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BLOCK GRANTS

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Enclosed is material on block grants, including a CRS Report on the Omnibus Reconciliation Act of 1981, several articles, and a guide to State block grant implementation. For additional information and assistance, we have also included addresses of people to contact on the Federal (p. 59) and State levels (p. 70-104).

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We hope this information will be useful.

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BLOCK GRANTS IN THE OMNIBUS RECONCILIATION ACT OF 1981 (P.L. 97-35):
AN OVERVIEW OF THEIR CHARACTERISTICS

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BLOCK GRANTS IN THE OMNIBUS RECONCILIATION ACT OF 1981 (P.L. 97-35):
AN OVERVIEW

INTRODUCTION

This overview of the ten new and one amended block grants included in the Reconciliation Act of 1981 provides a survey of major issues in the block grant debate and a sampling of the various solutions to these issues in the various block grants. The overview does not provide a comprehensive catalogue of these resolutions. If a reader is interested in the resolution of a particular issue in a particular block grant--e.g., how are funds for the Maternal and Child Health Block Grant allocated among the States--and if the overview does not include that block grant in the examples it cites, then the reader should turn to the language of the block grant for that information. A reader interested in transfer of funds authority will find three examples listed in the report; this does not mean that there are not similar provisions in other block grants. A more comprehensive survey of the resolution of these issues in each block grant will be available later.

A list of the block grants created or amended by the Reconciliation Act appears at p. 3. This list also includes a citation to the relevant sections of the law, the effective date of the block grant, and the funding levels authorized by P.L. 97-35. Appendix A presents, in tabular form, an overview of block grant composition as proposed by the Administration and as it was enacted by P.L. 97-35. This table includes a list of the programs that the Administration sought to include in block grant, the block grant into which

the Administration proposed to incorporate the program, and the result of Congressional action--i.e., whether the program remained categorical or was included in a block grant, and if the latter occurred, which block grant.

The reader will find background information on specific block grants in the following CRS Issue Briefs:

Grant Consolidation for Education Programs: IB 79021
Social Services Programs: Proposed Grant Consolidation: IB 81102
Health Block Grants: IB 81111
Food Stamps: Budget Reductions: IB 81132
Low-Income Energy Assistance Reauthorization: MB 81227
Community Services Administration: MB 81234

An article from the June issue of the CRS Review, included as Appendix B to this report, discusses block grants in the context of the Reagan budget proposals and of the Federal aid system.

BLOCK GRANT PROVISIONS

The Omnibus Budget Reconciliation Act of 1981 creates ten new block grants and modifies an existing block grant. These block grants vary in terms of numbers of programs involved (some affect only one program), effective date, and other significant details. The model block grant proposals submitted by the Administration were virtually identical in design; the block grants created by H.R. 3982 are not.

This section of the paper identifies the block grants created by P.L. 97-35, and provides a guide to the relevant sections of the bill, information on the effective date of the block grant program changes, and funding levels authorized by the bill. The block grants are listed in the order in which they appear in the bill.

1. Puerto Rico Food Stamp Block Grant

Citation: Title I; Sec. 116-117
 Effective Date: 1/ July 1, 1982
 Authorization: \$825,000,000, annually

2. Community Development Block Grant Amendments

Citation: Title III; Sec. 301-315
 Effective Date: October 1, 1981; however, if a State opts not to participate in the Small Cities program, the Secretary will continue to administer the program in that State.
 Authorization: 2/ FY 1982: \$4,166,000,000; FY 1983: \$4,166,000,000

1/ Transition provisions in Title XVII may apply to some effective dates.

2/ The small city program, which may be administered by the states as a result of the Amendments, will receive 30 percent of this amount, calculated after set-asides are made.

3. Elementary and Secondary Education Block Grants (Two)

Citation: Title V; Sec. 551-596: Chapter I and Chapter II
Effective Date: October 1, 1982, except for the Follow-Through Program, which will be phased in beginning in FY 1983; its repeal will not be effective until October 1, 1984.
Authorization: Chapter I: FY 1982 through FY 1984: \$3,480,000,000, annually
Chapter II: FY 1982 through FY 1984: \$589,368,000, annually

4. Community Services Block Grant

Citation: Title VI; Sec. 671-683
Effective Date: October 1, 1981; however, 90 percent of the program funds must go to existing community action agencies in FY 1982. If a State chooses, the Secretary is authorized to continue to operate the program in that State through FY 1982.
Authorization: FY 1982 through FY 1986: \$389,000,000, annually

5. Preventive Health and Health Services Block Grant

Citation: Title IX; Sec. 1901-1909
Effective Date: October 1, 1981; however, emergency medical services, hypertension programs, and the rape crisis centers all are guaranteed funding at specified levels.
Authorization: FY 1982: \$95,000,000
FY 1983: \$96,500,000
FY 1984: \$98,500,000

6. Alcohol and Drug Abuse and Mental Health Block Grant

Citation: Title IX; Sec. 1911-1920
Effective Date: October 1, 1981; however, in FY 1982 the States must spend the same proportion of their total allocation on mental health as they had been spending when the programs were separate; 35 percent of the State's substance abuse allocation must go to alcoholism, and 35 percent must go to drug abuse.
Authorization: FY 1982: \$491,000,000
FY 1983: \$511,000,000
FY 1984: \$532,000,000

7. Primary Care Block Grant

Citation: Title IX; Sec. 1921-1932

Effective Date: October 1, 1982; after this date, a State may choose to operate the program or to have the Secretary continue to operate it.

Authorization: FY 1982: \$ 2,500,000 Planning Grants
\$284,000,000 Operating Grants
FY 1983: \$302,500,000
FY 1984: \$327,000,000

8. Maternal and Child Health Block Grant

Citation: Title XXI; Sec. 2191-2194

Effective Date: October 1, 1981; however States may opt to continue categorical funding until October 1, 1982 or to change over at the beginning of any quarter between October 1, 1981 and October 1, 1982.

Authorization: FY 1982 through FY 1984: \$373,000,000 annually

9. Social Services Block Grant

Citation: Title XXIII; Sec. 2351-2355

Effective Date: October 1, 1981

Authorization: FY 1982: \$2,400,000,000
FY 1983: \$2,450,000,000
FY 1984: \$2,500,000,000
FY 1985: \$2,600,000,000
FY 1986: \$2,700,000,000

10. Low-Income Energy Assistance Block Grant

Citation: Title XXVI

Effective Date: October 1, 1981

Authorization: FY 1982 through FY 1984: \$1,875,000,000 annually

THE FEDERAL AID CONTINUUM

The various forms of Federal aid can be placed on a continuum of diminishing Federal authority, with categorical grants characterized by the strongest Federal role, and special or general revenue sharing the weakest. The Reagan Administration's "block grant" proposals were more similar to special revenue sharing than to existing block grants and were characterized by an extremely limited Federal presence. The block grants as enacted resemble more closely the existing block grants, which have been characterized as a hybrid form of grant, incorporating some features of categorical grants and some features of special revenue sharing. The mix of features varies from block grant to block grant, but none of them adopted the Reagan model in its pure form. 3/

3/ See Appendix B for further discussion of the continuum. For references to the Administration proposals, see p. 35 fn. 2.

CONSOLIDATION

Consolidation is frequently associated with block grants. It is possible, however, to have block grants without consolidation or to have consolidation without block grants. The Reconciliation Act contains examples of both.

For example, the Consolidated Refugee Education Assistance Act (Title V; Sec. 541-546) consolidates several existing authorities for refugee education assistance into a single authority. However, the administrative relationships were not changed so in essence this becomes a larger categorical grant, and not a block grant.

On the other hand, several of the new block grants did not involve any consolidation. The Primary Care Block Grant includes only the Community Health Centers Program. The Low-Income Energy Assistance program, which the Administration had sought to combine with an Emergency Assistance Program, was put into a block grant by itself; the Emergency Assistance Program was not merged with it. The Puerto Rico Food Stamp Block Grant applies to one program in one jurisdiction. The Education Block Grant created in Chapter I applies only to the Title I program for the education of disadvantaged children.

Consolidation of programs was a key component of the Administration's budget reduction efforts. The Administration argued that consolidation would lower costs by eliminating the problems and associated costs of administering Federal categorical programs with different matching ratios, procurement requirements, reporting standards, and accounting practices. These anticipated savings, according to the Administration, would offset, at least in part, the funding cuts accompanying the consolidation proposals.

Opponents of consolidation base their opposition, in part, on a conviction that consolidation makes budget reductions easier, though not necessarily through lower administrative costs. They argue that if programs with special identity and appeal (e.g., black lung clinics or foster children) are folded into broader Health Services or Social Services Block Grants they will lose their special identity. It is thought that this special identity is an important factor in protecting funding for programs. Both the black lung clinics and the foster child program did continue their status as separate categorical programs.

Six of the new block grants do involve consolidation of programs, but fewer programs were consolidated than the Administration had requested and some of the consolidations were qualified. ^{4/} Major education programs included in the Administration's model, including ESEA Title I grants for disadvantaged children, aid to the handicapped, and adult education, were retained as separate programs, although Title I will be administered as block grant. The health block grants require that some programs, such as hypertension and rape crisis center, continue to be funded at specified levels, thereby ensuring their separate existence to some extent. Discretionary funds are created in most of the block grants, and the Secretary is directed to use these funds for programs that had been categorical. For example, alcohol and drug abuse education receives this protection in the Education Block Grant, and hemophilia is protected in the Maternal and Child Health Block Grant. Consequently, even though the authorities for these programs were repealed, they will continue to exist as identifiable funded activities.

^{4/} Appendix A compares the programs consolidated in the Administration's proposals and those consolidated in P.L. 97-35.

FEDERAL ADMINISTRATIVE STRUCTURE

One Federal agency, the Community Services Administration (CSA), is abolished by the block grants. The programs previously administered by CSA are to be transferred to a new Office of Community Services in the Department of Health and Human Services (HHS).

HHS will be responsible for administering seven of the new block grants: Community Services, Preventive Health and Health Services, Alcohol and Drug Abuse and Mental Health, Primary Care, Maternal and Child Health, Social Services, and Low-Income Energy Assistance. The Puerto Rico Food Stamp Block Grant will be administered by the Department of Agriculture, and the Elementary and Secondary Education Block Grants will be administered by the Department of Education. The Department of Housing and Urban Development will continue to administer the amended Community Development Block Grant.

STATE ADMINISTRATIVE STRUCTURE

Typically, grant-in-aid legislation includes specific instructions with regard to the designation of a State agency to administer the program. The block grant models proposed by the Reagan Administration were silent on this issue, reflecting the Administration's philosophy of non-intervention in the internal affairs of sub-national governments. With one exception, however, each of the block grants in the Reconciliation Act follows the more traditional practice of assigning administrative roles. The exception is the Social Services Block Grant, which refers to administration by "the State," without defining the roles to be played by the various available actors: governor, State Social Services or Welfare Agency, State legislature.

The Community Development, Community Services, Preventive Health and Health Services, Alcohol and Drug Abuse and Mental Health, Primary Care, and Low-Income Energy Assistance Block Grants are all the responsibility of the governor, who must certify that the State's performance meets certain criteria spelled out in the Act. Presumably, most Governors will delegate the actual administration of the programs to a State agency. With the exception of the Community Development and Low-Income Energy Assistance Block grants, all of the block grants in this category require that the State legislature hold an annual hearing on the proposed use and distribution of the program funds.

The Education Block Grants are to be administered by the State Education Agency, and the Maternal and Child Health Block Grant is to be administered by the State Health Agency. The Puerto Rico Food Stamp Block Grant is to be administered by a "single agency" to be designated by the Commonwealth.

ALLOCATIONS AMONG STATES

In accordance with the Administration's proposals, virtually all of the block grant funds will be allocated among the States according to the proportions each received from the superseded programs in a specified base year--usually FY 1981. In some cases, other factors, such as number of school-age children (Education) must be taken into account. Several of the block grants include requirements for studies of alternative formulas.

FEDERAL-STATE ADMINISTRATIVE RESPONSIBILITIES

One of the major aims of the Administration's block grant proposals was to return decisionmaking authority to State and local governments by reducing the rules and regulations under which the categorical programs operated. According to the Administration, this would lower the administrative costs associated with meeting Federal planning, auditing, and reporting requirements, and would give the recipients greater flexibility--as well as greater responsibility for results--in providing services. Those running the block grants would be accountable to the local electorate rather than to Federal program administrators. All of the block grants go at least part of the way toward this goal of the Administration; however, the retention of some specific program identities within the block grants through earmarking or set-asides reduces the flexibility of the recipients in deciding which activities to fund.

Most of the new block grants do not require that a State submit a plan or application which must receive prior approval by the Secretary before funds will be released. Instead, they must submit annual applications certifying that the State has met or will meet certain requirements. The Secretary is prohibited from spelling out in any detail how the States meet the requirements. For example, the Community Services Block Grant requires the Governor to certify that the State agrees to:

- (1) use the funds for certain purposes, such as assisting low-income participants to secure and retain meaningful employment;
- (2) pass through to recipients at the local level 90 percent of the State's allocation and spend no more than 5 percent of the allocation for administrative expenses;

- (3) assure that the board structures of local entities meets certain membership requirements;
- (4) give special consideration to existing agencies at the local level;
- (5) arrange for the possibility of transferring up to 5 percent of the State's Community Services Block Grant allocation to related programs;
- (6) prohibit certain political activities;
- (7) provide for coordination with the Low-Income Energy Assistance Block Grant;
- (8) provide for fiscal control and fund accounting procedures, and for annual audits; and
- (9) permit and cooperate with Federal investigations of failures to comply with these requirements.

But the Secretary is explicitly forbidden to "prescribe the manner in which the States will comply with the[se] provisions."

The Education Block Grant takes a different approach to limiting the regulatory powers of the Secretary. It limits authority to issue regulations to (1) those necessary to carry out duties specifically assigned to him, (2) those necessary for proper fiscal audit, and (3) those necessary to insure compliance with specify requirements of the Act. The Secretary is prohibited from issuing regulations in all matters relating to the details of planning, developing, implementing, and evaluating programs and projects by State and local education agencies. The Secretary is authorized to "consult with" these agencies, and to provide technical assistance, information, and suggested guidelines on request.

Although the audit provisions vary, the block grants generally give the States a major role in conducting financial and compliance audits. Most of the block grants also spell out specific obligations of the Comptroller General in evaluating the programs. Title XVII (see p. 25) includes audit requirements that apply to all the block grants in the Reconciliation Act, unless the language

governing a particular block grant provides otherwise. For example, the Preventive health and Health Services Block Grant specifically states that the Title XVII requirements do not apply to it.

Most of the block grants include provisions for withholding and repayment of funds from a State that is not complying with the requirements of the Act. In discussing the withholding power provided in the health block grants, Representative Waxman stated that it was intended to ". . . create a tool by which the Secretary and all beneficiaries of this program will assure that funds and allotments are spent appropriately and well and that these Federal dollars continue to provide quality care, whatever the funding mechanism." 5/

5/ Waxman, Henry A. Statement on the Floor. Congressional Record, v. 127, July 31, 1981. p. H5805.

STATE-LOCAL RELATIONSHIPS

Representatives of local governments and non-profit organizations operating Federal programs, especially in large urban areas that house relatively large proportions of the needy populations to whom many of the existing categorical grants were directed, traditionally have opposed block grants or special revenue sharing. A major factor in this opposition is the replacement of direct Federal-local relations, which has characterized some of the categorical grants, with Federal-State relationships in which the States assume the primary administrative responsibility.

Opponents argue that the States traditionally have ignored the needs of cities and their residents, and that it was this State neglect that led to a Federal role in the first place. They argue that State governments lack the political will to allocate block grant funds to the targeted populations, areas, or functions which had benefited under the categorical system. Instead, according to this argument, States are more likely to spread out the money so that more districts or voters will benefit. Finally, these spokesmen contend that the available funds, already reduced from previous levels, will be further diminished as a result of excessive State administrative costs. In their view, block grants will simply result in moving red tape and administrative expenses from the Federal to the State levels of government. These opponents to block grants argue that if block grants are adopted, certain protective devices must be built in.

One proposal for State-local relationships is to require that local interests be consulted, or otherwise participate, when funding allocations and administrative

procedures are acted on by the State. The Education and the Community Development Block Grants include requirements for some consultation with local levels of government. Title XVII, which applies to certain new block grants that replace Federal-local grants, provides for a participation and reporting process at the State level for the purpose of helping to assure that local governments, interested individuals, and groups within the State have an opportunity to comment on planning for expenditures.

Some local entities are assured of continued funding, at least for a time, under provisions of the Act. For example, the Community Health Centers in the Primary Care Block Grant will continue their Federal-local relationship at least through fiscal year 1982. After that time, if a State wishes to assume administration of this program it must contribute funds from its own sources and is required to fund every Community Health Center which was funded during fiscal year 1982. Community Action Agencies must be funded in fiscal year 1982; beginning in fiscal year 1983, Community Services Block Grant funds will go to local governments, who are required to give "special consideration" to the funding of existing Community Action Agencies.

A third device for protecting local interests is to place a cap on the amount of funds that the State can use to pay the costs of administering the program. For example, the Preventive Health and Health Services Block Grant stipulates that no more than 10 percent of a State's allocation may be used for administrative purposes. The Primary Care Block Grant requires participating States to match from their own funds a certain percentage of the Federal allocation, and to pay administrative costs out of the State contribution; Federal funds may not be used.

Some of the block grants require that the State "pass through" a stipulated proportion of its allocation of funds to local recipients. For example, the Community Services Block Grant requires the State to use at least 90 percent of its allotment for grants to local governments. The Education Block Grant requires that State Education Agencies must distribute at least 80 percent of its allocation to local educational agencies.

TITLE XVII

Chapter 2 of Title XVII of the Reconciliation Act is a product of the House Committee on Government Operations and the Senate Committee on Governmental Affairs. It originally appeared as Title XVI in the House bill; the Senate bill contained no comparable provisions.

The intent of Title XVI, according to its author, was to: 6/

. . . prohibit the State from discontinuing or drastically cutting programs or entities in the dead of night. Title XVII is a sunlight provision, and it provides that any discontinuance or change in program's entity must be done only after full public disclosure and publication of why the State is doing that.

Title XVI would have required the States to establish a public review process and appeals process that would be triggered if the States defunded programs or administrative agencies that previously had been funded by categorical programs. The intent was to protect existing entities and programs such as the health services provided through migrant workers' health clinics.

Title XVI was revised substantially in conference, and became Chapter 2 of Title XVII of P.L. 97-35. This Title sets forth procedural and administrative requirements relating to the distribution and audit of block grants. The distribution procedures are limited to block grants as defined in Title XVII:

Sec. 1741(a)(1) block grant funds are funds which are received for a program--
(A) which provides for the direct allocation of funds to States only, except for the allocation of funds for use by the Federal agency administering the program; and

6/ Pashayan, Charles, Jr. Statement on the Floor. Congressional Record, v. 127, June 26, 1981. p. H3907.

(B) which provides funds that may be used at the discretion of the State, in whole or in part, for the purpose of continuing to support activities funded, immediately before the date of the enactment of this Act, under programs the authorizations of which are discontinued by this Act and which were funded, immediately before such date of the enactment, by Federal Government allocations to units of local government or other eligible entities, or both;

According to the statement of the managers, the definition is not meant to include funds that are paid to a State with the requirement that they automatically be passed through to sub-State entities under a formula established by Federal law, such as funds made available under the Education Block Grant.

The requirements for the establishment of an appeals process were dropped in conference. The procedural requirements now center on an annual report on the use of the funds and on public hearings relating to the use and distribution of the funds. The purpose of these procedures is as follows:

Sec. 1741(a) To help assure that (1) block grant funds are allocated for programs of special importance to meet the needs of local governments, their residents, and other eligible entities, and (2) all eligible urban and rural local governments, their residents, and other eligible entities are treated fairly in the distribution of such funds. . . .

Title XVII also contains two sections which apply to grant audits; they relate to access to records by the Comptroller General, and to required biennial audits that must be performed by the States. According to the managers: 7/

The conferees adopted Section 1745 to insure that State block grant and consolidated assistance programs established or provided for under this Act would be audited effectively on a regular basis in accordance with well-recognized and clearly-established standards, and that the standards governing the audits would be uniform from State to State and among grant programs. The provision was adopted in response to inquiries by conferees who were concerned that the reconciliation legislation included a number of audit provisions and requirements which differed from grant to grant. The conferees agreed that without this section, the Act could impose unreasonable burdens on the States and would not assure maximum protection against

7/ Joint Explanatory Statement of the Committee of Conference. Congressional record, v. 127, July 29, 1981, Part II. p. H5697.

possible waste, fraud and abuse in the expenditure of the funds provided to the states. Accordingly, Section 1745 establishes a single audit provision to govern all block grant and consolidated assistance programs in this Act. It supersedes any other audit provisions in this Act which do not explicitly provide otherwise, except that it is not intended to dilute or otherwise change the compliance requirements of any grant program.

MAINTENANCE-OF-EFFORT, SUPPLEMENT-NOT-SUPPLANT, AND MATCHING RE

Maintenance-of-effort, supplement-not-supplant, and matching requirements typically have been attached to categorical grants for the purpose of insuring that State or local funds, as well as Federal funds, are made available to the programs. The Administration would have eliminated all such requirements, on the ground that they usurped the right of State or local governments to set their own funding priorities.

The block grants enacted in the Reconciliation Act took a varied approach to these requirements. For example, the Education Block Grant contains both maintenance-of-effort and supplement-not-supplant requirements. The Alcohol and Drug Abuse and Mental Health Block Grant contains a supplement-not-supplant requirement. Most of the block grants, however, contain no such requirements.

At least two block grants contain matching requirements. The Community Development Block Grant requires States to contribute an amount equal to 10 percent of its allocation for program purposes and requires them to match with their own money any Federal monies that are devoted to administrative expenses. The Primary Care Block Grant requires that each State must contribute, from its own funds, an amount equal to 1/5 of its block grant allocation in fiscal year 1983 and 1/3 of its allocation in fiscal year 1984, to be used for administrative costs and for grants.

NONDISCRIMINATION

In order to assure that Federal funds would be made available only to State and local recipients that comply with Federal prohibition against discrimination, seven of the block grants include specific nondiscrimination provisions. The Community Development, Community Services, Low-Income Energy Assistance, and all four health block grants refer to statutory restrictions prohibiting discrimination on the basis of age, handicap, sex, religion, race, color, or national origin. The provisions are to be enforced by the Secretary, who may call on the Attorney General to bring civil action against any recipient found not to be in compliance with non-discrimination provisions.

TRANSFER OF FUNDS

State and local recipients of Federal funds frequently have complained that Federal funds were too narrow in purpose and did not allow them sufficient flexibility to meet the particular needs of a particular jurisdiction. For example, they argue that areas with a large population of older citizens might require more funds than were available through Federal Older Americans programs, but might not need funds from the Head Start Program. Several of the new block grants permit each State to transfer a stipulated percentage of its allocation from one block grant to another related grant program.

For example, the Community Services Block Grant permits States to transfer 5 percent of its allocation to services under the Older Americans Act of 1965, the Head Start program, or the Low-Income Energy Assistance program. Up to 7 percent of a State's allocation from its Preventive Health and Health Services allocation may be transferred to services funded under any of the other three health block grants. The Social Services Block Grant permits a State to transfer up to 10 percent of its allotment to the Health Services or Low-Income Energy Assistance programs.

APPENDIX A: COMPOSITION OF BLOCK GRANTS

TABLE 1. Puerto Rico Food Stamp Block Grant
(Title I, Sec. 116-117, p. 9-11) 1/

Program	Administration proposal	P.L. 97-35
Puerto Rico Food Stamps	Nutrition Assistance for Puerto Rico	Puerto Rico Food Stamp Block Grant

1/ U.S. Congress. Conference Committees, 1981. Omnibus Budget Reconciliation Act of 1981. Conference Report to Accompany H.R. 3982. House Report No. 97-208, 97th Cong., 1st Sess. Washington, U.S. Govt. Print. Off., 1981. Two Books.

2/ The sources for the block programs proposed for consolidation into block grants and the composition of the block grants as proposed by the Administration are as follows: U.S. Executive Office of the President. Office of Management and Budget. Preventive Health Block Grant: Legislative Summary. Washington, April 14, 1981. 2 p. Health Services Block Grant: Legislative Summary. Washington, April 16, 1981. 2 p. Education Block Grant: Legislative Summary. Washington, May 1, 1981. 6 p. Social Services Block Grant: Legislative Summary. Washington, May 5, 1981. 2 p. Energy and Emergency Assistance Block Grant: Legislative Summary. May 5, 1981. 2 p. Fiscal Year 1982 Budget Revisions. Washington, March 1981.

TABLE 2. Community Development Block Grant Amendments
(Title III, Sec. 301-315, p. 30-45)

Program	Administration proposal	P.L. 97-35
Community Development Block Grant	Community Development Block Grant	Community Development Block Grant <u>1/</u>
Urban Development Action Grant	Community Development Block Grant	Categorical
Weatherization	Community Development Block Grant	Categorical

1/ The block grant characteristics of the existing grant were strengthened by removing some application and reporting requirements and by converting the Small Cities programs from a Federal-local to a Federal-State program, if the State chooses to participate. Approximately 30 percent of program funds are allocated to the Small Cities program.

TABLE 3. Elementary and Secondary Education Block Grants
(Title V, Sec. 551-596, p. 115-135)

Program	Administration proposal	P.L. 97-35
Basic Grants to LEAs (Disadvantaged)	Title I Block Grant	Categorical <u>1/</u>
Concentration Grants (Disadvantaged)	Title I Block Grant	Categorical <u>1/</u>
State Agency Migrant Grant (Disadvantaged)	Title I Block Grant	Categorical <u>1/</u>
State Agency Handicapped Grants (Disadvantaged)	Title I Block Grant	Categorical <u>1/</u>
State Agency Neglected and Delinquent Grants (Disadvantaged)	Title I Block Grant	Categorical <u>1/</u>
Emergency Basic Grants to LEA	Title I Block Grant	Chapter II- Block Grant
Emergency Special Programs and Projects	Title I Block Grant	Chapter II- Block Grant
Emergency Magnet Schools, Pairing, Neutral	Title I Block Grant	Chapter II- Block Grant
Education for the Handicapped: State Grants	Title I Block Grant	Categorical
Education for the Handicapped: Pre- school Incentives	Title I Block Grant	Categorical
Adult Education	Title I Block Grant	Categorical
State Administration (Disadvantaged)	Title II Block Grant	Categorical <u>1/</u>
Evaluation (Disadvantaged)	Title II Block Grant	Categorical <u>1/</u>

1/ Retains its identity as a separate program. However, administrative characteristics are those of a block grant.

TABLE 3. Elementary and Secondary Education Block Grants--continued
(Title V, Sec. 551-596, p. 115-135)

Program	Administration proposal	P.L. 97-35
Improving Local Education Practice	Title II Block Grant	Chapter II-B Block Grant
Strengthening State Educational Management	Title II Block Grant	Chapter II-B Block Grant
Emergency Special Programs and Projects	Title II Block Grant	Chapter II-B Block Grant
Emergency Grants to Nonprofit Organization	Title II Block Grant	Chapter II-B Block Grant
Emergency Educational T.V. and Radio	Title II Block Grant	Chapter II-B Block Grant
Civil Rights Training and Advisory Services	Title II Block Grants	Categorical
Women's Educational Equity	Title II Block Grants	Categorical
School Libraries	Title II Block Grants	Chapter II-B Block Grant
Severly Handicapped	Title II Block Grant	Categorical
Handicapped Early Childhood	Title II Block Grant	Categorical
Handicapped Regional Vocational	Title II Block Grant	Categorical
Handicapped Innovation and Development	Title II Block Grant	Categorical
Handicapped Regional Resource Centers	Title II Block Grant	Categorical
Handicapped Special Education Personnel Development	Title II Block Grant	Categorical
Career Education Incentives	Title II Block Grant	Chapter II-C Block Grant

TABLE 3. Elementary and Secondary Education Block Grants--continued
(Title V, Sec. 551-596, p. 115-135)

Program	Administration proposal	P.L. 97-35
Community Schools	Title II Block Grants	Chapter II-C Block Grant
Consumer's Education	Title II Block Grant	Chapter II-C Block Grant
Law-Related Education	Title II Block Grant	Chapter II-C Block Grant
Basic Skills State Grants	Title II Block Grant	Chapter II-A Block Grant
Basic Skills Discretionary Grants	Title II Block Grant	Chapter II-A Block Grant
Follow-Through	Title II Block Grant	Chapter II- Block Grant <u>2/</u>
Gifted and Talented	Title II Block Grant	Chapter II-C Block Grant
Alcohol and Drug Abuse Education	Title II Block Grant	Discretionary Fund
Arts in Education	Title II Block Grant	Discretionary Fund
Metric Education	Title II Block Grant	Chapter II-C Block Grant
Ethnic-Heritage Studies	Title II Block Grant	Chapter II-C Block Grant
Cities in Schools <u>3/</u>	Title II Block Grant	Chapter II-C Block Grant
PUSH for Excellence <u>3/</u>	Title II Block Grant	Chapter II-C Block Grant

2/ To be phased in beginning in FY 1983.

3/ Not a specifically authorized program, but has been conducted as an activity.

TABLE 3. Elementary and Secondary Education Block Grants--continued
(Title V, Sec. 551-596, p. 115-135)

Program	Administration proposal	P.L. 97-35
Teacher Corps	Title II Block Grant	Chapter II-C Block Grant
Teacher Centers	Title II Block Grant	Chapter II-C Block Grant
Pre-College Science Teacher Training	Title II Block Grant	Chapter II-B Block Grant

TABLE 4. Community Services Block Grant
(Title VI, Sec. 671-683, p. 166-174)

Program	Administration proposal	P.L. 97-35
Community Services Administration (less economic development)	Social Services Block	Community Services Block <u>1</u> /

1/ Allows funding for economic development purposes.

TABLE 5. Preventive Health and Health Service Block Grant
(Title IX, Sec. 1901-1909, p. 191-199)

Program	Administration proposal	P.L. 97-35
Rodent (Rat) Control	Preventive Health Block Grant	Preventive and Health Services Block Grant
Fluoridation	Preventive Health Block Grant	Preventive Health and Health Services Block Grant
Hypertension	Preventive Health Block Grant	Preventive Health and Health Services Block Grant
Health Education/ Risk Reduction	Preventive Health Block Grant	Preventive Health and Health Services Block Grant
Health Incentives Grants	Preventive Health Block Grant	Preventive Health and Health Services Block Grant
Home Health	Health Services Block Grant	Preventive Health and Health Services Block Grant
Emergency Medical Services	Health Services Block Grant	Preventive Health and Health Services Block Grant

TABLE 5. Preventive Health and Health Service Block Grant--continued
 (Title IX, Sec. 1901-1909, p. 191-199)

Program	Administration proposal	P.L. 97-35
Rape Crisis Centers	-----	Preventive Health and Health Services Block Grant
Veneral Disease	Preventive Health Block Grant	Categorical
Family Planning	Preventive Health Block Grant	Categorical
Migrant Health Centers	Health Services Block Grant	Categorical
Black Lung Clinics	Health Services Block Grant	Categorical
Tuberculosis	Preventive Health Block Grant	Categorical

TABLE 6. Alcohol and Drug Abuse and Mental Health Block Grant
(Title IX, Sec. 1911-1920, p. 200-210)

Program	Administration proposal	P.L. 97-35
Mental Health Services	Health Services Block Grant	Alcohol and Drug Abuse and Mental Health Block Grant
Drug Abuse Project Grants and Contracts	Health Services Block Grant	Alcohol and Drug Abuse and Mental Health Block Grant
Drug Abuse Formula Grants	Health Services Block Grant	Alcohol and Drug Abuse and Mental Health Block Grant
Alcoholism Project Grants and Contracts	Health Services Block Grant	Health Block Grant Alcohol and Drug Abuse and Mental Health Block Grant
Alcoholism Formula	Health Services Block Grant	Alcohol and Drug Abuse and Mental Health Block Grant

TABLE 7. Primary Care Block Grant
 (Title IX, Sec. 1921-1932, p. 210-221)

Program	Administration proposal	P.L. 97-35
Primary Care Centers	Health Services Block Grant	Primary Care Block Grant

TABLE 8. Maternal and Child Health Block Grant
(Title XXI, Sec. 2191-2194, p. 491-504)

Program	Administration proposal	P.L. 97-35
Lead-Based Paint Poisoning Prevention	Preventive Health Block Grant	Maternal and Child Health Block Grant
Genetic Diseases	Preventive Health Block Grant	Maternal and Child Health Block Grant <u>1/</u>
Adolescent Health	Preventive Health Block Grant	Categorical <u>2/</u>
Maternal and Child Health	Health Services Block Grant	Maternal and Child Health Block Grant
Supplemental Security Income	Health Services Block Grant	Maternal and Child Health Block Grant
Hemophilia	Health Services Block Grant	Maternal and Child Health Block Grant <u>1/</u>
Sudden Infant Death Syndrome	Health Services Block Grant	Maternal and Child Health Block Grant

1/ The authority is repealed; however, this function is included in the programs that are to be funded out of the Secretary's discretionary fund, so it will continue as an identifiable activity.

2/ Sec. 2193(f) repeals the existing adolescent health (pregnancy) program. P.L. 97-35 establishes a new Title XX, adolescent Family Life Demonstration Programs, under the Public Health Services Act for prevention and care services and research relating to premarital adolescent sexual relations and pregnancy.

TABLE 9. Social Services Block Grant
 (Title XXIII, Sec. 2351-2355, p. 544-552)

Program	Administration proposal	P.L. 97-35
Title XX Social Services	Social Services Block Grant	Social Services Block Grant
Title XX Day Care	Social Services Block Grant	Social Services Block Grant
Title XX State and Local Training	Social Services Block Grant	Social Services Block Grant
Child Welfare Services	Social Services Block Grant	Categorical
Child Welfare Services	Social Services Block Grant	Categorical
Foster Care	Social Services Block Grant	Categorical
Adoption Assistance	Social Services Block Grant	Categorical
Child Abuse	Social Services Block Grant	Categorical
Runaway Youth	Social Services Block Grant	Categorical
Development Disabilities	Social Services Block Grant	Categorical
Rehabilitation Services (Department of Education)	Social Services Block Grant	Categorical
Community Services Administration	Social Services Block Grant	Community Services Block Grant

TABLE 10. Low-Income Energy Assistance Block Grant
(Title VI, p. 573-582)

Program	Administration proposal	P.L. 97-35
Low-Income Energy Assistance	Energy and Emergency Assistance Block Grant	Low-Income Emergency Assistance Block Grant
Emergency Assistance	Energy and Emergency Assistance Block Grant	Categorical

APPENDIX-B

BLOCK GRANTS: TRANSFERRING POWER, MONEY, AND RESPONSIBILITY^{1/}

BY SANDRA S. OSBOURN

The block grant, a long-standing but little known Federal aid instrument, became a headline item recently when it was identified as a key component of the Reagan administration's drive for a reduced Federal budget and a reduced Federal role in the operations of State and local governments. The budget reform plan proposes the creation of approximately 15 block grants (which might be more accurately characterized as special revenue sharing grants) by consolidating approximately 130 categorical programs. Funding cuts in the range of 25 percent, estimated to exceed \$4 billion, are associated with the block grant proposals.

The basic issues in the block grant vs. categorical grant battle relate to the allocation of power between the Federal Government and State and local governments, between representatives of particular needs or interests among the population and representatives of the community as a whole, and between various interpretations of the proper role of government as compared to the private marketplace. In many cases, conflicting value systems are a significant factor in the debate.

The fundamental philosophy of block grant supporters was summed up by the stated belief of a senior

Reagan budget official quoted in the *Washington Post* as saying, "I see no reason to believe that federal officials will make these decisions [on funding allocation] more compassionately or conscientiously than our counterparts in State and local government." This element of belief frequently looms large in the arguments of both sides of issues related to block grants.

The block grant is one of a number of possible approaches to restructuring the existing system for providing grants-in-aid to State and local governments. The terminology associated with attempts to

restructure the Federal aid system is not always precise; this lack of precision can obscure significant differences in the various approaches.

Modifications to the existing system run the gamut from minor adjustments to total revolution. These various changes can be seen as points on a continuum characterized by maximum Federal control and prescription at one end and maximum recipient discretion at the other end.

The components of the existing Federal aid system can be classified into one of three categories: categorical grants, block grants, and general purpose grants (e.g., revenue sharing). There are approximately 500 categorical grants, 5 block grants, and one general revenue sharing grant in the current system. These components of the system, plus proposed or achieved modifications, are described on a continuum ranging from maximum Federal control (categorical grants) to maximum recipient discretion (special revenue sharing).

RESTRUCTURING THE FEDERAL AID SYSTEM: A CONTINUUM

Categorical Grant: grants made for a specific purpose (e.g., metric education) usually requiring the recipient to match some portion of the grant, and usually accompanied by detailed administrative requirements. The funds may be distributed according to a formula or on a project-by-project basis.

Joint Funding: a procedure authorized by the Joint Funding Simplification Act (P.L. 93-510; extended through 1984 by P.L. 96-534). This approach leaves the existing categorical system in place, but provides authority to expedite procedures for consolidation and approval of projects drawing upon more than one Federal assistance program, and to simplify requirements for operation of these projects.

Consolidation: merging two or more categorical grants into a larger categorical grant. This reduces the number of grants, alleviating overlapping and fragmentation, but does not affect those aspects of grant form which relate to location of power and responsibility.

Block Grants: a "hybrid" grant form which mixes, in varying proportions, elements of categorical grants and special revenue sharing. The Advisory Commission on Intergovernmental Relations has defined a block grant as "a program by which funds are provided chiefly to a general purpose governmental unit in accordance with a statutory formula for use in a broad functional area, largely at the recipient's discretion." Block grants usually involve the consolidation of categorical grants. At present, there are five block grants in existence:

Partnership for Health (P.L. 89-749; enacted in 1966)

Safe Streets Act (P.L. 90-351; enacted in 1968)

Comprehensive Employment and Training Act (P.L. 93-203; enacted in 1973)

Community Development Block Grant (P.L. 93-383; enacted in 1974)

Social Services (P.L. 93-647, "Title XX" enacted in 1974)

Special Revenue Sharing: this term was coined during the Nixon Administration, and described a series of legislative proposals related to his "New Federalism" program. Like block grants, special revenue sharing would consolidate existing categorical grants; however, block grants frequently retain some portion of the Federal administrative controls associated with the categoricals. Special grant for education might limit the use of the funds to areas previously funded by the categoricals; special revenue sharing would not. Block grants generally continue requirements related to matching and maintenance of effort; special revenue sharing would not. Block grants may require an application for funds or the submission of a plan for the use of the funds before funds would be made available; special revenue sharing would not require prior Federal approval. Accountability under special revenue sharing would take the form of published plans and reports available to the local public, rather than reports directed to Federal administrators.

Although complete details on the Reagan proposals are not yet available for all of the program areas, it would appear from what is known that the grant designs submitted to the Congress for consideration will match most closely the special revenue sharing model.

The budding debate over the Reagan block grant proposals reflects basic issues raised by the Reagan Administration's concept of the Federal system, including the question of Federal control over how federally-collected money is spent.

Opponents of this philosophy may agree that the grant-in-aid process should be simplified and the "red tape" associated with it should be reduced, but they argue that the use of the funds cannot be entirely unrestricted if national goals are to be met. They argue further that the Federal Government, which is making the taxpayer's money available for these programs, has the responsibility to guarantee that the money is used wisely.

Finally, they contend that Federal requirements are necessary to assure that certain underprivileged and underrepresented segments of the population receive a share of the

program benefits that they might not get if they were forced to compete with more politically potent groups at the local level.

WHO DECIDES?

Acceptance or rejection of the Reagan Administration's version of block grants will be decided in a variety of congressional arenas, and will almost certainly not result in a uniform response, as the accompanying chart suggests. There is not a single block grant entity, and there is not a single process for deciding the form of the block grant.

The proposed reductions in funding levels will be acted on by the Budget Committees and, ultimately, the Appropriations Committees.

The form that the block grants take, however, and the issue of whether there will be block grants at all will be decided by the legislative committees with jurisdiction over the programs proposed for consolidation. Since the Budget Committees will act first, their proposals and the ensuing votes by Congress as a whole will undoubtedly have a powerful symbolic value.

However, it should not be forgotten that this is not Congress's last

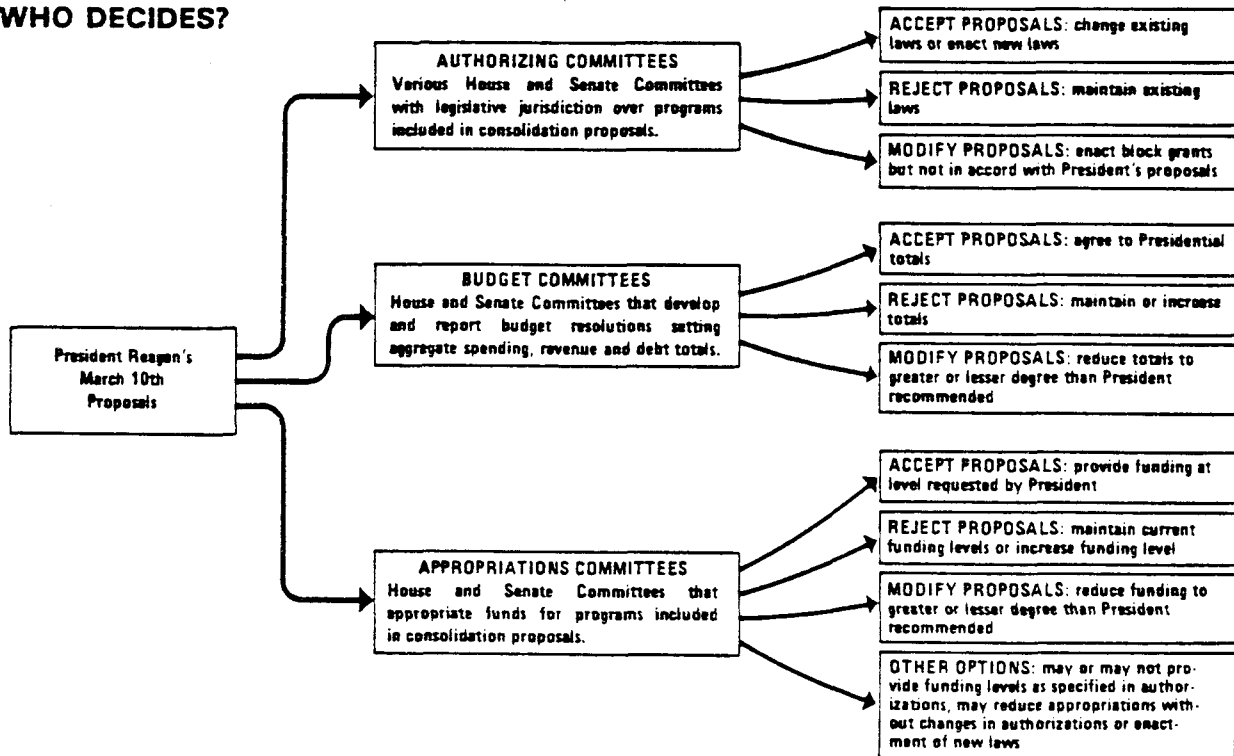
word on the subject and that there will be other opportunities for congressional impact as the proposals flow along three separate tracks: budget, appropriations, and authorization.

As indicated in the accompanying chronology, the congressional budget process places certain constraints on the decision process relating to block grants, as it sets time limits on the activities of the authorizing and appropriations committees. Further timing constraints are inevitable because of the interactions of the various participants.

As the House Appropriations Committee has pointed out, "no appropriations can be made for block grants until authorizing legislation is enacted." The House Education and Labor Committee has noted that it would be unrealistic to assume that a consolidation bill could be received from the Administration in time to be considered by Congress and enacted and implemented before fiscal year 1982 in order that that appropriations committee could fund the new program in its regular fiscal year 1982 appropriations bills.

The degree to which the funding track conforms with the program design track will be decided by the leg-

WHO DECIDES?



isative committees, and the outcome will not necessarily reflect all the components of the Reagan Administration's package. For example, the Administration contends that reductions in funding will be offset by reduced administrative costs if the block grant proposals are adopted as submitted, so that there need not be any reduction in service levels. It is possible, of course, that the committees and processes relating to the funding reductions will result in adoption of the Administration's proposals without change.

At the same time, the legislative committees might refuse to adopt any of the Administration's package of block grant proposals, thereby eliminating the claimed administrative savings and leaving the States and localities facing severe funding reductions without the trade off of reduced "strings" and increased flexibility. A more likely outcome, perhaps, would be a mix in which the Appropriations Committees would adopt some, but not all, of the funding reductions and the legislative committees would adopt some, but

not all, of the block grant proposals.

Even if all of the block grants are enacted, the design of the new programs may vary from one to another, reflecting the decisions of the various subcommittees and committees, so that the degree of flexibility will not necessarily be uniform.

Sandra Osbourn is an analyst in American national government, Government Division. Daniel P. Strickland, of the legislative process section, same division, prepared the graphics.

**CONGRESSIONAL BUDGET PROCESS:
IMPACT IN BLOCK GRANT DECISIONS**

May 15—FIRST BUDGET RESOLUTION—Sets spending targets to guide committees and may include reconciliation instructions to committees to reduce spending in legislation within their jurisdictions. Authorizations must be reported by May 15 but Congress may waive the deadline. Appropriations cannot be considered before May 15 but Congress may waive this requirement. Committees are not bound by the figures in the first resolution and may or may not include grant programs among reductions to meet reconciliation instructions.

7th Day after Labor Day—Congress must complete action on spending legislation. However, Congress may or may not have completed action on authorizations by this date and consequently appropriations bills may be delayed beyond the deadline.

SEPT. 15—SECOND BUDGET RESOLUTION—Affirms or revises figures in the First Budget Resolution and may include reconciliation instructions to committees to reduce spending in legislation within their jurisdictions.

SEPT. 25—RECONCILIATION—Congress completes action on reconciliation bill or resolution. Reconciliation measure may or may not have included reductions in grant programs.

AFTER CONGRESS COMPLETES ACTION ON A SECOND BUDGET RESOLUTION AND RECONCILIATION MEASURE CONGRESS MAY NOT CONSIDER NEW SPENDING LEGISLATION WHICH WOULD EXCEED THE LEVELS OF THE SECOND BUDGET RESOLUTION.

CONGRESS MAY ADOPT YET ANOTHER BUDGET RESOLUTION REVISING THE LEVELS OF THE MOST RECENT BUDGET RESOLUTION.

The Block Grant Story

Consolidation Fared Poorly in Budget Bill

By Spencer Rich
Washington Post Staff Writer

The Reagan administration proposal to consolidate more than 90 programs into seven huge "block grants" to the states fared relatively poorly in the budget bill. Funds for most of the programs were cut by as much as 25 percent, but a large portion remained under federal control with separate identities.

Three of the proposed blocks, for social services programs, community development and low-income energy and emergency welfare assistance, were dropped entirely. Most of the programs continued as categorical programs.

In education, the administration's proposed two big blocks consolidating more than 40 school-aid programs ended up as one block covering about 33 programs, but those that will continue as separate federal programs were the biggest ones, containing about 90 percent of the federal education aid.

Details of how each block grant proposal fared, except for the health proposals, which were described in The Federal Report on Aug. 3:

• **Social Services:** Congress rejected the proposal to unite about a dozen programs into one big block. Some federal controls of program guidelines were eased. Funding was set at \$2.4 billion (a \$600 million cut) in fiscal 1982, \$2.45 billion in 1983, \$2.5 billion in 1984, \$2.6 billion in 1985 and \$2.7 billion thereafter. Child welfare remained separate and unchanged, with anticipated outlays of \$225 million in fiscal 1982.

Foster-care and adoption assistance also remained the same, with anticipated outlays of \$395 million.

Community services (the remnant of the old poverty program) was turned into a separate mini-block with \$389 million a year, of which \$354 million would be earmarked for the states to support community-based organizations and later local government units, the rest being retained by the Department of Health and Human Services for discretionary grants. The Community Services Administration, which formerly administered this program, would be abolished.

Continuing as separate federal programs would be vocational rehabilitation (\$1 billion in fiscal 1983, \$1.054 billion in 1983); the child-abuse control program at \$19 million in 1982; the runaway youth program with a \$25 million annual authorization; the juvenile justice program with \$77 million in 1982, \$77.5 million in 1983 and \$74.9 million in 1984, and the developmental disabilities program at \$61 million a year.

• **Community Development:** The administration had said it wanted to unite community development grants and urban development action grants into a block grant, but it never sent up detailed plans. In the end, Congress authorized \$3.66 billion a year for community development grants, eased federal control over applications by communities and, in effect, kept the action grants separate at \$500 million a year.

• **Low-income Energy and Emergency Aid:** Congress ignored President Reagan's request to merge the low-income energy assistance program, which pays heating bills for the poor, with the small welfare emergency assistance program, with a total authorization of \$1.4 billion. Instead, it authorized the heating program to continue with somewhat less federal paperwork imposed, at \$1.875 billion a year for the next three years. Welfare emergency assistance was left as part of the welfare program.

• **Education:** The president proposed uniting more than 40 educational programs into two huge block grants, cut by about a quarter to \$4.3 billion. However, Congress reauthorized as separate categorical programs Title I grants to school districts to help educationally disadvantaged children (\$3.68 billion a year for the next three years); the program of aid to the handicapped (\$1.149 billion in 1982, rising slightly thereafter); adult education (\$100 million a year); and the Women's Educational Equity Act (\$6 million). Three other major programs the president had not tried to include in the block also were reauthorized separately: vocational and bilingual education and impact aid.

Congress did put into a block, although in some cases with some strings attached on how the money would be spent, some 33 programs, including Follow Through, the Teacher Corps, the school library program and emergency school aid. Authorization would be \$589 million a year in fiscal 1982-4. Six percent of the money is reserved for the secretary of education for special discretionary grants.

WASHINGTON POST AUG. 5, 1981 A21

10 Health Programs Kept Out of Block Grants

By Spencer Rich
Washington Post Staff Writer

One of the toughest of the congressional budget battles involved President Reagan's proposal to lump more than two dozen major health programs, totaling over \$2 billion in annual spending, into two huge block grants to the states with funding slashed to \$1.4 billion.

The president said the plan would give states more flexibility to decide where they money should go, instead of Congress earmarking how it should be spent.

But opponents of the plan, led by Rep. Henry A. Waxman (D-Calif.), chairman of the House subcommittee on public health, charged that submerging individual programs into block grants with few federal controls would wipe out separate allocations for some key programs, such as family planning, mental health and alcoholism, and allow the money to be diverted for other health purposes.

Waxman, playing David to the Reagan's Goliath, succeeded in defeating a sizable portion of the president's plan.

In the end, 10 programs were kept out of the block grants and will remain as separate categorical programs with authorizations to carry them through the next three years.

About 20 other programs were put into four block grants, with rather severe restrictions in some cases on the states' freedom to shift money among programs within the block, or lumped together in such a way that it will virtually force the state to spend the money the same way it did before.

Overall, new authorizations were cut to about \$1.6 billion for fiscal 1982, a cut several hundred million dollars less than the president had sought.

Here are the details, with program authorization figures:

- Family planning — Kept as a separate program with authorizations of \$130 million for fiscal 1982, \$143 million for fiscal 1983 and \$155 million for fiscal 1984 for services.

- Venereal disease control — Authorized as separate program; \$40 million, 1982; \$46.5 million, 1983; \$50 million, 1984.

- Immunization — Separate at \$29.5 million, \$32 million and \$34.5 million.

- Tuberculosis control — Newly authorized separate program, with \$9 million, \$10 million and \$11 million.

- Migrant worker health — Separate program with \$43 million, \$47.5 million, \$51 million.

- Adolescent pregnancy — New program, partially duplicating an existing one that was put into one of the block grants, to provide health and nutrition services to pregnant girls and to provide chastity counseling; \$30 million for each of three years.

- Developmental disabilities — Separate program with \$61 million for each of the years.

- Special research — \$3 million in fiscal 1982 was authorized for research and demonstration projects on primary health care, and \$30 million in fiscal 1982 for research on alcoholism and drug abuse.

- Black lung — Kept as separate program; no fixed authorization but funding has been \$5 million a year.

- Maternal and child health — Seven programs were put into this block grant, with an authorization of \$373 million a year from fiscal 1982 to 1984. The seven: maternal and child health, disabled children's care, lead-based paint poisoning, sudden

infant death syndrome, hemophilia, genetic disease and a version of the adolescent pregnancy program. Of the funds, up to 15 percent would be set aside for special maternal and child health, genetic disease and hemophilia demonstration projects. No funds may be transferred from this block.

- Preventive health and health services — Eight programs were put into this block grant, with \$95 million authorized for fiscal 1982, \$96.5 million for 1983 and \$98.5 million for 1984. The eight: home health, urban rat control, fluoridation, emergency medical services, health education/risk reduction, health incentive grants, hypertension and rape crisis centers. Restrictions: in the first year, states must set aside some money to provide emergency medical services, perhaps less than now, but something. In addition, in fiscal 1982 states must spend at least 75 percent of what the federal government allocated to the hypertension program in 1981; in 1983 the figure would be 70 percent and in 1984, 60 percent. A further restriction: \$3 million each year must be set aside for rape crisis centers. States would be able to shift up to 7 percent of this block to another block.

- Alcohol, drug abuse and mental health block — Unites funds for community mental health centers and drug abuse and alcoholism control, with \$491 million for fiscal 1982, \$511 million for 1983 and \$532 million for 1984. Restrictions: 1 percent of the money will be retained at the federal level for projects to retrain mental health hospital employees losing jobs as a result of shut-downs. States must fund existing community mental health centers at some reasonable level. In 1982,

states must spend the same proportion of the overall block on mental health as they had been spending when the programs were separate. But in 1983 they could shift 5 percent of the funds within the block and 15 percent in 1984. Thirty-five percent of whatever amount ended up in the "substance abuse" category would have to go to alcoholism and 35 percent to drug abuse, with the rest discretionary. The states also would have the right to shift 7 percent from the whole block into one of the other three health blocks.

- Primary care block — Community health centers would be the sole program in this block grant with funding at \$280 million in 1982, \$302.5 million in 1983 and \$327 million in 1984. For 1982, the program would remain under federal supervision and really wouldn't be a block grant at all. However, the states could take over in 1983 as long as they maintain existing centers for one year. But states may simply leave the centers and funding under federal supervision.

WASHINGTON
POST
AUG. 3, 1981
A13

Having survived a season of political storms, the President's grant consolidation proposals—in some form—now appear likely to win congressional approval. As that day approaches, however, the states confront a host of questions, including a very fundamental one: Is this a new era in federal aid—or is it the same old song and dance?

The Reagan Administration appears to be on the verge of a substantial victory in its efforts to restructure the federal aid system, and the states are looking cautiously ahead in an effort to fathom what that victory will mean to them.

As of early July, the likelihood was steadily increasing that Congress would approve some complex combination of revised block grants in the remaining stages of the budget reconciliation process, though some of the measures bore little resemblance to the original Reagan proposals to consolidate categorical grant programs.

Until recently, the fate of the block grant proposal in Congress had resembled an old-time Saturday movie serial, as success followed defeat and the legislation's fate was ever in doubt. Projects dimmed in June when major congressional committees scuttled some of the proposed block grants and modified others. Later that month, however, the House of Representatives

The Puzzle of Block Grants

Dan Pilcher

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Block Grants

—bypassing its own committees—dramatically breathed new life into the proposals as it passed the massive budget bill. Several major education programs, such as ESEA Title 1 compensatory education and P.L. 94-142 education for the handicapped which the Administration had proposed for consolidation, were excluded from the block grant legislation, and the National Conference of State Legislatures (NCSL) supported those particular exclusions.

The block grant proposals have proven a particularly divisive issue, though generally supported, with some reservations, by most state legislators and governors. Last year, in a joint statement on federalism reform, NCSL and the National Governors' Association (NGA) called for the "consolidation of related federal categorical programs into block grants which provide flexibility for governments to target funds where they will do the most good."

Now state legislators and governors across the country face the prospect that the block grant proposals will be passed—while, at the same time, they will confront sharp federal budget cuts that will diminish the flexibility they need to administer the grants effectively.

A host of other concerns also await state and local officials as they look ahead to changes and possible transition problems: the timing of federal budget cuts and block grant passage; lead time for state planning and adaptation; program and funding responsibilities; accountability requirements; changes needed in state laws and administrative rules to comply with changes in federal law and regulations; caps on state administrative costs; funding mechanisms and formulas, and so forth. NCSL has pressed for inclusion of transition language in the block grant legislation allowing legislatures to make the statutory and administrative changes to minimize effects on program recipients. (See "Block Grants: How the States are Preparing," page 12).

For the states, many of which are in shaky fiscal condition, the prospect of major cuts in federal aid is superimposed on the uncertain path they must tread to implement block grants and phase out categorical grant programs. Effective October 1, they will likely confront federal budget cuts of 25 percent (less for some social services block grants) in the categorical grant programs selected by the Administration for consolidation.

President Reagan's Fiscal Year 1982 budget calls for \$13.6 billion less in federal aid to states than President Carter proposed, and \$3.6 billion of this cut is associated with the block grant proposals. Thus, in the short run, the

budget cuts may have a greater initial effect on the states than if the block grant proposals are enacted with attendant transition problems. Whether or not the flexibility gained by the states from block grants will offset the cuts in federal aid remains to be determined. As the block grant legislation stood in early July, the dollar amount involved was less than half of what the Administration had proposed for consolidation, thus decreasing the amount of flexibility to be gained by the states in administering the programs.

Perhaps more important for the states in the long run, the Reagan Administration proposes to freeze federal appropriations for these grants through 1986. Assuming a 10 percent rate of inflation, this represents a 46 percent cut in the funds between 1982 and 1986, but, as some observers note, not a cut in the demand for services. The implication is that the states will have to pick up an ever-increasing share to maintain program levels.

Sufficient lead time and technical assistance will be needed for the states to adjust to the federal grant changes. The alternative, some fear, could be intergovernmental chaos and disruption of the delivery of services to those who need them. As New York Assembly Speaker Stanley Fink stressed in a letter to his state's congressional delegation, "if and when [block grants] are enacted, the states must be given a reasonable amount of time to implement the new system."

Sufficient lead time and technical assistance will be needed for the states to adjust to changes in federal grants. The alternative, some fear, could be intergovernmental chaos . . .

An overriding concern for state legislators, however, is that they may be saddled with the responsibilities—but not the resources. Maryland House Speaker Benjamin Cardin, 1980–81 chairman of NCSL's State-Federal Assembly, told a congressional subcommittee that, in the transition from earlier, "sorting-out" messages, to the specific proposals, something had been lost from the President's Economic Recovery Program. It set out the steps "towards turning back a number of responsibilities to state and local governments, but no mention is made anywhere of possible future proposals for turning over funding sources for these programs," Cardin said, urging discussions between the states and the Administration "as soon as possible to support the added responsibilities."

"Revenue sources turnback is very complicated," explained Robert Carleson, special assistant to President Reagan and chief architect of the block grant proposals, in an interview with *State Legislatures*. "We don't pretend to have all the answers," he said. Some of the questions, according to Carleson, concern types and distribution of programs that would be replaced with revenue authority and dispersion of the revenue sources across the country. The Advisory Commission on Intergovernmental Relations (ACIR) is studying the issue, he said, and the Administration has invited the states, organizations and academics to present their ideas. "Obviously, this is not the first step. Block grants are the first step."

The Reagan Administration originally proposed to consolidate all or part of 83 federal grant programs for FY 1982, along with a reduction in total funding from \$14.2 billion to \$10.9 billion, into six block grant programs: health services, preventive health services, social services, energy and emergency assistance, special education needs, and state programs for elementary and secondary education. Meanwhile, it also proposed that states administer the small cities and non-entitlement parts of the Community Development Block Grant (CDBG) program which now go directly to local governments from the U.S. Housing and Urban Development Department.

In May, the Republicans scored a major victory with the Gramm-Latta substitute on the first budget resolution which, by cutting the budget, paved the way for later changes with block grants. The Administration's block grant proposals emerged late from the starting gate. They were submitted to Congress on May 8—only five months before the October 1st beginning of the new fiscal year for

which they were to go into effect and four months after the beginning of the session.

In mid-June, the Administration's proposals went aground in a major way when the Senate Labor and Human Resources Committee voted to exempt major programs from consolidation, and mandated that others be continued in their categorical form under a block grant rubric with reduced funding. With Republicans joining Democrats in opposition, the setback for the block grant proposals illustrated traditional congressional suspicion over relinquishing control of the categorical programs.

President Reagan promised to push hard for passage of the consolidation proposals, and reportedly raised the possibility of vetoing block grants that do not suit him. At a mid-June, private meeting with Kansas Senate President Ross O. Doyen, 1980-81 NCSL president-elect, Reagan said that he had no intention of giving up on block grants.

By the end of June, the House passed the massive, complicated budget reduction bill which provided for the consolidation of numerous categorical grants into several block grants while exempting some major programs. The hasty, dramatic manner of approval on the floor—the Administration effectively bypassing the congressional committee system—left many initially confused over which programs were included for consolidation.

This tactic of the Reagan Administration drew fire from some, including New York Speaker Fink, who said there was "no justification for ramming these consolidations through as part of the reconciliation process." Nonetheless, with substantial differences between the House and Senate versions of the budget to be resolved first in conference committee and then on the floor of each chamber, the fate of block grants hung in the balance, though by early July tipping perceptibly toward passage.

The Administration lobbied hard for its block grant proposals against considerable congressional opposition from Democrats—and some Republicans. Presidential aide Carleson said that "the sooner Congress passes this legislation, the better it will be for everybody. . . . The Administration is urging the Congress to act as rapidly as possible because we do have the economic emergency and the states are going to need lead time to make these things work best."

Said Carleson, "The President would have gone to a block grant concept even if the economy had been in excellent shape because he believes very strongly—as I do—that the states and local governments are best able to

make these kinds of [policy decisions]." "But with the necessary reductions in the growth of federal spending," he continued, "the block grants provide us [with] a very useful tool to ameliorate the possible harmful effects of a cut in federal spending. Since the [first] budget resolution, I think that point has become clear."

But there are others, including some Democratic state legislators, particularly from the Northeast and Midwest, who take exception to this view. This perspective is represented by Colorado Senate Minority Leader Regis Groff. Groff, a Democrat and the only black in the Colorado Senate, represents a primarily black district in Denver.

Block Grants: How the States Are Preparing

As the states await congressional action on the Reagan grant consolidation proposals, some of them—on their own or through NCSL—have told Congress and the Administration what technical requirements the legislation must meet to ease their transition difficulties. A number of states have also taken their own, unique steps in preparation for possible change in the federal grant system.

A spot survey of 26 states by NCSL found that only five—Iowa, Kansas, Montana, Texas and Tennessee—had, by mid-June, considered provisions in their budgets for possible federal grant consolidations. Some of the approaches the states are taking to prepare for grant consolidation found by the survey include:

- Iowa established a special fund for federal block grants with legislative appropriation required to spend money from the fund, except in the current year, when funds will be prorated among the previous uses.
- Kansas included in its budget a special line item for federal block grants in health and social services, with the funding level set at zero dollars. Since any changes in the funding level need the approval of the Finance Council, an interim body composed of the governor and legislative leaders, legislative approval can thus be given without calling a special session.
- Texas proposed that if two or more current federal categorical aid programs, now administered by separate state agencies, are combined into a block grant by Congress, then the block grant funds will be divided pro rata among the agencies.

The Illinois General Assembly made provisions for the Intergovernmental Cooperation Commission to hold hearings from July to September in order to, in the words of Commission Director John Lattimer, "find out the exact effect of the block grants on Illinois state government and to prepare a report and possible legislation to implement needed changes in how we handle federal dollars coming into the state." Added Latimer, "The legislature itself will call the shots, rather than leaving it up to the governor."

A survey by the Council of State Governments (CSG) found that most states, including the largest, would not be able to adjust health and welfare programs to the original Reagan proposals by October 1, said staff member Dave Hurwitz. Estimates by the states for transition periods ranged from six months to two years. He said some states thought they could comply by October 1 if congressional action did not require them to revamp their budgets. In general, the larger states needed more time, the smaller, less-populated states, less time, Hurwitz said.

Although some state health and welfare departments "have done a great deal of planning," according to Hurwitz, this is offset by a lack of cooperation between the executive branch agencies and the legislatures. This produced a "lot of inconsistencies on what the states actually think they can do" in implementing block grants, he said.

Some of the concerns of the states for a transition period, according to CSG, included the need for additional

or reassigned staff and training to handle block grants; need for lead time to adjust state-supervised, locally-administered programs to meet federal and state requirements; need for lead time to program computer changes; and uncertainty over the political reaction to more cuts in government programs following state program and budget cuts.

State legislators have a wide range of concerns about the shift from categorical to block grants. On behalf of NCSL, New York State Senator Hugh Farley told the Senate Labor and Human Resources Committee that Congress should provide:

- Assurance that the federal block grant funds be allocated according to state law rather than by detailed reporting requirements;
- Latitude as to which state entity should develop a plan for the use of block grant funds, if such a planning requirement is imposed;
- Assurance that future block grant spending not be limited by current categorical functions;
- Technical assistance to foster the exchange of information on block grants among the states.

Until the states devise their own distribution systems for federal block grants, Farley said, Congress should allocate block grant funds on a pro-rata basis according to the current categorical allocation.

Another question is the role of the legislature in the planning and appropriation of federal block grant funds. Several of the Reagan proposals included the requirement for the appropriation of the funds, as was done in the General Revenue Sharing law.

After participating in a June meeting between Reagan and members of NCSL's Executive Committee, Groff asserted that the minorities, cities and poor would suffer most under the Administration's proposals to consolidate domestic social programs.

There are others, such as Speaker Fink, who hold the

middle ground. Fink sees block grants neither as a panacea to solve the problems of intergovernmental aid, as some advocate, nor as a rejection of the "truly needy in the cities," as opponents argue. Fink, however, doesn't believe that consolidation justifies a 25 percent cut in federal aid: "There just isn't that much overhead. The 25

The challenge that this issue will put on state legislative planning and oversight is one consideration for state lawmakers. About 30 state legislatures now hold some degree of control over federal funds, and others may expect to see sharp differences between the legislators and the governor about who has authority over block grant funds.

Another concern is the authority of the legislature over federal block grant funds in the interim. Some states already have provisions for interim action on federal funds, and the transition to block grants could force others to adopt similar measures. (For more information, see *A Legislator's Guide to Oversight of Federal Funds*, published by NCSL)

A major, complicated question is a state's legal and financial obligation for state laws that incorporate existing federal performance standards, activity levels, or definitions—which may be changed by grant consolidation. The states have often adopted these guidelines "by record" into statute, along with their own specific state laws and regulations relating to federal programs. An extensive scrubbing of state laws and regulations thus may be necessary to operate newly consolidated federal programs. This will be especially important in the period between the effective date of a federal law and the modification of state law.

Carleson agrees with NCSL's position, that one option would be for a state to request that the federal agencies now responsible for categorical programs continue to operate the programs at reduced levels for several months after grant consolidation, until

the state has organized itself to take on the block grant.

One source of transition help may be the federal agencies. "I know that it will be the policy of the secretaries of the affected [federal] departments to recognize that the states will have legitimate problems," Carleson said, "and . . . give [the states] quite a bit of administrative latitude in these programs during the initial transition period," and offer technical assistance from the departments."

In addition, said Carleson, the "administrative cost-savings at the federal level that are realized because of these block grants are, by and large, being placed in the block grants for the states." "The block grants have been designed in such a way that block grant funds can be used to purchase technical assistance, either from the federal government, other states, private consultants, non-profit [organizations], or wherever this kind of technical expertise exists."

Quick interchange of accurate, timely information on the consolidation proposals and congressional alterations and on the questions of transition and implementation is a major concern for the states. NCSL's Office of State-Federal Relations in Washington, D.C., monitors developments at the federal level, while NCSL's Fiscal Affairs Program in Denver follows developments in the legislatures. (See NCSL staff contact list, page 15).

At the federal level, one source of information for the states is the executive Office of Management and Budget (OMB), where the Intergovernmental Affairs Division provides a bridge be-

tween state, local and federal governments on the consolidation proposals. James F. Kelly, deputy director for intergovernmental affairs, said OMB staff will meet with state and local officials to find out what they need to know about the block grant proposals, and what aspects of the proposals cause the most problems.

As a part of its "catalytic" role, OMB is developing a specific plan of assistance for state and local governments, including centralized information, to help expedite the regulatory process as the legislation emerges from reconciliation. This would include identifying the various steps the states are taking to plan for the transition, disseminating that information to the other states; and coordinating the executive branch agencies and departments in providing technical assistance to the states. "Information is key," Kelly said.

Another possible role for OMB, according to Kelly, will be to broker a "dialogue" between state and local officials, who may sharply disagree on the block grants issue. But, as one OMB staff member stressed, the federal role now will not be a dominant, overly instructive one, as it may have been in the past, but will be to help the states make the transition to consolidated grants.

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percent cut in funding really means service cuts or state and local tax increases."

A key question for state legislators and governors will be to what extent they can live with watered-down block grants that may emerge from the congressional labyrinth. These grants might include various restrictions, such as exemption of major categorical programs, direct channeling of funds to local governments, administrative caps, targeting, maintenance-of-effort requirements, state matching provisions, and so forth.

The block grants are an integral part of the Administration's three-pronged strategy: deregulation, budget cutting and management improvements. "That's why they are really crucial to the President's strategy," said Carl W. Stenberg, assistant director of ACIR. If the Administration had waited, he continued, it would have been more difficult to get the attention of Congress.

It is the crucial matter of timing and transition, in particular, that concerns state legislators and governors. Only a few legislatures will be in session this summer and autumn; the others must either face special sessions—in addition to calling special sessions for reapportionment—to cope with federal aid reductions and added fiscal duties, or must somehow limp along until early 1982 when most will go into regular session.

Even with passage of the block grants, say some state lawmakers and staff, the states still need regulatory reforms in the administration of the remaining federal categorical grants to provide more flexibility and reduce administrative costs.

Starting a revolution in the intergovernmental aid system hasn't been easy. For years, analysts and state and local government officials have called for revamping the federal system of assistance to local and state governments now ensnared in the administrative web of almost 500 federal grant-in-aid programs.

In its "Agenda for the Eighties," ACIR said the number of categorical grant programs should be "drastically reduced through consolidation, termination or devolution" to decongest the grant system. It noted that 420 small programs constituted only 10 percent of total federal aid to state and local governments.

The prospect of revolution in the federal aid system stirred a predictable cauldron of debate among congressmen, state and local officials, government administrators, service providers and service recipients, and

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Robert Carlsson

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Ben Cardin

various interest groups.

The arguments swirled with heated political rhetoric about technical, programmatic points along with broad-brushed generalizations and old arguments (see "Block Grants: The Question of State Capability," page 16). The context of the current debate, however, differs from those of earlier years when the federal government was expanding and the economy had not yet firmly settled into the stagflation rut. Thus, it is the "politics of retrenchment" that now prevails, not the "politics of more for everyone" which helped pass earlier block grants.

The debate occurred on a number of different levels, as outlined by Stenberg of ACIR. The "hot potato" aspect is the jurisdictional one of who will control the funds—channeling the grants through the states to local governments, or bypassing them. Another is the substantive: What programs are in—and out of—the proposals? One is eligibility: Which service recipient groups will be included in—or excluded from—the grants? Yet another is the regulatory front: Which program strings and cross-cutting requirements will be removed or altered?

Some state legislators believe that some programs proposed by the Administration for consolidation should be exempted from block grants. There are programs such as education for the handicapped, said Speaker Fink, that are "so important they must not be consolidated," adding that both Republicans and Democrats support this view. NCSL also supports this position.

Some congressional opposition may have come from those who wanted to see the effects of the federal budget cuts before grant consolidation was undertaken, said Paul R. Dommel, an intergovernmental aid scholar at the Brookings Institution. That possibility, however, began to

diminish as the block grant proposals continued to progress through Congress.

Another strategy of opponents was outlined by Carleson. He pointed out that groups with a specific, vested interest in keeping the categorical programs under federal control were willing to accept cuts across the categorical programs rather than see them included in block grants "where they'll lose control."

Some observers also perceive a tactical dimension to opposition to the block grant proposals by interest groups representing service recipients and providers. It is far easier for an interest group to be effectively represented in Washington, D.C.—where, obviously, many are already well-entrenched—than to have to deploy their forces to alien, unknown territory in 50 state capitols from Augusta to Honolulu and Tallahassee to Juneau to set up shop to lobby state lawmakers.

One result of the politics of shrinkage is that the budget cuts and grant consolidation proposals have splintered the public sector lobby—mayors, county officials, state legislators and governors—a development that is said not to displease the Administration since the lobby, when united, had been a potent force on Capitol Hill in recent years. Another development is a schism among the regions and the states regarding the federal budget cuts and block grants. State legislators in the Northeast and the Midwest have generally expressed reservations about the effects on their states while state lawmakers in the South and West have been more supportive of the proposals.

Finally, there remains one overlooked point, suggested by a few observers and participants in the block grant debate. It is that local governments—which almost certainly face a bleak future for more federal aid because of pressures on Washington to cut the budget, increase defense spending, and maintain existing entitlement programs such as Social Security—will have to look to the states for a concerted partnership to solve mutual problems. It is, therefore, in the long-term interests of the local governments to see that state capacity is now expanded and strengthened, if necessary, to handle block grants.

As Florida House Majority Leader Richard S. Hodes, 1980-81 president of NCSL, said after meeting with Reagan, "We in the legislatures have a large task in convincing both our constituencies and our local government officials that our concerns for the needs of the people of the states are as great or greater than those of Congress or the

city council."

Moreover, state and local governments may soon have to consider a formalized relationship to ensure local governments an adequate role in state decision making, particularly on block grants, according to Carol Weissert, editor of ACIR's *Intergovernmental Perspective*. ACIR's Stenberg agrees: "In a positive sense, the block grants are probably going to cause the forging of new intergovernmental relationships that should have occurred long ago."

The states will have to, within difficult constraints, continue to forge innovative, vigorous efforts to help their distressed urban and rural communities, and people who may be really hurt by the loss of federal funds—a difficult Gordian knot at the very least for the 1980's.

If the tensions and competition between state and local governments can be ended by the realization that their destinies are inseparable, then a new, more positive era of federalism may be in the offing. The unpleasant fate that each faces alone is reason enough for state and local officials to make the utmost effort now to forge a realistic, mutually beneficial partnership.

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Contacts on block grant developments in the state legislatures, NCSL Denver Office: Bill Kelly, Ken Kirkland and Steve Gold, NCSL Fiscal Affairs Program, (303) 623-6600.

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As their performance has shown, the states are far better equipped than their critics acknowledge to handle the challenges of grant consolidation.

Block Grants:

Most recent, objective studies conclude that the states have undergone a profound revolution—largely unnoticed at the national level—within the last 20 years. This transformation means that some old and persistent attitudes toward the states are no longer consonant with reality, but it does not mean that the attitudes themselves have disappeared. A negative image of the states persists in some quarters and bears directly on the block grant debate.

Particularly among those who are reluctant to see the federal government roll back power and programs, it is argued that the states have ignored the poor, the needy and the cities, and are responsible for the growth of the federal government's domestic programs. The underlying argument is clear: The states would be unable or unwilling to handle the responsibilities that grant consolidation would thrust upon them.

“The biggest battle we have,” said Florida House Majority Leader Richard S. Hodes, 1980-81 president of the National Conference of State Legislatures



The Question of State Capability

Dan Pilcher

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(NCSL), "is to convince those who are in need of urban, educational and social services that the state legislatures can behave responsibly in identifying and meeting their needs."

In fact, a recent report by the congressional General Accounting Office (GAO) urged greater state legislative involvement in the allocation and administration of federal grants. The GAO said the skills gained by the legislatures in the last 20 years are underutilized in federal grant efforts, thus hurting federal program management.

Recent analyses of the intergovernmental aid system conclude that the states now shoulder a large, generally overlooked share of the responsibility for aid—which most analysts agree has significantly increased in recent years—to state and local governments.

"Traditional arguments made about [the states], by and large, don't hold up very well," says Timothy Conlan of the Advisory Commission on Intergovernmental Relations (ACIR).

It is particularly ironic that the states, so often accused of neglecting local governments, actually provide more grant funds to localities than does the federal government. Of the \$85.5 billion aid received by local governments in 1978, according to ACIR, about \$50 billion was direct state aid. Federal direct aid was \$20.5 billion while \$15 billion was federal aid passed through state governments to local governments.¹ Even under General Revenue Sharing, about 40 percent of the state GRS funds were passed through to local governments until Congress last year discontinued payments to the states.²

States—not the federal government—pioneered the block grant concept decades ago, according to analysis by NCSL, in providing general aid to schools, cities and counties. By 1977, 41 states provided general local support to counties and 46 states to municipalities. Today, all states except one provide general aid to schools. (Hawaii, the exception, treats the state as one school system supported totally with state funds.) Many state categorical grants are, in effect, block grants because they lack the extensive restrictions placed on federal categorical grants.

But dollar grants are only one way in which the states aid the localities, and thus give a misleading representation of the total state assistance effort toward local governments. The states have more flexible, reliable ways to aid localities—as they have during the last two decades in steadily removing service responsibilities, such as welfare and education costs, from local governments, granting local tax relief, and authorizing local tax revenue sources.

Two recent studies, moreover, show that federal aid can be more responsive to local needs when working in partnership with the states instead of being funneled directly to local governments.

Two professors at the University of Missouri (Kansas City), G. Ross Stephens and Gerald W. Olson, who studied intergovernmental aid flows for the National Science Foundation, concluded that "it appears the states do a much better job of placing these funds [state aid programs, including pass-through funds] with 'active' local governments than does direct federal to local formula allocation."³ They concluded that federal formulas and the way in which federal grants are awarded cannot deal rationally with the very complex system of state and local government. In addition, a study by the National Governor's Association's Center for Policy Research, *Bypassing the States: Wrong Turn for Urban Aid*, found state-federal aid more closely linked with distress than direct federal aid.

A May 1981 report by the non-partisan ACIR and the National Academy of Public Administrators concluded that "States have begun to develop and implement a variety of fiscal and functional reforms directed to meeting the needs of distressed urban and rural communities—a distinct departure from their past quiescence in these fields."⁴

The study highlighted the strength of the states in devising innovative approaches to their specific problems. The targeting of the states' local aid programs illustrates the

It is ironic that the states, so often accused of neglecting local governments, actually provide more grant funds to localities than does the federal government.

benefits of flexibility which could be further encouraged by federal block grants.

The Northeastern states stressed functional aid, such as housing rehabilitation and economic development, for declining core-city areas. The states in the West, Midwest and South have taken the lead "to broaden local taxing capabilities, and to distribute revenue sharing funds and education aid to assist needier jurisdictions." While the Southern states emphasized rural development, the Western states sought to alleviate the negative side effects of rapid economic growth.

One criticism of the states is that they lack the "capacity" to effectively administer federal block grants. While individual states may differ in structure, knowledgeable observers generally agree that the states, by and large, now possess the structural capabilities needed to administer federal block grants, having undergone in the last 25 years what the ACIR calls a "largely unnoticed revolution."

As Utah Senate President Miles "Cap" Ferry told Rochelle Stanfield of the *National Journal*, "A few years ago, most states wouldn't have been able to take on new programs. But most states have beefed up their staffs so they are now able to handle these responsibilities."

In the last two decades, the states have dramatically reorganized themselves and expanded local government powers. Between 1960 and 1980, 11 states overhauled their constitutions. Forty-six states now have four-year terms for governors. Three-quarters of the states have state employee merit systems. Malapportionment disappeared with the "one person, one vote" ruling by the U.S. Supreme Court. Three-quarters of the states have reformed their state-local judicial systems. And 36 states now staff their legislative standing committees. All states have community development departments, or similar agencies, and all have economic and industrial development agencies.

Other improvements include stronger legislatures and governors; balanced fiscal systems; professionalized legislative and executive branch staff and agency workforces; state planning mechanisms; and increased oversight of state and federal funds. The states are experienced in administering federal grant programs, both categorical and block, as well as state grant programs to local governments.

The states already administer a number of federal assistance programs for individuals: Medicaid, welfare,



Carl W. Stenberg



George Peterson

housing assistance, and nutrition for children and the elderly. In addition, they have played a role in the administration of several block grant programs such as CETA, LEAA and others.

The states have made significant strides in improving their tax revenue systems, with the state share of the total state-local tax take now 58 percent. Between 1960 and 1979, 11 states adopted a personal income tax. By 1979, 41 states had a broad-based income tax, 45 had a corporate income tax, and 45 had a general sales tax. In that year also, 37 states used all three tax revenue sources. Although state tax revenue systems are modernized, balanced and flexible, the reductions in federal aid will increase their fiscal stress.

Carl W. Stenberg, assistant director of ACIR, points out that the states have largely met the challenges "laid at their doorsteps" by reformers since the 1930's. "I think that the record would show that most of the states have done virtually everything that the reformers said they should do," he said.

The fiscal health of the states bears directly on the block grant debate. As important as they may be for restructuring the intergovernmental aid system, the original block grant proposals, in dollar terms, account for considerably less than half of the Administration's total proposed grant cutbacks. Before the House and Senate reconciled the budget, the dollar amount of the programs proposed for consolidation amounted to less than half of that for which the Administration requested.

Reagan's tax cut proposals, meanwhile, could have major effects on state tax revenue systems, such as lowering revenues from corporate business taxes or from personal

income taxes. (For more information, see "Washington Report: What Federal Tax Cuts Would Mean to States," *State Legislatures*, June 1981.)

To further complicate the picture, 18 states now operate under some form of tax or expenditure limit, political opposition to tax increases is widespread, and many states are struggling financially, in part, because of the 1980 recession ("The Struggles of 1981: Budget Actions in the States," page 22).

One consequence of the fiscal problems of the states, however, has been a plateau in state assistance and, in some cases, reductions in state aid to local governments. Said the Urban Institute's George Peterson, "We're already seeing quite a retrenchment in local assistance from state governments as they go through their own budget adjustments, and [local governments] quite properly feel that anything that generally makes resources more scarce and gives the states more discretion is likely over a period of years to come out of state assistance to local governments." The cities, he adds wryly, "have more experience" when it comes to cutting budgets than the states or federal governments.

Another line of argument against the state role in federal block grants is the question of a state's political will. Although the era of malapportioned, rurally dominated legislatures has vanished, it is obvious that political splits exist in many state legislatures—as is inevitable with representative government—between rural, suburban and urban interests.

That political competition would intensify in the legislatures because of consolidated federal grants and

The states, by and large, now possess the structural capabilities to administer block grants, having undergone a 'largely unnoticed revolution.'

federal program cuts seems apparent—and appropriate, given the constitutional duties of legislative bodies. The ACIR's Stenberg notes that "the states are going to be asked to make some difficult political as well as fiscal-management decisions. One is resource allocation and accountability."

Assurances have been offered by state legislators and governors that the needy recipients of federal categorical grants will not be forgotten under state control of federal block grants. "The question really is, will the states respond to provide the kind of service the federal government says it performs under the current program," Florida House Majority Leader Hodes told the *National Journal*, "I believe, by and large, they will."

In Illinois, John Lattimer, executive director of the legislature's Intergovernmental Cooperation Commission, said he believed that a major attempt would be made by the state legislature to work with local governments, with the major political battles not over "who gets the money" but over policy grounds. With Chicago, the largest local government in the state and an important economic force, confronting problems in school finance and mass transit, "the needs of the city are inextricably tied to the needs of the state," Lattimer said, and "we'll obviously have to work together."

Supporters of categorical programs proposed for consolidation are understandably worried over how their programs would fare under state control when legislatures begin to set priorities for programs and budgets.

Although not "totally opposed to block grants, per se," in a conceptual sense, Colorado Senator Regis Groff worries about the legislatures being given control of block grant funds for the cities and other programs. "The legislatures are extremely parochial," he says. "They get wrapped up in an awful lot of very petty, very individual kinds of concerns." These concerns are mainly rural vs. urban vs. suburban interests, and partisan Republican vs. Democratic interests. "Because of all that, I wouldn't want the legislature to determine whether [federal] dollars find their way to Denver," Groff said.

The ACIR's Conlan observed, "With fairly severe budget cutbacks, both at the federal and state levels, it's understandable that groups [and] jurisdictions that in the past hadn't dealt with the states are very concerned." And the states may feel, in some cases, that establishing a relationship with some private service providers in the educa-

The Transformation of the States

Reviewing changes in state government at the executive, legislative and judicial levels, the Advisory Commission on Intergovernmental Relations (ACIR) has concluded that "a comparison of the states of 1980 with those of 25 or even 10 years ago uncovers a remarkable transformation in state government."

Such is the assessment summarized in "The State Role and State Capability," a forthcoming chapter in the ACIR's major study, *The State and Local Roles in the Federal System*.

"Since the Kestnbaum Commission criticized them in 1955," the ACIR report explains, "the American states have undergone changes that have transformed both their capacities and their roles in the federal system. Every state participated in the most extensive wave of state institutional reform in history, and governments at all levels contributed to a marked shift in emphasis in the states' role. The resulting alterations are so extensive that the structurally and procedurally stonger, more accountable, assertive states of today, performing a major intergovernmental management and financing role, bear little resemblance to the generally poorly organized and equipped and unresponsive entities of a quarter-century ago. The mind set of the states is different. They have lost their reluctance to change and to act."

This finding, heartening at the best of times, is particularly so at a time when some view states as incapable of handling the responsibility of block grants and insensitive to the needs of their citizens. The facts—today's, rather than those of 25 years ago—believe the contention.

According to ACIR, the states have reacted to past criticism about their recognition of urban problems by taking positive steps to assist localities. Referring to states as currently the "senior financial partners" in the intergovernmental arena, the Commission study points out that state financing of state-local expenditures from their own funds rose from 46.8 percent in Fiscal Year 1957 to 57 percent in FY 1979. Toward the end of this period (1972-1977), state aid to localities went up 72 percent, from \$27.8 billion to \$48 billion. (During this time, the GNP deflator, one measure of inflation, increased by 38.7

percent.) "States are moving to alleviate the local financial burden by paying a greater share of the costs, and they may be providing more equality in the provision of public services in the bargain," the ACIR report observes.

"States are the dominant service providers," ACIR continues, "providing more than 55 percent of the expenditures in most of the states in six functional areas: highways, state-local public welfare, hospitals, health, natural resources and corrections." More specifically, state expenditures for public welfare and education have risen significantly over the past 25 years: in 1957, states provided 71.8 percent of the funding for public welfare, compared to 84 percent today; local school funding has gone from 41.2 percent to 51.9 percent. Although education is viewed as primarily a local function, ACIR notes that "states now provide more than half of local school costs in a majority of the states."

In addition to providing financial support for localities from their own funds, states also pass through 27 percent of the monies they receive from the federal government. Thus, ACIR says, states are the "principal external providers of funds to local governments." (Despite the concern of many cities that they will lose funds if states administer block grants, a recent survey by the National Governors' Association shows that more than 80 percent of the funding in the non-education programs which the Administration proposed to fold into block grants already goes to state governments, with only 5 percent going directly to localities.)

Moreover, as the ACIR study points out, state aid to localities is not limited to financial assistance. While acknowledging that "state efforts to improve local government capability are too numerous to chronicle," the report cites several instances of such activity. In the area of technical assistance, for example, a 1978 ACIR survey showed that when local officials looked outside for technical help (as about half of them did), the state was contacted more than any other outside organization. States have taken a positive role, ACIR notes, in helping local governments upgrade their personnel practices, accounting systems and financial management.

"To a substantial degree, states are the ensurers of 'good' government at both the state and local level," the Commission says. "Their legal controls over local units allow them to improve responsiveness of local institutions and to ensure accountability and openness of and access to governmental processes."

Regarding urban problems in particular, the report cites the recent ACIR and National Academy for Public Administration study showing that "state governments are making encouraging, if somewhat incremental, progress toward recognizing and grappling with community issues," especially in the area of improving housing opportunities for low- and moderate-income individuals.

Although mechanisms for allocating state aid are not currently skewed toward communities of greatest need, the ACIR study notes that, nonetheless, the "observed effect is for greater equalization [targeting]."

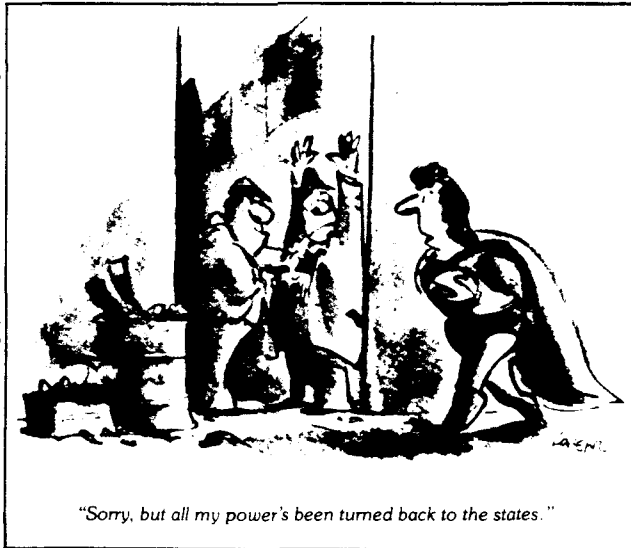
"We should not assume," the report cautions, "that states which do not target their aid allocations are not dealing with the problems of their urban/central cities. State centralization and functional transfers may represent alternative means for states to assist fiscally distressed and needy cities."

As the ACIR study details, states have upgraded their capacity to perform at all levels—executive, legislative and judicial—and, importantly, they show a continued willingness to make positive, innovative changes. While not all efforts to date have won unanimous applause, the Commission found that "on balance . . . most of the changes improved the capacity of the states to provide effective, efficient, responsible and accountable government at the state level."

"Despite the need for further improvements," ACIR concludes, "the states emerged as transformed entities, retooled and capable of undertaking an expanded role in the federal system at the same time that they discharge their traditional responsibilities."

Andrea Kailo

Drawing by Lorenz, © 1981 The New Yorker Magazine, Inc.



tion and health areas may have been, in Carl Stenberg's words, "a little late in coming."

As the once seemingly infinite flow of manna from Washington to states and localities has shrunk, local governments would be ignoring political realities to expect state governments to step in and fill the federal vacuum completely. Instead, the rare opportunity presents itself for a new alignment of state and local governments to develop a fresh working relationship to solve mutual problems.

Local governments, which have developed a "special relationship" with the federal government through direct categorical grants and do not wish to see it disturbed, are also concerned over their role in the development of state plans for block grant use.

Noting that one of the Administration's problems with its consolidation proposals is "the distrust that local governments seem to be exhibiting towards state government," Robert Carleson, special assistant to the President for policy development, said, "it's our goal to strengthen state government at the expense of the federal government, not to strengthen state government at the expense of local government, because the President and I feel very strongly that local governments should, wherever possible, be the level where most of these kinds of [policy] decisions and authorities should reside."

"We would encourage state governments to do everything they could to pass on, or delegate in turn, as

much of the authority and responsibility as they can to local agencies of government," said Carleson. "To this end, we would certainly be sympathetic to requirements that there be local consultation and involvement in the decision-making process as it relates to funds being passed on to local governments."

Some local government officials are worried that the states, if given program responsibility for administering consolidated grants, would not be restrained in the amount of federal block grant funds used for "administrative costs," giving short shrift to the funds to be passed on to local governments and service recipients. NCSL policy supports a 3 percent cap on the amount of federal funds that could be used by the states for administrative costs.

Yet another charge—heard frequently in Congress—is that the Reagan block grant proposals fail to provide accountability. "[This] is one of the toughest things we have to defend the states on," said Carleson. "There's a typical Washington charge that you can't trust the states, [and] particularly can't trust the states to audit themselves." Carleson added quickly that "we disagree with that; we believe that the audit function can be delegated to the states."

The Administration has stipulated that the audits have to be done in accordance with accepted accounting practices, as is done in business. The audits would have to be done on a periodic basis, and publicly reported by an agency or unit of state government independent of the functional program unit being audited.

"We feel, with those kinds of safeguards, that the states will be just as accountable [as the federal government]," Carleson said. He noted that the states "certainly have proven basically accountable for their funds."

Notes

¹ Dan Pilcher, "State Aid to Cities: Hard Times Ahead," *State Legislatures*, June 1980, pp 5-12.

² Dan Pilcher, "General Revenue Sharing: Year of Decision," *State Legislatures*, January 1980, pp 6-15.

³ G. Ross Stephens and Gerald W. Olson, "Pass-through Federal Aid and Interlevel Finance in the American Federal System 1975-77," Kansas City, University of Missouri, 1979.

⁴ Advisory Commission on Intergovernmental Relations and the National Academy of Public Administrators, "The States and Distressed Communities: The 1980 Annual Report," Washington, D.C., May 1981.

Dan Pilcher is senior associate editor of *State Legislatures*. **Andrea Kailo** is editor of *Dateline Washington* and *Washington* editor of *State Legislatures*.

EXCERPTS:

GOVERNORS' GUIDE TO BLOCK GRANT IMPLEMENTATION

August 1, 1981



**Council of State Planning Agencies
and
National Governors' Association
400 North Capitol Street, N.W.
Washington, D.C. 20001**



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GOVERNORS' INITIATIVES TO IMPLEMENT BLOCK GRANTS

The following section contains individual state descriptions summarizing responses derived from efforts currently underway in each state to prepare for block grants and federal funding reductions. The survey was conducted in late July 1981 by staff members of the North Carolina Division of Policy Development, the Council of State Planning Agencies, and the National Governors' Association. The brief summaries were either prepared by the state contact person for block grants designated by each respective Governor's office, or were checked for accuracy by them.

In contacting state officials, interviewers posed questions to determine what was currently being done to prepare for pending reductions in federal grant-in-aid funding, adjust to proposed administrative reforms, and implement the block grants when they become law. Attention was given to soliciting information about executive-legislative agreements being shaped, state and local relations, citizen participation strategies, government-private sector accords under development, innovative approaches to minimize the impact of major changes in federal assistance, and any unique contingency plans or legislation that might be under consideration within each state.

Some general observations about the responses are in order. First, it is significant that few of the persons contacted had information about what other states are doing to prepare for federal funding reductions and block grant implementation. Without exception, interviewees were extremely interested in finding out about initiatives underway in other states.

It is clear that there is keen interest among state officials in having access to periodic reports which provide information on the status of block grant preparation and management in the states.

Second, survey respondents were extremely cooperative, offering a wealth of useful information. These descriptions of state initiatives cover a wide range of ideas and approaches for management of block grants and alternatives in dealing with federal budget reductions.

Third, it is apparent that the Governors' initiatives are well underway. State officials have taken important preliminary steps to keep citizens, legislatures, local government officials, provider agencies, grantees, and interest groups informed about recent developments. Through a variety of formal and informal mechanisms, Governors, policy officers, and agency directors are seeking the comments and recommendations of citizens. Working relationships are being established among executive agencies with state legislatures, local officials, and others within states. Fiscal and program analyses are being conducted, issue papers prepared, and impact statements developed. In many states, alternative contingency plans have been outlined, based upon various reports on the content of final federal legislation.

Fourth, although each of the Governors has developed an approach that is uniquely tailored to the needs of his state, there are many similarities among these initiatives. The major similarities are described below.

- Governors have utilized interagency task forces, work groups, and commissions in organizing their

block grant implementation initiatives. Wherever possible, they are making use of existing state mechanisms and established committees to address the new issues involved in federal funding reductions and block grant management.

- Most of the Governors have named a lead agency for managing block grants. The agencies named are typically either the state budget and/or planning office or the department which will administer the block grant.
- Governors are requiring coordination of activities among executive agencies to respond to budget cuts and block grant proposals.
- Governors are using these new federal changes as opportunities to complement agendas they have established within their states to improve the management and delivery of services.

One notable difference is found among the different strategies Governors are taking to involve citizens in the transition effort. Although each Governor is actively seeking public participation in his initiative, two basic approaches are being employed. In one approach, the Governors have preferred to have preliminary work (e.g., impact analyses, policy options, issues papers) prepared by state officials and released for public comment through mechanisms such as hearings, publications, and retreats. Other Governors have chosen to involve representative local officials, citizens, and/or legislators from the beginning in these analyses and impact assessments.

The following section of the Guide contains a compilation of reports describing each Governor's initiatives to prepare for block grant implementation in the states.

ALABAMA

The Office of State Planning will serve as a source of technical advice to the Governor for block grant implementation. The State Planning Office will provide the necessary policy analysis to focus upon the difficult questions of establishing priorities, assuring appropriate input from local government, the public, the legislature, and developing principles and strategies to govern allocation decisions.

The State Planning Office will not make decisions. It may serve as a holding agency for block grant. The state legislature will play a key role in allocation decisions.

The Planning Office has developed a series of working papers on block grants. These have been discussed with the Governor. Final recommendations to the Governor will be made in a few weeks.

The contact point for block grant implementation in the state is:

MR. BOB DAVIS
State Administrative Officer
State Capitol
Montgomery, Alabama 36130
(205) 832-3306

ALASKA

The Alaska State Legislature has set aside a total of five million dollars to be used as a contingency fund to help minimize the impact in the loss of federal funding. Four million dollars has been earmarked to aid with a shortfall in funds for state administered programs while the remaining one million dollars will be used to assist non-state administered programs. There will be executive and legislative branch collaboration around decisions regarding the use of these funds.

Alaska has a transition year plan under which authority has been granted to the Governor to spend federal dollars during the first three quarters for human services. This would give the Legislature time to address the fourth quarter as needed.

Legislative and gubernatorial sentiment seems to permit programs to be looked at on a case-by-case basis to determine whether state funds will be utilized to make up for federal reductions.

The contact point for block grant implementation within the state is:

MS. CAROL BÜRGER
Special Assistant to the Governor
Office of the Governor
Pouch A
Juneau, Alaska 99811
(907) 465-3500

ARIZONA

The state of Arizona is moving in the direction of a partnership between the executive and legislative branches on decisions affecting budget reductions, service priorities, and block grant administration. The Governor has announced that he believes the time has arrived for legislative involvement in the appropriation of federal funds. Weekly information bulletins are being prepared by the State Planning Office to inform local officials and other interested parties on changes in block grant proposals at the federal level as well as probable state strategies for dealing with these alternative proposals. The Governor has met privately on separate occasions with groups such as county managers, mayors, United Way Community Councils, board chairmen for provider agencies, etc. to inform them of state plans and to elicit responses from them on key concerns.

The Governor has recently appointed a 21-person panel which is composed of department heads and local officials. This group will be charged with responsibility for recommending to the Governor a process for establishing funding priorities for block grants. To date, much staff work has been devoted to re-analysis of service priorities under several different levels of federal budget reduction and different degrees of flexibility under the block grants. The contact point for block grant implementation in the state is:

MR. ANDY HURWITZ
Chief of Staff
Office of the Governor
State House
Phoenix, Arizona 85007
(602) 255-4331

CALIFORNIA

Governor Jerry Brown's administration has taken a number of preparatory actions relating to federal block grants and the accompanying budget cuts.

The State Department of Finance has prepared an analysis of the fiscal impacts of the federal budget cuts on the state budget. Included in this analysis were many of the large health and social services programs administered at the local level.

The Administration has taken positions on several key provisions of federal legislation and budget cuts. These positions have been transmitted to members of the California Congressional Delegation and chairmen of the policy committees.

The Governor's Office has organized a task force on block grant implementation to analyze the impact of block grants and to prepare for their implementation in the most efficient manner possible. The task force is chaired by the Deputy Legislative Secretary to the Governor and involves the following departments and agencies:

- Department of Finance
- Health and Welfare Agency
- Office of Planning and Research
- Employment Development Department
- Department of Rehabilitation
- Department of Social Services
- Department of Aging
- Department of Alcohol and Drug Programs
- Department of Health Services
- Office of Statewide Health Planning and Development

ARKANSAS

In Arkansas federal money is appropriated to the state agency which has responsibility to administer the federal program. The state agency may then contract with providers as authorized by law. If block grants become a reality, the state believes that it should continue to utilize current appropriations. However, since most programs will receive some reduction in funding, it is not likely that these would exceed appropriation levels now authorized. If Arkansas chose to combine or expand programs, it can use the Miscellaneous Federal Grant Act which was established to allow the state to accept federal grant funds during an interim period when the Legislature is not in session.

Tentative plans are being developed based on the proposed budget changes. Governor White plans to present his recommendations to the Legislative Interim Committees in September including recommendations on whether legislative action will be needed. The Legislative Committees will either accept his recommendations or request that he call a Special Legislative Session, which only the Governor can call. The next regular session is scheduled for January 1983.

The contact point for block grant implementation within the state is:

MS. LINDA GARNER
Aide to the Governor
Room 250
Governor's Office
State Capitol
Little Rock, Arkansas 72201
(501) 370-5712

COLORADO

- Department of Developmental Services
- Office of Economic Opportunity
- Business, Transportation and Housing Agency
- Department of Business and Economic Development
- Department of Industrial Relations
- Department of Housing and Community Development

The Department of Education (which is independent of the Governor's Office and administered by a separate elected official) has also been asked to participate.

The first meeting of the task force was held on August 3, 1981. The agenda included an update on federal block grant legislation-- including fiscal impact, necessary state statutory and regulatory changes, public participation, and opportunities and constraints under block grants.

The contact point for block grant implementation within the state is:

MR. BEN WILLIAMS
Chief, Administrative Services
1400 Tenth Street - Room 150
Sacramento, California 95814
(916) 322-3170

The Governor has established a Commission on State and Local Finance to study a range of issues affecting the government sector in Colorado. Among the matters on which the Commission will make recommendations is how the state's block grants should be allocated.

These recommendations are scheduled to be submitted before the Legislature reconvenes in January. The membership of the Commission includes five cabinet officers, five representatives of the business community, five legislators, and eight local officials.

To complement the work of the Commission, advisory committees on block grants have been established in cabinet agencies. The committees are representative of the constituent groups now served by categorical programs and are designed to give them an opportunity for input into state block grant decisions.

In addition, the state is reviewing options for replacing funds cut by the federal government this year. Criteria for evaluating reduced programs, including such issues as need, cost efficiency, and low administrative costs, were used to determine how the state may choose to allocate available state funds.

The contact point for block grant implementation in the state is:

MR. LEE WHITE
Executive Director
Office of State Planning and Budgeting
State Capitol Room 102
Denver, Colorado 80203
(303) 866-3386

CONNECTICUT

The state of Connecticut has established three separate task forces to address issues surrounding upcoming federal budget cuts and the proposed block grants. A task force on regulatory reform was formed to review existing and proposed federal regulations that create an unnecessary burden on state government and are not deemed essential to carry out the intent of a particular program or service. A number of regulations were identified and submitted in a report to the Presidential Task Force on Regulatory Relief. A second state task force is studying the impact of both budget cuts and block grants on municipalities. The third task force is devoted to analysis of the proposed block grants and has formed three subcommittees in the following areas: 1) allocation models; 2) demographics; and 3) public participation. The subcommittee on allocation models will identify a variety of options for allocation of block grant funding. The demographics subcommittee will study the needs of the population in relation to available services for the purpose of recommending changes in service definition and delivery to better address changing needs. The subcommittee on public participation will be working to identify better mechanisms to both inform citizens of issues in block grant administration and elicit input from citizens on block grants.

The primary thrust of the block grant work thus far has been to establish a new priority-setting process to better address the specific needs of citizens. An interim report on these efforts is being prepared and should be available by early August 1981.

The contact point for block grant implementation in the state

is:

MR. STEVE HEINTZ
Under Secretary for Comprehensive
Planning
State Office of Policy and Management
80 Washington Street
Hartford, Connecticut 06115
(203) 566-4298

DELAWARE

The state of Delaware has been closely monitoring progress at the federal level toward the implementation of block grants.

In the spring of 1981, Governor du Pont appointed a task force of several cabinet secretaries to assess the impact of President Reagan's proposed budget cuts in state government. The task force prepared a report which estimated a loss of 50 million dollars to the state. The task force will continue to assess the impact of budgetary cuts as they become finalized.

The Delaware General Assembly recently expressed strong interest in future involvement with block grants in the state by proposing a piece of legislation which would implement total funds budgeting. While not enacted during the current legislative session, some form of this legislation may be considered in the fall of 1981.

Governor du Pont has met with the United Way of Delaware to discuss their concerns about implementation of block grants. Other community organizations have also expressed concerns and the Governor concurred that under a block grant system, community input must be structured into the decision-making process.

The contact point for block grant implementation within the state is:

MS. JORENE JAMESON
Executive Assistant for Operations
Office of the Governor
State Office Building
820 French Street
Wilmington, Delaware 19801
(302) 571-3210

FLORIDA

The Governor's Office of Planning/Budgeting has established a process to take advantage of the flexibility offered by block grants and minimize the impacts of substantially reduced funding.

An interagency task force will investigate and evaluate historical block grant activities and their successes and failures. Preliminary plans will be developed which will respond to past spending levels, assess the impact of funding reductions, and emphasize the priorities which have been established to allow Florida to plan for its future.

A critical part of this process will include receiving testimony from local government officials, minority groups, senior citizens, community leaders and other interested parties. In addition, Florida will work closely with representatives of the state legislature and the state's Advisory Commission on Intergovernmental Relations to more fully investigate the implications of block grants through a series of public meetings.

The contact point for block grant implementation within the state is:

MR. DAVID PINGREE
Deputy Chief of Staff
Office of the Governor
State Capitol
Tallahassee, Florida 32301
(904) 488-4441

GEORGIA

Georgia's Planning and Budget and Intergovernmental Relations staffs have been reviewing all information available on proposed federal changes and have prepared periodic status reports.

The state has a surplus of \$100 million from FY1981 and a revenue shortfall of \$85 million which will help offset federal budget reductions. The Governor's position has been that the state will use existing resources for this purpose, but that no statewide tax increase will be imposed.

A major concern has been the proposed cuts in the Medicaid program. State officials have been meeting with Medicaid providers to get suggestions on ways to reduce costs in this area.

The contact point of block grant implementation within the state is:

MR. WINFORD POITEVINT
Director
General Government Division
Office of Planning and Budget
270 Washington Street
Room 613
Atlanta, Georgia 30334
(404) 656-4311

HAWAII

Because the State of Hawaii administers its human services program on a uniquely centralized basis, existing planning and budgeting processes which include legislative and citizen input, will provide the basic foundation for the implementation of block grants.

The state agencies which will experience the greatest impact of the block grant proposals, (health, education and social services) have each established Block Grant Committees to monitor and coordinate the implementation of block grants for their respective program areas. All federal programs are being reviewed and analyzed with respect to expected reduction in funding. Pre-cautionary steps, such as holding federally funding positions vacant, also have been taken. In addition, over the past two years, interagency meetings involving the directors of the Departments of Health, Education and Social Services have been held to discuss items of mutual concern. It is expected that this mechanism will be utilized to cope with problems caused by the implementation of block grants.

The State Legislature, which ended its regular session in April, returned for a special session in May to address the issue of expected federal cuts in education grants. The Legislature has indicated its willingness to reconvene in another special session to take up the matter of block grants and cut backs in federal funding if necessary.

IDAHO

The contact point for block grant implementation in the state is:

MR. CARL TAKAMURA
Special Assistant to the Governor
Office of the Governor
State Capitol
Honolulu, Hawaii 96813
(808)548-2335

In preliminary planning for Idaho's fiscal 1983 budget, Governor Evans has reserved state funds to partially mitigate the impact of reduced federal funding anticipated with block grants. In the process of setting FY1983 budget targets for each program, preliminary policy decisions have been made to designate whether programs losing federal funds could anticipate full replacement by state funds, partial replacement, non-replacement or possible withdrawal of state support. These "funds shift" categories are intended to provide department directors and program managers with some program guidance in developing budgets for fiscal year 1983.

Citizen input on block grants will be obtained in conjunction with public hearings on the overall budget to be held in September and October. Informal consultations, now taking place with local government officials and the legislative branch, will be raised to a formal level at that time as well.

The contact point for block grant implementation within the state is:

MR. LAWRENCE C. SEALE
Administrator
Division of Financial Management
State House, Room 122
Boise, Idaho 83720
(208) 334-3900

ILLINOIS

In Illinois, the block grant implementation process is being conducted by a series of task forces, directed by the Governor's Office program staff. An advisory group, chosen by the human services subcabinet, composed of state and local public officials and citizens, is overseeing the Community Development Block Grant implementation. The State of Illinois and the United Way of Illinois are jointly holding regional workshops on block grant transition to receive public reaction and to facilitate program and management changes which must occur. State agency newsletters are all being coordinated to provide as much information as possible to the readers on changes due to block grant implementation. Finally, subcabinets are reviewing whether it is now possible, under the block grant system, to increase efficiency in the organization and administration of services. The budget process as well as the allocation of funds will reflect substantive decisions recommended by the task forces.

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The contact point for Illinois block grant implementation is:

MR. TOM BERKSHIRE
Assistant to the Governor
State House, Room 202
Springfield, Illinois 62706
(217) 782-8639

INDIANA

Governor Robert D. Orr has established an organizational framework and action plan to prepare for block grant implementation and to recommend needed changes in service delivery systems within the state. In steps taken to date, the Governor has established a formal process by which citizens and state elected and appointed officials are examining the broadest number of programs possible in the areas of health, education, human resources, and community development for purposes of recommending needed changes.

The Governor has structured several groups and outlined a process through which they will provide him with recommended policy options. A block grants management policy committee -- composed of the Governor's Executive Assistant, the Lieutenant Governor, the state Superintendent of Schools, the legislative leadership, and the Director of the Indiana Office in Washington, D.C. -- is charged with making these recommendations to the Governor, based upon information being gathered by four task groups. The groups, chaired by private citizens, are conducting extensive, cross-cutting reviews of programs within the state. They will hold public hearings and develop recommendations for consideration by the policy committee as part of the reviews.

Once policies are adopted by Governor Orr and considered by the state legislature as needed, the Indiana State Planning Service, working closely with the policy committee and the Governor's Budget

Office, will have lead responsibility for managing the block grants.

The contact point for block grant management within the state is:

MS. SUSAN KENNEL
Director of State Planning Services
117 State House
Indianapolis, Indiana 46207
(317) 232-5604

IOWA

The Governor has established a task force composed of nine appointed and elected agency heads. Its function is to analyze the federal budget reduction and to recommend a process for responding to some of the changes necessitated by the block grants, reforms, and budget cuts. The task force has assessed the impact of the budget actions on each agency and on recipients of services across the entire state. While awaiting the results of the budget reconciliation conference committee, the task force is developing a process to recommend to the Governor for the involvement of local government, private entities, and citizens in block grant decisions. Legislation has been developed which allows the Governor to allocate funds on a proration basis until January. When the Legislature returns in January, block grant funds will be appropriated using the same process as revenue. The Governor will make his recommendations to the Legislature following the regular budget-setting process.

The contact point for block grant implementation in the state is:

MR. DOUG GROSS
Administrative Assistant to the Governor
State Capitol
Des Moines, Iowa 50319
(515) 281-5211

KENTUCKY

Kentucky has been reducing state government programs since December 1979 due to lower state revenues and in anticipation of reduced federal participation in other programs.

The number of state employees has been reduced by over 10% in 19 months through a combination of attrition and layoffs. Further reductions in the state workforce are in process.

Most personal services contracts have been reduced and/or eliminated. There has been a moratorium on out-of-state travel and on most capital construction projects. The state has cut spending by \$185 million in FY1981 and will cut over \$200 million in FY1982 in the state general funds. This is exclusive of federal funds.

In the human services area, a Medicaid cost containment plan has been in effect for over six months. A moratorium on hospital growth in the Louisville and Lexington areas has been imposed by Governor Brown.

Some optional services in the state's Medicaid program have been targeted for possible elimination. Seven waivers have been requested to enable Kentucky to further reduce health care costs. Kentucky plans to shift to a prospective rate setting process for hospitals.

Over fifty public hearings have been held around the state and before the interim committees of the Kentucky General Assembly to sensitize Kentucky citizens to the reality of reduced funding and consequently reduced services.

KANSAS

In preparation for administering the federal block grants Kansas has been closely monitoring Congressional activity as recommendations and modifications have emerged. Kansas is presently involved in analyzing several possible options in order to isolate areas of fiscal impact and additional flexibility.

In conjunction with those state agencies which will be managing block grants, the Governor's Office is currently developing a formal process by which Kansas can make a smooth transition to the receipt and administration of block grants funds.

In conjunction with this process, state officials have been identifying various public interest groups affected and are soliciting their input. As the various state agencies work through the budget formulation process for FY 1983, close contact with clients and all other interested parties has been maintained. The final recommendations of the Governor will be made through the budget process.

The contact point for block grant implementation within the state is:

MR. STEPHEN E. HOLSTEEN
Special Assistant for Legislative
Matters
Office of the Governor
State Capitol
Topeka, Kansas 66612
(913) 296-3034

The contact point for block grant implementation within the state is:

MR. ROY LEROUX
Deputy
Department of Human Resources
275 East Main Street
Frankfort, Kentucky 40621
(502) 564-7130

LOUISIANA

Since the President proposed block grants in February, the Governor's Office and the various line departments have been carefully monitoring Congressional activity in this area. Unfortunately, final authorizing legislation for the block grants was not in place before the Louisiana Legislature adjourned July 13, 1981. Therefore, a state budget has been adopted for the fiscal year ending June 30, 1982 which assumes federal funding for categorical programs at levels commensurate with that of Fiscal Year 1981.

To date, line departments have focused attention on: 1) the impact of funding reductions on their programs which might be affected by block grants, and 2) learning to direct federal assistance to local governments and community based organizations have been provided under the programs proposed for consolidation. Legislative committees will soon begin hearings on implementation of block grants within their areas of jurisdiction. Depending upon the advice of the legislative leadership and state department heads, the Governor may include matters relating to block grants in his call for an extraordinary legislative session already planned for early November on reappointment.

The contact point for block grant implementation within the state is:

MR. DENNIS DAUGHTRY
Director
Federal Relations
Governor's Office
State Capitol
P. O. Box 44004
Baton Rouge, Louisiana 70804
(504) 342-1943

MAINE

Community Development Block Grant

In May, Governor Brennan convened an informal working group comprised of representatives from his office, the State Planning Office, the State Development Office, the State Housing Authority, the Office of Energy Resources, and the Division of Community Services to consider the state administration of the CDBG Small Cities Program. This group identified four basic issues and presented a report to the Governor outlining the issues and alternative actions he could take with respect to each. They were: what should be the level of state participation in FY1982; which state agencies should administer the program; what entities should be eligible to receive program funding; and, how should program funds be allocated. Staff for the group prepared information for each policy option in the areas of personnel and financial requirements, and necessary executive and legislative action.

The working group has recently been expanded to include a representative from each of the following organizations: the regional planning commissions, the community action agencies, the Maine Municipal Association, and the Industrial Development Council of Maine. This larger group is currently scheduled to meet to consider the issue of fund allocation.

Human Services Block Grants

The Maine Department of Human Services conducted an internal assessment of the effects of the proposed budget reductions on each of its programs and program recipients. The Department then held a series of public meetings throughout the State at which the Commissioner presented his analysis and received public comment. Based on these meetings and others with social service providers, the Department has developed tentative program priorities. This process is basically an expanded version of the procedure used for setting social service priorities within the Title XX Program.

In addition to helping the Department to plan for reduced federal support, the process described above also helps the Department meet a newly enacted state requirement which demands that a department obtain legislative approval prior to assumption of control of any formerly federal categorical program. Thus, the information generated in the planning process can be used both to assist in the preparation of state program priorities and in the presentation of those priorities to the Legislature.

Education Block Grant

The Department of Education and Cultural Services is now evaluating the impact of the proposed budget reductions on the state and local education systems. This information will be provided to the Governor, local education agencies, and professional organizations. It will include setting priority

MARYLAND

The state's program in response to proposed federal budgetary actions have included an intensive information gathering effort, a statewide contingency planning program, an assistance program for employees facing layoff, and block grant management planning.

Information gathering and analysis began in February. The Washington office and state's Department of Budget and Fiscal Planning were charged by the Governor with monitoring federal proposals, the consolidation of material to determine statewide impact, and development of impact analyses for presentation to the Congressional delegation.

In May 1981, the Governor directed each state agency to develop a contingency plan. The plan was to include priority ranking of recommended program adjustments to the already approved 1982 budget that would enable the state to operate within the reduced federal support and existing state revenues. In addition, contingency plans were to be developed describing recommended program adjustments necessary to reduce general fund spending by three percent. Action on items in the latter plan would be activated in whole or part by the Governor if funds were needed to provide either the transitional state funding necessary for orderly reduction of state-federal programs or reducing the impact of program cutbacks in high priority areas by substituting state funds for federal funds.

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needs at the state level and analyzing fiscal and programmatic impact at the local level. The Department is also recommending the establishment of an advisory committee for block grant funding.

An internal departmental assessment will examine both old and new federal responsibilities and how they mesh with state responsibilities. This assessment will be used to redefine the state role as less regulatory and more supportive through the provision of greater technical assistance. Specifically, the Department will examine means of financial and technical assistance to local education agencies to minimize the impact of federal cuts. The Department will then seek Executive and Legislative branch support for priority programs that will be reduced or eliminated due to the federal block grants.

The contact point for block grant implementation within the state is:

MR. RICHARD BARRINGER, Director
State Planning Office
184 State Street
Augusta, Maine 04333
(207)289-3261

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Agency contingency plans were submitted on July 1. Subsequently there have been extensive reviews with the Governor, his staff, the budget agency, and individual agencies to reflect adjustments to the final federal action.

In May, the Governor directed the Secretary of Personnel to develop a plan to lessen the impact of federal budget cuts on employees. The layoff procedures and state response measures were reviewed by a Secretarial-level task force. There are currently in place specific layoff rules, a layoff information system on potential layoffs, and an employee reassignment center.

The Governor also established a block grant committee, chaired by his Chief of Staff and composed of the Secretaries of the major agencies receiving grants in program areas to be included in block grants. The committee's charge is to develop a consistent management approach to the distribution and administration of block grants. The committee is currently reviewing the federal reconciliation bill, particularly the Title XVI transition program.

The contact point for block grant implementation within the state is:

MR. EJNER JOHNSON, STAFF DIRECTOR
Office of the Governor
State House
Annapolis, Maryland 21404
(301) 269-3004

MASSACHUSETTS

Coordination of the state response to federal block grants is presently being organized by the Deputy Secretary for Administration and Finance, in conjunction with the Governor's Office of Federal/State Relations. A Governor's task force on block grants will likely be established in the next few weeks.

Affected state agencies are in the process of completing a preliminary review of state priorities and options from both the policy and fiscal viewpoints. A meeting bringing together program people involved with block grants will take place in the Governor's office during the second week in August to share information and discuss strategies.

The focal point for the Governor's initiative is:

MR. TEX MCCLAIN
Deputy Secretary for Administration
and Finance
State House
Boston, Massachusetts 02133
(617) 727-2040

MICHIGAN

The Michigan Governor's office and executive branch departments began a review of the implications of the block grant proposals immediately after they were presented to Congress. At the Governor's request, evaluation sessions were convened in April and June. Participating were Governor's staff, representatives of the state Departments of Commerce, Labor, Mental Health, Public Health, Social Services, Education, and Management and Budget.

These meetings focused on such cross-cutting block grant issues as transition language and requirements for public participation. Common positions on legislation which affected more than one department were developed. A federal lobbying strategy was discussed. Periodic reports were forwarded to the departments on the progress of block grant proposals.

Strategies for implementing the block grants contained in the reconciliation bill are now under review by the Governor. Planning and management systems are being prepared for implementation. When action on the state's FY1981-1982 budget has been completed, departments will analyze what, if any, further action is required by the State Legislature.

The contact point for block implementation within the state is:

MS. LINDA SLOTSEMA
Special Assistant to the Governor
State Capitol
Room 2164
Lansing, Michigan 48909
(517) 373-0569

MINNESOTA

Minnesota has established a state agency task force to consider the impact on the state of pending federal actions affecting the grant-in-aid system. The task force first met in mid-July to begin discussions. State departments and agencies will work closely with local governments, and together they will gather needed information to analyze the meaning of federal actions on Minnesota local governments and individuals. The Department of Energy, Planning and Development will provide assistance to state departments and agencies and local governments in understanding the significance of the federal budget reductions and block grants. In mid-August, the task force will meet to report on the information generated and strategy options discussed. A written report will be prepared following this meeting and the task force will meet in early September for a final review. The report on block grant strategies and recommended responses to federal actions on the grant-in-aid system will be presented to the Governor on September 10th.

The contact point for block grant implementation in the state is:

MR. DEAN HONETSCHLAGER
Director
Human Resources Planning
State Planning Agency
101 Capitol Square Building
St. Paul, Minnesota 55101
(612) 296-3865

MISSISSIPPI

Continuing research has been underway since February to determine the impact of federal budget cuts on the state budgeting process. This effort is on-going to provide impact data concurrent with federal actions. To date, four separate status reports have been prepared. A briefing for a joint session of the Mississippi Legislature on the effects of the proposed budget cuts was also held.

Research data has been compiled on capability and responsibilities of existing sub-state agencies and other existing entities within the state in preparation for development of preliminary strategies for structuring state, sub-state, and local government relationships in the block grant process. Alternative courses of action have been drafted.

Preliminary strategies have been developed for further study and refinement that would establish the Governor's role regarding implementation of block grants for programs administered by state agencies. Planning and management systems are being prepared to implement the block grant process for funds to be allocated to these agencies.

State legislation needs, along with state legislature roles in the block grant process, are under study.

As federal actions are completed, appropriate task forces and advisory groups will be established to review options and opportunities available to the Governor, hold public discussions, and draft recommendations to the Governor.

The contact person for federal budget revisions and block grant program implementation is:

MR. DICK MOLPUS
Coordinator
Governor's Office of Federal-
State Programs
2002 Walter Sillers Building
Jackson, Mississippi 39201
(601) 354-7575

MISSOURI

Anticipating the passage of block grants, the Governor began developing a planning process that will enable Missouri to assume responsibility for block grants at the earliest possible date. In early March, the Governor established a special task force, including his Executive Assistant, the directors of the departments with jurisdiction over programs being placed in block grants, and the Director of the Division of Budget and Planning. Under the guidance of the Governor, the task force has worked closely with the State Legislature in developing overall policy for administering the block grants and distributing funding reductions.

The individual department directors have reviewed the block grant proposals to determine their possible effect on specific state programs, and have made preliminary recommendations to the task force. The departments have established special communication channels with state and local elected officials, service provider groups, and the general public to encourage effective public comment.

The Governor's legal counsel reviewed state legislative mandates to identify potential obstacles to implementing the grants. Where necessary, the Legislature modified FY 1982 appropriations to provide flexibility. For example, the Legislature removed language tying funding to particular federal categorical programs,

and in some cases, estimated appropriations to accompany the block grants.

As a result of this advance planning, the Governor now feels that Missouri will be able to assume responsibility for the block grants on October 1, 1981.

Activities taken by the Departments of Social Services and Mental Health are illustrative of the State's block grant planning efforts.

In July, the Department of Social Services conducted a series of meetings and hearings in seven key urban and rural areas throughout the state. State and local elected officials and health and social services provider groups were given the opportunity to discuss their concerns with the block grants and reduced funding, and were encouraged to comment on alternative methods for implementing grants. The Department has been circulating a bi-monthly newsletter informing the public of the status of block grant legislation and the Department's implementation plans. During August, the department will draft various implementation alternatives, working closely with a joint executive/legislative committee with responsibility for monitoring the administration of the block grants. In September, the director will hold a second round of hearings and meetings to explain these alternatives and receive comments. These hearings will be open to the general public.

The Department of Mental Health has taken similar steps to encourage public participation in the administration of the block grants. The department director has worked closely with the state mental health commission in establishing policy recommendations. In addition, the department has participated in a series of meetings with mental health advisory councils throughout the state.

The contact point for block grant implementation within the state is:

MS. JANICE GENTILE
Deputy Executive Assistant
Office of the Governor
State Capitol
Jefferson City, Missouri 65101
(314)751-3222

This year in its appropriation bill, the Montana Legislative Assembly decided to return for a special session once it was time to realign the budgets of state agencies affected by the Administration's budget and block grant proposals. Under the leadership of Governor Schwinden's Office of Budget and Program Planning, state agencies have been preparing for the special session. Each agency has been assessing the possible impacts of the Congressional budget and reconciliation processes and developing legislative options from information provided by the state Consulting Services Bureau which has been monitoring both processes and by professional associations like NGA and APWA to which the agencies belong.

Once the full dimensions of the federal changes are known, Governor Schwinden will hold hearings across the state to obtain public comment and refine the proposals he will submit to the legislature. These will include his recommendations on which federally assisted programs the state should pick up and on how the new block grants should be implemented.

The contact point for block grant implementation within the state is:

MR. DAVID LEWIS
Director
Office of Budget and Program Planning
State Capitol
Helena, Montana 59601
(406) 449-3616

NEBRASKA

The Governor has appointed a six-member advisory council composed of agency heads as well as the chairman of the Legislative Appropriations Committee. The advisory council has established eight committees to study changes in various block grant proposals and assess the impact of these proposals on the state. The committees will make recommendations to the council in addition to informing Congressional delegates.

The advisory council has arranged for periodic detailed reports to be prepared on the status of block grants such as definitions of commonly used terms, descriptions of the Congressional process, and the development of regulations. Recipients of these reports include legislators, government sub-division heads, county officials, etc.

The state fiscal offices are now cross-referencing all present grants to identify the source of funds and how they are expanded. When block grant legislation is approved, the state will do the same thing for state allocation to determine what the impacts will be.

Public hearings are planned in each area of the state to obtain citizen input. Once the reconciliation process is complete, the advisory council committees will develop outlines of key areas for public input and advise the appropriate groups.

The advisory council will report to the Governor with information on fiscal impact and recommendations on needed legislation, possible alternatives, and proposals for follow-up. It is expected that other committees will be established later to focus on both

short and long-range planning. Such planning will be done in close cooperation with the Legislature.

The contact point for block grant implementation within the state is:

MR. JOHN KNIGHT
Director
State Department of Public Welfare
301 Centennial Mall South
5th Floor
Lincoln, Nebraska 68509
(402) 471-3121

NEVADA

Nevada plans to schedule budget hearings for all state agencies that will be affected by block grants and federal fund cutbacks.

Representatives of local governments also affected will be invited.

The Budget Office, on behalf of the Governor, will prepare an amended 1981-82 budget which will then be submitted to the Legislative Interim Finance Committee for its approval. Any substantial budget changes and all block grants will require Legislative approval under a statute passed by in the recent session of the Legislature.

The contact point for block grant implementation within the state is:

MR. HOWARD BARRETT
Director of Administration
Budget Division
Capitol Complex
Room 205
Blasdel Building
Carson City, Nevada 89701
(702) 885-4065

NEW HAMPSHIRE

In preliminary preparations for pending federal budget cuts and block grant legislation, Governor Hugh Gallen has taken a low-key, developmental approach to avoid unnecessary complications.

At his direction, a task force on block grants has been established, continuing research has been underway to determine the impact of federal actions upon affected state agencies, and regular, informal communication about federal and state developments is taking place with legislators, local officials, and citizen groups.

After Congress takes definitive action on the extent and shape of federal assistance for FY1982, state transition efforts will move forward rapidly. Existing state mechanisms will be used for policy development, to receive public comment, and to make need adjustments to the biennial FY1982-1983 state budget. If adjustments require a budget revision, the State Legislature in special session, will receive the Governor's recommendations and hold public hearings prior to revising the budget.

The contact point for block grant implementation in the state is:

MS. TAMA HAMILTON
Director
Constituent Services
State House
Concord, New Hampshire 03301
(603) 271-2121

NEW JERSEY

Governor Byrne directed his cabinet several months ago to begin planning for potential changes in the level and distribution of federal funds.

The New Jersey Washington office has provided the state with a series of updates on the status of budget proposals and block grant legislation. The state has actively participated through the Washington office and its Congressional delegation in the debate over the level of funding and the conditions which should be incorporated in potential block grant legislation. These positions have been reviewed with the Governor, and communicated to the state's Congressional delegation.

The Governor has instructed that all decisions relating to block grants be coordinated by the Governor's Office of Policy and Planning. This office, in conjunction with the Division of Budget and Accounting in the state's Department of the Treasury, has held a series of meetings with the affected departments to develop priorities of programs which may be consolidated within block grants. Departments have been advised that the Governor intends to make all final decisions relating to the allocation of resources among programs, and that he will evaluate the respective merits of the programs on the basis of submissions by individual departments and staff analysis.

Departments have been encouraged to seek public participation in potential block grant decisions. Certain departments, including the Department of Human Services have conducted a series of public hearings and meetings in efforts to solicit public involvement in the decision-making process. It is expected that similar efforts to advise the public of the revised program conditions and standards and to obtain public comment on resource allocation decisions will be commenced following final approval of pending block grant proposals in the Congress.

The contact point for block grant implementation within the state is:

MR. DONALD LINKY, DIRECTOR
Governor's Office of Policy and Planning
State House
Trenton, New Jersey 08625
(609) 282-3287

NEW MEXICO

As a result of the Reagan Administration's federal budget cuts and proposals for consolidation of categorical grants into the block grants, New Mexico Governor Bruce King appointed a special five-member task force to oversee these areas on May 1, 1981.

The task force is comprised of Governor's staff, the Secretary of the Department of Finance and Administration, and the Director of the New Mexico Washington Office. The task force is staffed by several units of the Department of the Finance and Administration, including the State Planning Division.

The task force has, for the past several months, been soliciting comments from state and local government officials and private groups on the block grant proposals. Numerous letters and phone calls have been received detailing individual concerns. In addition, a series of public hearings on block grants are being scheduled across the state to receive more input.

In conjunction with these efforts, the State Planning Division has been designated the lead agency on block grants. Key planning division staffers have been assigned the responsibility of keeping on top of particular block grant proposals. They have worked closely with affected state agencies and have made presentations to various groups including Legislative committees concerned with this issue.

This effort will continue and culminate with the development by the task force of a strategy to implement block grants and adoption of that strategy by Governor King.

The contact point for block grant implementation is:

MRS. ANITA HISENBERG
State Planning Director
505 Don Gaspar
Santa Fe, New Mexico 87503
(505) 827-2073

NEW YORK

In New York State, income maintenance, medical assistance, and social services programs (Title XX foster care, etc.) are part of a service delivery system which is administered at the local level by county departments of social services, and supervised by the New York State Department of Social Services. Within this context, the State Department of Social Services has initiated a series of efforts to begin to prepare for major fiscal and program changes in federally financed programs. These efforts include the following:

1. The Commissioner of the State Department of Social Services is chairman of an interagency working group of all State human services departments which has been meeting weekly for the last several months in order for each agency head to understand the impact of the various federal changes upon the various State agencies and programs, and work together in planning for the impact of those changes. The initial focus has been upon federal regulation changes proposed for fiscal and program relief.
2. A task force internal to the State Department of Social Services was established, composed of program, planning, legal, and fiscal staff to monitor the various House and Senate proposals in order to understand their fiscal and program impact, and the changes in state legislation and regulation that would be required.

3. In order to encourage local social services commissioners to begin seriously addressing ways to deal with program reductions, the State Commissioner wrote a letter to each local commissioner in late May, in which each commissioner was encouraged to begin discussions with relevant service providers and interested groups concerning both the impact of the program changes and how future program priorities should be determined. Local commissioners were also asked to consider administrative modifications that could result in efficiencies. Finally, they were asked to identify the program areas which would be reduced if a 10% and a 25% reduction in expenditures occurred.

4. A series of program and fiscal analyses are being undertaken by Department fiscal and program staff. By program area, expenditures are being reviewed for the last ten years, to understand the types of services and client groups for which expenditures have increased the most. Also, by county, current services expenditures are being reviewed in terms of mandated and non-mandated services to determine what types of program changes could occur. To do so, computer print-outs are being generated by county to determine for each service, the expenditures per thousand population, and the percentage of all services expenditures being spent on that service. The mean and standard deviation for these data are derived in order to identify by county those services for which economies

could potentially occur. Such data are being analyzed and then will be shared with local social services commissioners.

5. Finally, the Department as part of its internal planning and budgetary process, has incorporated various "worse-case" scenarios upon which each program area must develop a reduced budget and identify how program changes would occur. That process is currently in progress.

The contact point for block grant implementation in the state

is:

MS. EMILY YOUNG
Director
Office of Program Planning
Analysis and Development
40 North Pearl Street
16th Floor
Albany, New York 12243
(518) 473-3263

Local Initiatives

Because there is a limited amount of time available before implementation, North Carolina probably will minimize the program changes made during the first year of operation under block grants. A set of principles, now in draft for discussion by cabinet and other officials, will guide the state's response. The principles are categorized under three headings: administration, allocation, and process.

The administration principles are designed to minimize state regulations and requirements; hold in line administrative overhead; and encourage flexibility to allow for differences at the local level.

The allocation principles place the cabinet members, private groups and local governments on notice that the state will not make up for the federal cuts, but rather will cause everyone to share evenly the burdens brought by the cuts. Exceptions will be made only where critical circumstances are documented.

The process principles recognize the importance of utilizing existing state budgeting and planning procedures. An important principle provides for citizen input through public hearings to be held by state agencies.

The Secretary of the Department of Human Resources is making contact with local officials to obtain their input regarding block grants. In addition, the Governor has promised to look at state statutes and regulations that impede delivery of services and has met with the boards of directors of the Association of County Commissioners and the League of Municipalities. These two groups

have identified about 400 state statutes and regulations which local departments of health, social services, education and other agencies believe should be changed. The Governor has asked his cabinet to review these and submit their responses to him.

The Governor and selected members of the Legislature met with the North Carolina delegation in Washington to inform them of the impact of the cuts in the state. The Governor's staff has conducted a two-day briefing for the staff of the Congressional Delegation on the impact of the cuts.

The Legislature has scheduled a short fall session to consider the Governor's recommended action in light of the block grants, cuts, and federal reform.

The contact point for block grant implementation in the state is:

MR. TED PARRISH
Policy Advisor to the Governor
116 W. Jones Street
Raleigh, North Carolina 27611
(919) 733-4131

NORTH DAKOTA

The state block grant concept has received much attention and support from the Governor's office and the executive branch of the state government. All of the affected state agencies are continuously monitoring federal actions related to state block grant implementation and are keeping the Governor informed.

The state assumption of the Community Development Block Grant (CDBG) program has progressed faster than the other possible state block grants. The state has developed a draft document for public review and comment consisting of the state's CDBG goals and objectives and a system for the distribution of the funds. The state has also drafted a package of certification requirements to submit to the federal agency in order to assume direct program administration. The Governor's office and all affected state agencies will begin to finalize state plans to accept and implement the state block grants when more administrative details are known.

The contact point for further information on North Dakota block grant implementation is:

MR. RONALD J. BOSTICK
Director, State Planning Division
Federal Aid Coordinator Office
17th Floor
State Capitol Building
Bismarck, North Dakota 58505
(701) 224-2095

OHIO

The Office of Budget and Management has convened an inter-agency block grant steering committee to address the issues surrounding federal block grants. The committee has been charged to exchange information, identify concerns and problem areas and develop specific recommendations for the Governor regarding implementation of block grants in Ohio.

Agencies which will be included in administering programs contained in the block grants are now preparing written comments on an initial set of issues developed by the committee. Some of the issues to be considered are:

- Preparation for short term administration of block grants before long term policies are developed.
- Transition to long term block grant administration and policies.
- Matching and maintenance of effort requirements if they are not federally mandated.
- Sub-state allocation of funds.
- Accountability including reporting, monitoring and regulation.
- Necessary legislative action.

The Office of Budget and Management will summarize all written comments for further discussion by the block grant steering committee. The tentative date set for initial reaction is August 31, 1981.

The contact point for block grant implementation within the state is:

MR. MATT FILIPIC
Deputy Director for Budget
State Office Tower
38 East Broad - 39th Floor
Columbus, Ohio 43215
(614) 466-6561

OREGON

The Governor presented a plan to the Legislature to cut programs in a manner consistent with the federal cuts in the block grants. This will be done the first year. The second year there will be input from local governments and private citizens and organizations. This input will be used by the Governor in preparing his priorities for the Legislature's consideration. Minimizing of the impact of the cuts will be handled through the prioritizing process.

There are documents which spell out Oregon's plans, and the state feels confident that it is ready for block grant implementation. The contact point for block grant implementation in the state is:

MR. LEO HEGSTROM
Director
Department of Human Resources
318 Public Service Building
Salem, Oregon 97310
(503) 378-3034

OKLAHOMA

Governor George Nigh favors block grants to the state which have "no strings attached." He does not favor "targeted" block grants. At this time he and his policy advisors are studying alternate approaches for distributing block grant funds, but will withhold final decisions until federal guidelines are established.

To smooth the transition process, Governor Nigh has asked the various state groups with special interests in block grant implementation to await final federal action before making their presentations and recommendations to him regarding the allocation of funds among programs affected by federal budget cuts and block grants.

The contact for block grant implementation within the state

is:

MR. ROBERT WHITE
Deputy Chief of Staff
212 State Capitol
Oklahoma City, Oklahoma 73105
(405) 521-2345

PENNSYLVANIA

Pennsylvania's Governor has issued an administrative circular assigning lead responsibility for each block grant to a particular cabinet member. This group has been directed to convene a task force for each block grant which will (1) identify programs included or proposed for inclusion in the block grants; (2) review present programs to assess the need to continue them and at what level; (3) estimate budget figures for FY81-82 in comparison to previous years; (4) identify problems and other issues; (5) invite comment and participation from other interested groups, including representatives of impacted constituents; and (6) make recommendations on the distribution of the block grants, including a narrative explanation and justification by individual program. A human resources committee of the cabinet has been assigned overall coordinating responsibilities to work out an approach to the human resource block grants.

Pennsylvania's Legislature must approve the expenditure of all federal dollars, so the Governor's recommendations will be made to that body later in the fall when Congressional deliberations are completed. The Governor's position has been that the state will maintain its own level of effort but will not make up for the federal cuts. Innovative approaches, including attempts to reduce administrative costs, will be considered to minimize the impact of cuts on essential programs.

The contact point for block grant implementation in the state

is:

MR. WALT PLOSILA
Director
Governor's Office of Policy
and Planning
Room 506
Finance Building
Harrisburg, Pennsylvania 17105
(717) 787-2086

RHODE ISLAND

Block grant enactment and federal budget reductions will affect a great number of state programs and services in Rhode Island. In the short term, an advisory task force will be established by the Governor and charged with analyzing budget impact and setting forth recommendations as to how Rhode Island could best deal with the cutbacks. The advisory group will be comprised of citizens in non-governmental leadership positions who are familiar with the groups and services the cutbacks will affect. The advisory committee will seek community involvement by conducting hearings around the state. Committee review will extend beyond the block grants and consider the advisability of realigning spending priorities.

Several months ago, the Governor's Policy Office commissioned a state departmental analysis of how the budget cuts proposed at that time would effect services and staffing provided by state agencies.

Completed departmental reports and advisory task force findings will be presented to the Governor along with additional analysis provided by the Governor's policy staff and the budget office.

The contact point for block grant implementation within the state is:

MR. KEVIN N. JOHNSON
Federal Coordinator
Office of the Governor
State House
Providence, Rhode Island 02903
(401) 277-2214

SOUTH CAROLINA

The state has developed a six-stage procedure for responding to the block grants, federal budget reductions and program reform. First, the Governor will designate a state entity to develop a plan for administering block grants. After the plan has been developed, it will be reported to the Governor for approval. Once the Governor approves the plan, he will submit his recommendations to the Joint Appropriation Review Committee. This 12-member committee has six members from each the House and Senate. If the General Assembly is not in session, the Joint Appropriation Review Committee may approve the plan. Otherwise the Committee submits the plan to both Houses for approval. If the Joint Appropriation Committee rejects the plan, it is returned to the Governor with recommended changes. The process will continue until the Governor and the Committee reach an agreement.

The contact point for block grant implementation in the state is:

MR. JOE MURRAY
Director of Community and
Intergovernmental Affairs
Office of the Governor
P. O. Box 11450
Columbia, South Carolina 29211
(803) 758-3261

SOUTH DAKOTA

On March 20, 1981 Governor William Janklow submitted an unsolicited human services block grant proposal to President Reagan requesting the opportunity to demonstrate that federal funding streams can be matched to existing state program organizational structures. In his letter to President Reagan which accompanied the proposal, Governor Janklow indicated that

"Our grant proposal is unorthodox. It does not look or read like the grant proposals of which we have sent too many in the past. The request itself is short. It is written in English -- as spoken in South Dakota. The body of supportive evidence is long and well-researched. We mean what we say."

South Dakota has proposed that the federal government provide the state with a block grant for human services geared to its needs, and also allow federal law and regulation waivers necessary to administer it efficiently. The South Dakota Human Resources Cabinet Subgroup is prepared to manage the proposed block grant. Based on indepth analyses, members of this Cabinet Subgroup have proposed to combine over 30 current federal programs into five generic groups (youth and family, elderly, food and nutrition, health, and energy assistance).

The South Dakota proposal, entitled A Renaissance for Federalism -- Give it a Whirl, also contains an appendix which briefly overviews the state government structure and outlines how South Dakota intends to group the affected categorical programs. In the appendix each existing categorical program, currently being administered by South Dakota's health, social services, and state economic

opportunity agencies (along with selected energy programs), is analyzed. These analyses identify special problems South Dakota has had relating to program eligibility, administrative systems, and service delivery. Opportunities for change are recommended along with necessary regulatory adjustments that should be made.

The contact point for further information on South Dakota's block grant proposal is:

MR. HARRY CHRISTIANSON
Commissioner
State Planning Bureau
State Capitol
Pierre, South Dakota 57501
(605) 773-3661

TENNESSEE

An interagency task force composed of sub-cabinet agency administrators was established to study the impact of federal budget cuts and identify options in block grant administration. Individual members of the task force met with several representative special interest groups to discuss their concerns on these issues and then they reported this information back to the task force. Additional meetings will be held once the final content of the block grants is determined.

Uncertainty surrounding the final form of federal block grant legislation caused by the introduction of a variety of alternative proposals in Congress has made it difficult for the state to make firm decisions regarding the best approach to take in administering the block grants and minimizing cuts in service. Plans are currently being considered to place greater emphasis on the regional service delivery system in the state as well as increased contracts with private non-profit service providers. The Governor has met regularly with leadership in the State Legislature to identify a decision-making process for block grant allocations. At present, it appears that executive state departments will make initial decision recommendations on funding cuts and service priorities for the Governor and these will be reviewed by the Joint Finance Ways and Means Committee in the Legislature for approval.

The contact point for block grant implementation in the state is:

MR. KEEL HUNT
Special Assistant to the Governor
Governor's Office
G4 Capital Building
Nashville, Tennessee 37219
(615) 741-3621

TEXAS

In March 1981, Governor Clements directed state agencies and universities to begin the development of operating plans which anticipate an overall reduction of federal funding. The Governor stressed the need for each governmental agency to begin contingency planning by identifying appropriate reductions in staffing and expenditures.

In April 1981, Governor Clements created a task force on block grants to review the proposed block grant concept and to make recommendations about their administration in Texas. The task force has worked diligently to gather necessary federal and state funding data, to track block grant developments in Congress and to identify elements needed in any state plan developed as a result of block grants. The task force will continue to serve in an advisory capacity until final decisions are made concerning the administration of block grants. The Texas Office of State-Federal Relations in Washington has been directed by Governor Clements to monitor the block grant proposals on a day-by-day basis. That office has worked closely with the task force on the monitoring process.

In May 1981, state agencies submitted information to the Governor's Office indicating the expected impact of federal funds on their operations. The Governor's Budget and Planning Office analyzed this information along with information obtained from the Office of Management and Budget and prepared an estimate of the state level fiscal impact of the federal funding reductions.

UTAH

Also in May 1981, the Texas Legislature passed a joint resolution proposing a constitutional amendment to create a State Finance Management Committee. Citizens of Texas will vote on this proposed amendment in November 1981. This proposed committee, chaired by the Governor, would have the authority to distribute the block grant funds and determine proper administration. Depending on the exact form of block grant legislation, a special session of the Texas Legislature may be required since Texas' next regular session convenes in January 1983.

The contact point for Texas block grant implementation is:

MR. PAUL WROTENBERRY
Director
Governor's Budget and Planning Office
Sam Houston Building
14th and San Jacinto
Austin, Texas 78701
(512) 475-8491

A joint state-local committee has been formed to consider options for administration of block grants and to discuss the impacts of federal budget reductions. The Governor has been actively involved with the establishment of the committee and has directed members to develop recommendations for his consideration. State agencies and departments have been working to develop new definitions for services that are not linked to particular categorical programs, but rather are crosscutting. It is anticipated that such a reclassification process will aid in priority setting regarding possible revised allocations for funding under block grants. The Governor has been meeting with the leadership of the Legislature to establish an ongoing communication process regarding the block grants. While the state is moving forward to consider a variety of administrative and decision making alternatives, there is a strong sentiment in the state not to engage in a piecemeal response to block grant proposals but instead to wait until the blocks are passed before making final decisions.

The contact point for block grant implementation in the state is:

MR. PATRICK J. JOHNSON
Human Resources Coordinator
Office of the State Planning Coordinator
Room 124
State Capitol
Salt Lake City, Utah 84114
(801) 533-6321

VERMONT

Vermont has two concurrent initiatives underway to adjust state plans to the state biennial budget and the federal funding reductions and block grants. Revisions are now being made to the FY 1982 budget, and at the same time, initial preparations for the FY 1983 plan and budget are also taking place. Both processes include methods for assessing the impact of proposed federal budget cuts and block grant legislation, recommending state responses, and implementing the needed changes in the state.

The Governor's Office and operating departments of state government are jointly establishing federal funds baselines for programs affected by the budget reductions and the block grants. After these analyses are completed, action plans for program alterations will be developed for review and be subject to citizen comment. Those proposals that are accepted will be incorporated in the FY1983 program plans and budgets submitted to the state Legislature.

Vermont's Greenbook, which identifies federal regulations which are serious barriers to the effective administration of programs by state government and proposes recommendations to achieve regulatory relief, is also being circulated in Vermont to assist in the further development of state responses to the President's Plan for Economic Recovery.

The contact point for block grant implementation within the state is:

MR. JOHN SIMSON
Director of State Planning
Pavilion Office Building
109 State Street
Montpelier, Vermont 05602
(808) 828-3326

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VIRGINIA

The Governor is now in the process of forming a task force composed of representatives of state and local government as well as the private non-profit sector. The task force is designated to obtain input from all groups likely to be affected by both budget cuts and block grant funding. Issue papers are being prepared by the task force which will assist it in identifying important issues in the transition to block grant management. Topics for these issue papers include: planning and budgeting, departmental organization and legislation, and monitoring, evaluation, and management. A major state retreat is being planned for agency heads in the area of human services to discuss the content of the issue papers in health and social services. In addition, the retreat will provide an opportunity to discuss a strategy for obtaining input regarding the block grants for human services. Following the retreat, an implementation plan for administering these block grants will be established.

The contact point for block grant implementation in the state

MR. RAY SORRELL
Acting Director
Department of Planning and Budget
Room 427
Ninth Street Office Building
Richmond, Virginia 23219
(804) 786-8755

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WASHINGTON STATE

The contact point for block grant implementation in the state

is:

The state of Washington has developed a process for block grant implementation under the leadership of the Department of Social and Health Services. A document which outlines the process has been widely circulated to providers, citizen groups, and local officials. There are four elements:

MR. ALAN GIBBS
Secretary
Department of Social and
Health Services
Mail Stop OB44
Olympia, Washington 98504
(206) 753-3395

1. Assume cuts in services because the state will not pick up federal shortfalls. Each agency will assess impact on services and clients. This information will be shared with citizen advisory committees.
2. Services, listed from the basic and most important to non-essential and least important will be ranked according to the agency's perspective.
3. Each program director will consider the input from 1 and 2 above. He/she will reduce his/her budget to 60% of the current level, and then build back as needed. He/she will then return to citizen groups for comments.
4. The department will then package results for the Governor's consideration.

An interagency committee composed of representatives from Public Instruction, Employment Security, State Budget, Governor's Office, Senate and House Ways & Means Committees and Local Government will review this entire process and make recommendations to the Commissioner of the Department of Social and Health Services.

WEST VIRGINIA

The state of West Virginia has been monitoring the development of block grants since the original presidential proposals were made. Governor Rockefeller's Executive Assistant has met regularly with the heads of affected departments, which include the Department of Health, the Department of Welfare, the Governor's Office of Economic and Community Development, the Department of Finance and Administration the Division of Vocational Rehabilitation, and the Department of Education. Meetings have been designed to share information between departments on developments in federal legislation.

It became clear that, even though the state would not immediately know the results of Congressional actions or the specific regulations under which the state would administer formerly categorical programs through block grants, new planning and public involvement mechanisms would have to be put in place. Providers of social, health, and community development services became very concerned about the federal reductions and the new rules and regulations for operating human services programs.

Therefore, Governor Rockefeller ordered department heads to hold conferences for the purpose of involving the citizens who are interested in planning for these changes.

Governor Rockefeller instructed all department heads to hold conferences involving those who are interested in the processes that the state would be using in dispensing its block grant funding. In preliminary planning, the Governor decided that the Department of Welfare would handle the social services and energy and emergency assistance block grants while the Department of Health would handle

the preventive health and health services block grants. Other grants would be handled by the Department of Education and the Governor's Office of Economic and Community Development. Efforts were made to emphasize that citizen involvement efforts would focus on only the process to be used in implementing block grants rather than dealing with specific issues such as reductions in funding, reallocation of funds, etc. Additional citizen input will be elicited once funding patterns and federal block grant regulations have been finalized.

The first agency conference was held on August 4th at a college centrally located in the state. The Health and Welfare Departments co-sponsored the conference and invited representatives from Health, Mental Health, Social Services and other provider groups that would be affected by block grants. For additional information on the conference in West Virginia see Part II of the Guide.

The focal point for West Virginia block grant implementation within the state is:

MR. NICHOLAS LAZARIS
Executive Assistant to the Governor
Office of the Governor
State Capitol
Charleston, West Virginia 25305
(304) 348-2000

WYOMING

Wyoming Governor Ed Herschler is currently developing agency guidelines for the coming biennial budget cycle. Those guidelines will include specific directives to state agencies concerning how agencies are to deal with budget cuts. Final guidelines will not be published in time for the annual NGA meeting.

The contact point for block grant implementation within the state is:

MR. DON NELSON
Administrative Aide
Office of the Governor
State Capitol
Cheyenne, Wyoming 82002
(307) 777-7930

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WISCONSIN

During deliberation on the 1981-83 biennial budget the Governor proposed a major change in state community services assistance necessary to adjust to the proposed federal block grants and federal budget reduction. The Legislature in adopting the budget did not take action on this request. Instead the legislative leadership indicated its intention to deal with the implications of federal budget changes in the scheduled October legislative session.

For Wisconsin, the impact of federal block grants will be concentrated in the programs administered by the Department of Health and Social Services. This Department has established a working team which is addressing policy options and technical considerations. The State Budget Office is coordinating the work of the Department of Health and Social Services with related work in the Department of Public Instruction and is assisting the Governor in the development of necessary legislative proposals and administrative action.

The contact point for block grant implementation in the state is:

MR. BRUCE FAULKNER
Deputy Administrator
Division of Policy and Budget
One West Wilson Street
Madison, Wisconsin 53702
(608) 266-1741

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