencies did not understand local problems and issues. Slightly over half of the respondents felt that both the federal agencies (56.9 percent) and state agencies (52.9 percent) operating in this area were not efficient and well run. The respondents appear to be somewhat

more distrustful of the federal government than the state government and they are clearly dubious about how well run both levels are.

B. Financing

The Reagan administration has succeeded in cutting the budgets of many domestic programs, reducing the growth in others and entirely eliminating a few. Nevertheless, federal support in some domestic areas has increased. We raised the issue of financing of local programs in a number of statements in the questionnaire.

As one would expect in an era of major financial change at the federal level, many respondents (62.8 percent) reported greater difficulty in finding funding for their agencies since 1981. Although the "new federalism" of the Reagan administration holds the promise of increased certainty and predictability in funding (even as funding is being reduced), more than half the respondents (55.5 percent) disagreed that their funding had become more predictable.

With greater budget uncertainty, we expect administrators to spend more time on budgeting in an effort to find or augment funds lost or threatened. To our question, 62.4 percent of the administrators increased the time they spend on budgeting; 47.9 percent show an increase in their efforts to solicit funds and to prepare grant proposals. Nearly half (48.4 percent) also reported increased fees and charges.

The Reagan administration policy and fiscal changes did not affect all local programs evenly. Some were obviously harder hit than others. What did affect most agencies similarly was the recession of 1981-82, the impact of which was severe upon Northwestern Ohio. More than half of the respondents (59.8 percent) said that the recession created more serious fiscal effects for their agencies than did the Reagan administration budget cuts.⁵ With the recession statement broken out by program type, the agencies most likely to disagree that the recession was worse than the Reagan administration cuts are those in health services, social services, and protection. Agencies most likely to agree are in

community development and infrastructure, transportation and utilities.

A large group of agencies (63.8 percent) benefited from the recent improvement in the economy. We presented the hypothetical option of a healthy economy versus additional federal funding. Whether agencies had suffered federal cuts or not, a substantial majority of respondents (78.6 percent) told us that a healthy economy is more important for their agencies than is additional federal funding. Respondents in the health services displayed the greatest disagreement (47 percent) with the statement, a reaction, no doubt, to the profound changes occurring in medicare, medicaid and other health-care areas.

C. Management

Dramatic changes nationally in domestic programming should encourage, or even force, various kinds of management changes locally. President Reagan has argued that state and local governments, unfettered from federal rules and regulations, "will make better decisions than the Federal Government acting for them" (President's National Urban Policy Report, 1982, p. 2). However, 65.3 percent of our respondents disagreed (and 21.8 percent strongly disagreed) with the statement that switching from federal categorical to block grants has helped their agencies' planning and programming to meet local needs more effectively. Breakouts by program area show that the greatest disagreement with this statement is concentrated in community development and social services, two areas especially affected by block grants.

President Reagan, by word and deed, has encouraged stronger management stands against labor in order to make America more competitive in the world market and to reduce waste, fraud, and abuse in government. Threatened by budget cuts and encouraged by presidential example, 54.1 percent of the respondents agreed with the statement that their agencies are taking stronger stands against employee demands for salary and management prerogatives than in the late 1970s. A breakout by program reveals that the agencies most likely to take a strong stand against employee demands are protection and infrastructure, transportation and

utilities; least likely to take the stronger stand are community development and social services.

Federal reductions in funding will spur efforts toward greater efficiencies or result in declines in service levels. In Northwest Ohio, respondents were concentrating on greater efficiency rather than in service-level declines. A large proportion of administrators claimed to have increased their use of various management techniques. The greatest increase for techniques are for long-range planning (56.9 percent), program evaluation (47.0 percent), and statistical analysis (41.7 percent). Smaller proportions of respondents noted that their agencies increased the hours per week for delivering services (25.9 percent), or increased use of Management by Objectives (33.7 percent).

Open-ended responses show a grudging admission that certain positive effects have been forced upon agencies by the changes from Washington, D.C. and the state of Ohio, as illustrated by this administrator:

In some ways it is an improvement. It has forced us to review programs and methods and look for more effective returns.

There are other positive results. Although there is a self-serving element to these responses, administrators reported increases in agency innovation in program development (55.4 percent), agency innovation in service delivery (60.7 percent), and staff productivity (60.8 percent). The administrators in Northwest Ohio are saying that their operations have gone through some difficult times in the past few years, but that they are now operating more efficient agencies despite the difficult times or perhaps because of them. Even the item of morale is telling. After large personnel cutbacks, and with more threatened, only 21 percent of the administrators in Northwest Ohio said that morale in their agencies has decreased.

Particularly from reading the open-ended responses, however, we note a disquieting aspect to the positive changes reported by the administrators. There is a sense that many of the changes have

been made in stop-gap fashion to maintain service levels. This is a short-run expedient with long-run adverse consequences. To illustrate, one administrator told us:

Attempts have been largely successful at maintaining and in some areas increasing the level of service through mostly large amounts of donated overtime by personnel and not maintaining rotation of equipment replacement. However, services will eventually have to be cut...unless additional funding becomes available.

With more responsibility for ameliorating problems now lodged at the state and local level, the decreasing reliance on the federal government appears to have encouraged greater cooperation among agencies in the area. Respondents (72.3 percent) were in substantial agreement that their agencies cooperate more with other agencies in this area after 1981. Nevertheless, there is increasing competition locally for funding. Health services display the most dramatic change--44.4 percent agreed that there were encroachments before 1981; this increases to 65.0 percent after 1981.

III. CONCLUSION

The Reagan administration will be considered a watershed administration for its efforts to change assumptions about government's domestic role and about federal-state and federal-local relationships. While President Reagan's policies have created problems for many agencies, respondents to our survey indicate that agencies in Northwest Ohio benefit more from a healthy economy than from more federal dollars--a sentiment often expressed in more general terms by President Reagan.

Agencies have been forced to make adjustments--and some of them appear to be positive. The survey produced claims for increased cooperation in the area plus other management improvements.

Not all of the results are positive for the agencies. There is a greater struggle for funding; agencies are devoting more energies to this, with potentially adverse consequences for clients.

Some stop-gap management changes may prove deleterious over the long run. Agency heads are dubious about the increased role of state government in urban affairs which President Reagan envisions.

Despite dramatic changes at the national level, we find that the local impact is less apparent than press reports and the political rhetoric led us to believe.⁶ It is almost as if the magnitude of the changes is exaggerated by liberals to emphasize the expected negative impacts and by conservatives to dramatize the successes of the new conservative leadership. Obviously policy changes occurring in Washington, D.C., are not automatically translated into changes at the state and local level. The American political system generally produces incremental change. This study reflects the resiliency of the federal system and, perhaps, its greater resistance to change than the hot debate in the political forums of the nation suggest. We have no doubt that there have been disasters for individuals along the way, but the rhetoric appears overblown when applied to institutions. And the institutional focus is important for only viable institutions can implement the programs necessary to mitigate the problems of individuals in need.

ENDNOTES

¹ This article provides a general overview of the Federal Policy Impact Study undertaken by the authors in The University of Toledo's Urban Affairs Center. For a more complete report, including tables, please contact the authors.

² Northwest Ohio is anchored by Toledo. With a population of 351,000 in the city and more than double that figure in the metropolitan area, Toledo is the home of several world-class, Fortune 500 corporations. The economy of the Toledo metropolitan area was hard hit by the severe recession of 1981-82, and its effects have lingered as other communities have enjoyed a robust recovery. Unemployment in the area stood at 9.5 percent at the time of our survey. To close observers, Toledo is clearly

in a period of transition. Its ties to the auto industry have been decried as a cause of the highly cyclical character of its economy, and the brightness of its economic future may well hinge upon the degree to which it can supplement its smokestack and auto-related industries with increased services and non-durable goods production.

³ Names and addresses came from two sources that are updated regularly: The Toledo Area Council of Governments' Directory and the First Call for Help's Guide to Human Services, part of the United Way of Greater Toledo. The former is particularly useful for governmental entities and the latter for non-profits. In all, 572 questionnaires were sent out in the first mailing in late August, 1984. With two follow-ups, spaced at approximately three-week intervals, we received a total of 248 usable responses. Counting non-usable responses and adjusting the base for individuals who informed us that they could not participate because of agency decisions to return only one "agency" response yields a 50.7 percent response rate, a good response rate for such a heterogeneous group.

⁴ This study focuses upon institutions. We ignore the impact of recent federal changes upon people--particularly the poor and disadvantaged. Analyses of national statistical data show increasing poverty rates and in-depth studies of individuals on welfare (or forced off by policy changes) demonstrate the worsening plight of those at the bottom of the economic heap. Bawden and Palmer note that, while President Reagan has succeeded in removing many of the least needy from the welfare rolls, his policies contributed to increasing the official poverty rate in 1982 to "its highest level since 1965, when President Johnson launched the War on Poverty" (p. 198).

⁵ The Reagan administration in many ways encouraged the recession in order to fight inflation, so it is somewhat artificial to separate the budget cuts from the recession and then link only the former with the policy of the President.

⁶ Although scholarly analysis on the

impact of the Reagan administration changes is mixed, it tends toward the conclusion that they are less damaging than many observers predicted. See Palmer and Sawhill, 1984; Salaman and Lund, 1985; Nathan, Doolittle and Associates, 1983; and Shannon, 1983.

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