On August 13, 1981 President Reagan signed into law the Omnibus Budget Reconciliation Act of 1981. In addition to deep funding reductions in most federal programs, this bill also calls for the institution of eight block grants to the states. These include: (1) education, (2) community development, (3) social services, (4) community services, (5) maternal and child health, (6) health prevention, (7) alcohol, drug abuse and mental health, and (8) primary health care. There are few federal requirements for the administration of these block grants. Much of the discretion lies with the states, which may determine which programs they wish to continue to fund and how they wish to go about administering the individual block grants.

The enactment of these block grants is momentous, and the impact they will have on low-income and minority groups throughout the country is great. Therefore, this paper was written to inform concerned individuals of the implications of these block grants. It includes a study of the history of past block grants, presents the advantages and disadvantages of block grants, provides information of the block grants which were recently enacted, and discusses the actions some states have taken to prepare for the assumption of the responsibility under block grants. The National Council of La Raza feels that the Hispanic community must be aware of the implications of these block grants, so that it might better prepare itself to effectively deal with the possible impacts they might have on individuals and communities throughout the country.
NATIONAL COUNCIL OF LA RAZA

ISSUE ANALYSIS

ON THE

CURRENT IMPLICATIONS OF

BLOCK GRANTS


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ATTACHMENT - New Block Grants
CURRENT IMPLICATIONS OF
BLOCK GRANTS

I. INTRODUCTION

The Reagan Administration, as part of its ongoing effort to restructure federal involvement in the funding and administration of human services programs, has sought the consolidation of dozens of federal categorical programs. Under these proposals federal programs in such areas as education, social services, health and community development will be consolidated into large block grants to the states. The programs' funds will be pooled and each state will be given the discretion to determine what types of programs it wishes to fund under each of the block grant areas.

Congress, in the Omnibus Budget Reconciliation Act of 1981, passed several such block grants and scheduled their implementation for October 1981 and October 1982. Those block grants passed by Congress include: (1) education, (2) community services, (3) social services, (4) community development, (5) maternal and child health, (6) health prevention, (7) alcohol, drug abuse, and mental health, and (8) primary health care. These block grants are much less comprehensive than those originally proposed by the Reagan Administration, many programs targeted for inclusion in block grants were kept categorical, and several smaller block grants were enacted in the areas of health and social services, as opposed to the large block grants originally proposed. However, the passage of these block grants are still of momentous impact to the future of human services programs in this nation.
Based on previous experiences with block grant programs which were administered by the states, most advocates for low-income persons feel that the poor will not receive the same level or types of services accorded them under federal categorical programs. Without the focused involvement of the federal government -- which can assure that programs are targeted, civil rights laws are enforced and funds are correctly utilized -- most human services programs will probably suffer in the quality of services they are able to deliver.

The precedent set by the enactment of these block grants serves as the foundation for the development and passage of additional consolidation proposals. They were cited as the first step in a long-term goal expressed by President Reagan earlier in the year, when he stated:

I have a dream of my own. I think block grants are only the intermediate steps. I dream of the day when the federal government can substitute for those (block grants) the turning back to local and state governments of the tax sources we ourselves have pre-empted here at the federal level so that you would have those tax sources.

President Ronald Reagan
Washington Post, March 10, 1981

Many persons feel that this speech calls for the future elimination of federal involvement in human services programs. Instead he appears to be proposing that such programs be funded and administered by the states, through state tax monies, with no federal support. This plan differs from the current block grant proposals in that current program money comes from the federal government and goes to the states, rather than states generating their own monies to support human services programs. Thus, states must assume the responsibility of funding the programs if they wish to continue them. The fear of many civil rights and minority groups is that states might choose not to continue programs which assist those in-
individuals and communities with the greatest need. This concern stems from
the fact that low-income and minority persons typically have little polit-
ical impact and therefore will have little input in deciding which programs
will be maintained within their states.

This paper presents the history of previous block grants and the re-
sults which evolved from the state administration of federal monies. Also
included is an overview of the current block grant proposals, and their
similarities and dissimilarities to previous block grants. Special emphasis
is given to the experience of Hispanics concerning past block grants, and
the perceived effects on Hispanics when current block grants are implemented.

II. HISTORY OF BLOCK GRANTS

A. Overview

One of the earliest proposals for the formation of block grants through
the consolidation approach was made by the first Hoover Commission, which
recommended in 1949 that "a system of grants be established upon broad
categories -- such as highways, education, public assistance, and public
health -- as contrasted with the present system of extensive fragmentation." However, these and several similar proposals in the future were rejected,
largely because of the lack of adequate assurances that funding levels
would not be reduced. Between 1962 and 1968, several grant consolidations
were again proposed, some of which were merely large categorical programs while
others were more like block grants. Only two of these proposals were
enacted -- the Partnership for Health Act of 1966 and the Omnibus Crime
Control and Safe Streets Act of 1968. During the same period hundreds of
categorical programs were approved and the overall amount of federal aid
to state and local governments increased nearly fivefold.
During the Nixon Administration a new system for bolstering federal assistance to states and localities was developed. General Revenue Sharing was enacted under the State and Local Fiscal Assistance Act of 1972 to provide additional money to state and local governments to be used for whatever purposes they deemed necessary. This "no-strings" approach also led to the development of "special revenue sharing" legislation. These proposals called for the consolidation of programs in the areas of urban community development, transportation, law enforcement, manpower training, education, and rural development. These six proposals would have replaced 129 categorical programs with the special revenue sharing approach which called for the distribution of all or most funds as entitlements for the specified areas. These proposals had few federal requirements, no matching of federal money with state money, and provided states with the opportunity to exercise great discretion in policy-making and administration. Congress considered only four of the special revenue sharing bills, and passed only one -- the consolidation of 17 manpower training programs. This legislation, the Comprehensive Employment and Training Act of 1973 (CETA), was enacted only after the Administration had revealed its plans to proceed with the consolidation even without specific Congressional approval. A second special revenue sharing bill was passed in 1974, following years of debate -- the Housing and Community Development Act. This legislation was later termed the Community Development Block Grant (CDBG). Also in 1974, Congress consolidated Titles IV and VI of the Social Security Act, creating a new Title XX program which provided states with block grant funds to operate social services programs.

These six federal grant programs -- Partnership for Health, Safe Streets Act, General Revenue Sharing, Comprehensive Employment and Training
Act, Community Development Block Grant, and Title XX Social Services -- exemplify the block grant process and serve as a base for analyzing the potential impact of the proposals passed by Congress this year.

B. Partnership for Health Act

The Partnership for Health Act (PHA), which was enacted in 1966, merged nine categorical health programs and was designed to assist in the development and expansion of public health services at the local level. The Act required that 15 percent of the state's allotment be made available to the state's mental health authority, and that at least 70 percent be used for services to communities. These were essentially the only requirements placed upon the PHA monies.

While the enactment of the Partnership for Health legislation was thought at the time to be a far-reaching move towards state flexibility and control, there is very little evidence that this was in fact true. All indications are that the flexibility that states received with these block grants' funds did not promote many changes in the services provided by the states, as opposed to those previously provided under the categorical programs. Instead the PHA funds were primarily used to "fill the gaps" that were not covered by other federal programs.

An additional deterrent to the success of the block grant was the continued lack of national interest in the program, once it became decentralized. Federal funds for the block grant were rarely increased, barely keeping pace with inflation, and in recent years the funding level has in fact been decreased. The lack of federal involvement also led to a lack of direction for the Partnership for Health Program. Congressional and Administration officials lost interest in the program and few innova-
tional changes were forthcoming from the states. The impact of the block grant became negligible, and it has in fact become virtually impossible to discern where the Partnership for Health monies are spent. There are almost no accountability mechanisms and evaluations are rare (there was only one evaluation conducted in the first seven years of the program). As a result of the aforementioned factors, the PHA block grant appears to have virtually become a supplemental funding source for already existing health programs, and has seemed to have had very little impact as a program in and of itself.

C. Safe Streets Act

The Omnibus Crime Control and Safe Streets Act of 1968 was developed in direct consideration of the political and social climate of the times, which were marked by urban unrest, campus disorders and political assassinations. There was also a growing fear among many citizens that the federal government was moving towards a national police force, with the U.S. Attorney General's office exercising improper and extreme power. In an attempt to counter the increasingly volatile national situation, without increasing the role of the federal government in the administration of justice, Congress enacted the crime control block grant, with the largest portion of funding going directly to the states as a block grant, as opposed to remaining with the federal government. It was Congress' first and only attempt to establish new legislation for a block grant program, rather than consolidating existing programs.

Administered by the Law Enforcement Assistance Administration (LEAA) at the federal level and State Planning Agencies (SPAs) at the state level, and by the Regional Planning Agencies (RPAs) within the state, the Safe Streets block grant was established to provide support to the three main
components of the state criminal justice system -- police, courts, and corrections. Since the block grant funds comprised only about five percent of a state's entire criminal justice budget, the impact was relatively weak and provided little opportunity for influencing broader state actions. SPAs maintained control of the funds, and few citizens organizations obtained grants from SPAs, and those that did, received only small amounts of money. There was also a lack of emphasis on innovative projects which might have led to new methods of dealing with criminal justice problems. An additional hindrance was the constantly changing priorities set by Congress for this money. In 1971, corrections was the main concern; in 1973, crime control; and in 1974, juvenile justice.

This block grant, designed to provide flexibility, acquired a reputation of being less flexible than categorical programs. The 20th Century Fund reported in a 1978 study that many state and local officials stated that there were serious administrative difficulties with LEAA red tape and bureaucracy at the federal and state levels. Critics reported that the main product of the Safe Streets Act has been the establishment of a rigid bureaucracy -- 4,000 people at the Justice Department and within the SPAs and RPAs -- which has caused numerous administrative problems. However, even with such a bureaucracy, as well as with administrative provisions for civil rights and citizen participation, there was little emphasis placed upon evaluation or accountability.

The Safe Streets block grant, beset as it was by the large number of administrative and programmatic difficulties, was finally eliminated in 1980. For the most part, there is little evidence that the block grant served as an innovative means of establishing new solutions to criminal justice problems. It instead served as additional money to fund already existing programs within the states.
D. General Revenue Sharing

General Revenue Sharing (GRS) was created by Congress under the State and Local Fiscal Assistance Act of 1972. This program has appropriated billions of dollars to 39,000 state and local governments. Until 1981, states received one-third of the federal funds, while localities received two-thirds. In 1980, Congress reauthorized only monies for localities through 1983.

Originally, GRS was viewed as a catalyst for state and local changes. However, with the great flexibility provided by GRS, it came to be seen as the answer to the fiscal imbalance that existed on the state and local levels. This was done by giving states and localities direct control over the use of funds, with no federal regulations or guidelines regarding how funds were to be utilized.

Since 1976, eligible state and local governments receive general revenue sharing payments automatically and may use them for any purpose. Such broad state and local discretion exemplifies the complete decentralization of power from the federal level. This complete discretion makes it almost impossible to track the fiscal and programmatic effects of GRS, since once funds reach the state and local governments, they are entered into general accounts and become indistinguishable from other funds. Indeed, there is no attempt to provide accountability or guidance in terms of controlling the nature of expenditures; funds were designed to increase the resources available to state and local governments, not to provide for any specific services.

It was only in 1976, through the efforts of civil rights groups, that there was any effort to enforce nondiscrimination provisions of the Act. It was then that Congress enacted amendments providing for extensive hearing and compliance procedures to deal with discrimination. In
1976 Congress also passed amendments which required recipient governments to report to the Secretary of the Treasury on how funds were spent. However, there has been little review of these reports, and the federal government has not aggressively overseen the expenditure of GRS monies. A third provision of the 1976 amendments was the increase of citizen participation requirements. Recipient governments were required to hold two public hearings annually regarding the expenditure of GRS funds. Although the federal government encouraged citizen participation, it made little attempt to enforce this provision. As a result, state and local officials ultimately decided whether or not citizens' suggestions would be implemented.

The federal government's role of non-intervention in the state and local government's discretion over GRS monies, has led to the expenditure of billions of federal dollars, with little determination of how the money has been spent. This lack of information is the direct outgrowth of state and local discretion, which was the major goal of the General Revenue Sharing program. The question which arises concerning this goal, however, is whether federal funds should be distributed indiscriminately, without any method of accounting for their expenditure.

E. Comprehensive Employment and Training Act

The Comprehensive Employment and Training Act (CETA), enacted in 1973, consolidated 17 categorical manpower programs into a special revenue sharing program administered by states and by local governmental jurisdictions, called prime sponsors. In its initial stages, CETA officials experienced several administrative problems as the federal Department of Labor (DOL), which was given federal responsibility for the program, attempted to quickly identify prime sponsors during a relatively short transition period.
Previously, manpower and training programs were operated at the local level by the state employment service or by community action agencies. Many of the prime sponsors who were identified by DOL had had little previous experience in planning and coordinating such programs, and DOL, in an attempt to minimize federal involvement, provided little federal guidance as to how monies could best be used. As a result, many prime sponsors developed their own programs and did not look to the federal government for assistance. Often these programs were inconsistent with the goals of CETA.

Since CETA originally contained only broad language concerning the goal of serving "all significant segments" of the unemployed population, Congress adopted amendments in 1978 which called for the targeting of long-term, unemployed persons from low-income families. This was done as a result of complaints that educated, white males were benefiting most from the program, while minority, low-income, and long-term unemployed persons received little training and few jobs. This problem was also addressed in the 1978 legislative report language by requiring prime sponsors to sub-contract with community-based organizations to provide employment and training services. This provision made it possible for local organizations, which already served those persons to be targeted for CETA services, to become actively involved in helping low-income persons obtain training and employment.

Additional 1978 amendments to CETA increased management requirements, such as reporting, evaluation, and data collection. There was also strict language added regarding the displacement of state and local funds with CETA monies. Time limits were also placed on the length of CETA participation, and requirements were included for mandating training components for public service employment programs.
The 1978 amendments led to significant changes in the provision of employment and training services under CETA. By providing more federal guidance and added targeting and distribution requirements, Congress and DOL improved program management and accountability. In addition, the proportion of CETA participants who are Hispanic has increased, and some prime sponsors have increased their subcontracts to community-based organizations.

F. Community Development Block Grant

The Community Development Block Grant (CDBG) was enacted in 1974 as Title I of the Housing and Community Development Act. Under the program, all cities with populations of over 50,000 and all counties with over 200,000 people (excluding their larger cities) are entitled to receive CDBG monies. The grant amount is determined by the jurisdiction's population, poverty, and other factors. There is also a "Small Cities" CDBG program for smaller jurisdictions and rural areas. These grants are based on an application which is submitted to the Department of Housing and Urban Development, which takes into account the local needs and the potential success of the proposed program.

CDBG, through a number of critical changes in legislation, has developed into one of the most popular block grants to date. Cities have used its funds for a variety of development and revitalization programs. The Working Group for Community Development Reform, funded by CSA, cites CDBG as:

The most important single program designed to stimulate physical and economic development at the local level. It is also a major experiment in decentralization; it shifts $4 billion a year to local governments in an attempt to strengthen the capacity of local officials to plan and implement programs which meet pressing local needs, while it sets certain national standards and broad priorities for those local programs.
The program has relatively clear-cut provisions for eligible activities, targeting for low-income persons, civil rights enforcement, and citizen participation standards, which while calling for federal intervention, do permit local flexibility in program planning. However, the program has been widely criticized, especially by the Working Group for Community Development Reform, particularly for its lack of accountability. The Working Group notes that funds are not in fact adequately targeted to low-income persons, that funds are spread too thin to have significant impact on any one community, that funding decisions are made based on political considerations rather than on need, and that citizen participation and involvement of community-based groups has been limited. During its early years, localities spent all of their administrative funds, but allocated minimal project funds. Recent amendments to CDBG legislation have sought to tighten ceratin guidelines and improve targeting; however, the U.S. Department of Housing and Urban Development (HUD) has continued to fail to monitor such provisions adequately.

The Working Group concludes that six years after enactment of the Community Development Block Grant, many local governments have failed to develop the capacity to plan and implement programs which are effective in accomplishing the primary objectives that Congress set for the program. This situation raises a long-term issue about the potential of the CDBG program -- which depends so heavily upon the capacity and will of local governments -- as a vehicle for community development in this nation.

G. **Title XX**

Title XX of the Social Security Act is an approximately $3 billion a year federal program which reimburses states for costs incurred in providing social services to eligible individuals. The legislation requires that at least half of each state's allotment be used for services to AFDC,
SSI, or Medicaid recipients. However, the remaining funds may be used to serve anyone whose income does not exceed 115 percent of the state's median income. States are basically free to determine what types of social services they wish to fund, based upon a needs assessment and a mandatory planning process.

During the past six years, Title XX has experienced a variety of problems which were reported in a 1978 National Governors Association study and a 1978 study done by the Urban Institute. The problems cited by these studies include a critical lack of data concerning how funds have been spent, unrealized expectations of how citizens would participate in the planning process, inadequate program and administrative accountability, and serious issues of equity relating to the distribution of funds. These problems have been compounded by a low funding ceiling, which has failed to be raised in relation to the inflation index.

While there were initial expectations that the Title XX legislation would succeed in establishing comprehensive state plans for the provision of social services, this goal has never been realized. As reported in the National Governors Association's study, many state officials view the inability to evaluate program results as one of the major stumbling blocks to better programs. However, even in light of such sentiment, more than half of the Title XX jurisdictions have failed to undertake a single study of the effectiveness of the programs they administer.

The Title XX Block Grant raises serious questions about the willingness and capability of states to plan, evaluate and manage complex social service systems. While Title XX has served as a conduit for federal funds, thereby bringing increased services to the nation's needy, it is impossible to determine the actual impact this block grant has had in the improvement of social services at the state level, as was its original intent.
III. CURRENT BLOCK GRANTS

A. New Block Grant Legislation

President Reagan, in his new economic recovery package, called for the consolidation of dozens of federal categorical programs into five broad block grants to the states. These included block grants in education, social services, health services, energy and emergency assistance, and community development. President Reagan's plan also called for funding reductions of 25 percent for each of the block grants. When the proposals were sent to Congress for consideration, they were initially assigned to some ten different House and Senate committees. Other committees also claimed jurisdiction over pieces of the proposed block grants, so it was uncertain exactly who would have final input on the enactment of block grants.

The Senate committees worked quickly to pass their versions of the block grant legislation, making several changes in the proposals President Reagan offered. The House of Representatives, however, refused to consider many of the block grant proposals, and committees instead focused on the reauthorization of categorical programs.

As July approached, the Administration decided to attempt to include the block grants in the budget reconciliation bill, which had been expected to deal only with the federal budget for FY '82-'84. Since block grant proposals are independent of the federal budget, many felt that they should not be included in the reconciliation bill, but instead should be considered on an individual basis, following the normal legislative process.

Both the House and the Senate, however, successfully included block grants in their individual versions of the reconciliation bill. The Senate
incorporated those block grants which were developed by its committees. In the House, however, no block grant legislation had come out of committee; therefore there were no attempts to include block grants in the House's original reconciliation bill. During the final days prior to the House vote on the reconciliation bill, Representatitves Phil Gramm (D-TX) and Delbert Latta (R-OH) introduced a substitute reconciliation bill which was more in line with President Reagan's original budget proposals. This substitute bill, labeled Gramm-Latta II, called for deep cuts in many federal programs and also included block grant legislation. This bill was passed by the full House by a vote of 217 to 211.

There were several differences between the House and Senate versions regarding their proposed block grants. These were settled during a week-long series of numerous "mini-conferences" between members of the Conference Committee. The results of these conferences were incorporated into a final version of the reconciliation bill, which was passed by both the House and the Senate on July 24, and is pending Presidential approval.

B. **Current Status**

The final version of the budget reconciliation bill includes eight block grants to the states. These include four in the area of health and one each in social services, education, community development, and community services. (See the attached outline for a complete listing of these block grants and their provisions.)

These block grants are greatly modified from those originally proposed by President Reagan. Many programs originally slated for block grants were kept categorical, including migrant health centers, Urban Development Action Grants, and child abuse programs. Other programs were consolidated
but were included in several small block grants, rather than in one large one as proposed under the Reagan plan. These include community services, Title I compensatory education, and community health centers. Several block grants originally scheduled to be implemented in October 1981, were instead given one-year transition periods so that states can prepare to accept their new responsibilities.

The enactment of these block grants is seen as the initial phase of a long-term process which will be instituted over the next few years. Many conservative Congresspersons remain unsatisfied with the block grants which were passed and have expressed their plans to reintroduce many of President Reagan's original proposals later in the year.

IV. ISSUES SURROUNDING BLOCK GRANTS

A. Advantages - Proponent Arguments

Block grants have been proposed and enacted over the last 30 years for a number of reasons. However, several common objectives are cited by most block grant proponents. Two of the most often sought are (1) economy and efficiency, and (2) decentralization and flexibility. Block grants have also been associated with other purposes, including coordination, innovation, and non-federal control.

1. Economy and Efficiency

This objective has been closely linked with the consolidation of categorical aid. Block grant proponents argue that economy and efficiency would occur as a byproduct of the authorization of funds to be used in a broadly defined functional area rather than in several narrowly specified categories. Savings would result in the following areas:

1. Duplication among federal assistance programs serving similar functions and needs would be reduced;
State and local recipients would determine the mix of activities best suited to meet their needs;

- Wide scope and structural simplicity would help lower administrative costs;

- Recipients would not have to comply with numerous and inconsistent planning, organizational, personnel, paperwork, and other requirements associated with interrelated but separate programs; and

- Federal administrative costs would be reduced as states accept the responsibilities for planning, application review, regulation enforcement, and monitoring and evaluation.

2. Decentralization and Flexibility

The concept of federal decentralization is the key characteristic differentiating a block grant and a categorical program. Under the categorical programs the decisions regarding program priorities, implementation, and administration lie with the federal government. However, under the block grants, recipients are encouraged to identify and rank their problems, develop plans and programs to deal with them, allocate funds among the various activities called for by these plans and programs, and account for the results. In the past, the role of the federal government has been to promulgate regulations and guidelines, provide advice and assistance to recipients during the various stages of implementation, consider plans prepared by grantees, maintain financial records, perform periodic audits, evaluate performance, and report to the President and the Congress on the achievement of national objectives. This type of balance between the federal government and state and local grantees has been seen as an important basis for the successful implementation of a block grant program.
3. Coordination

Block grants have been seen as having significant potential to achieve coordination between programs with similar goals and objective. They can eliminate federal intradepartmental coordinative problems arising from numerous categorical programs in the same functional area. It is possible that block grants could in fact have a system-building effect, by requiring participation and cooperation among functionally allied agencies. At the state and local level, block grants can viturally eliminate the problems arising from several categorical programs which are funded to accomplish the same, or similar objectives. This "overlapping" of services is seen as a waste of federal monies; however, with the coordinated effort available through block grants, these problems could be eliminated.

4. Innovation

Another objective sought by block grant proponents is innovation, i.e., recipients would use federal funds to launch activities that would otherwise not be undertaken. This purpose reflects the belief that the block grant should have a stimulative effect in addition to providing support for ongoing activities and relief from fiscal strain. Realization of this objective depends on several factors including the structure and size of the block grant, as well as the needs and resources of the recipient population.

5. Non-Federal Control

Block grants are often controlled by elected chief executives, legislative officials, and administrative generalists at the state and local level. This is an important corollary to decentralization, since policy decisions are made by those who are presumably aware of and accountable to community interests. The intent is to curb the pressures of the func-
tional specialists and interest groups that have been generated over time by categorical programs and to restore the local generalist to an authoritative position with regards to federal funds in his or her jurisdiction. General purpose governments -- as opposed to private non-profit organizations, special districts, and public authorities -- are the prime recipients of block grants. However, these jurisdictions can contract with such bodies to perform particular aspects of service delivery. The basic point, however, is that final responsibility for coordination and accountability would rest with those who are directly elected by the people or those who are administratively responsible to such officials.

B. Disadvantages - Opponent Arguments

The enactment of block grant legislation has, from the onset, been strongly opposed by most civil rights, minority, and low-income groups. Their concerns stem from past experiences with state-administered programs and prior block grants, and have been fostered by their experience under existing block grants. The areas of greatest concern include targeting, accountability, fraud and abuse, citizen participation, civil rights, fund distribution, and maintenance of efforts.

1. Targeting

One of the main objectives of most federal categorical programs is the delivery of services to those persons with the greatest need. This is done through the enactment of specific criteria regarding eligibility requirements, such as income, age, and special needs. In addition, special efforts are typically made to target minority groups. Under some block grants, such criteria are determined by the federal government, thereby ensuring that federal targeting objectives are met, and that programs serve those individuals and communities for whom they were designed.
However, many block grants, including most of those recently passed by the 97th Congress, have no such provisions in their legislative language. There are few requirements for targeting low-income, minority or special needs populations. Instead, state governments are given the discretion to allocate funds in whichever way they deem proper. Opponents of block grants fear that all, or a large part, of each block grant's fund will be allocated to less needy individuals or communities, while truly needy populations suffer from a lack of services.

2. Accountability

Data collection and record keeping are often of very low priority in the administration of block grants. Previous block grants have been beset with problems which stemmed from a lack of data on how money was being used and uncertainty as to who was being served. The federal government thus has little control over state or local attempts to meet national objectives, and in fact is often unable to determine whether such attempts were ever even made. This dearth of information makes it impossible to assess the success or failure of a given block grant, making it difficult to institute changes which would better the program, or duplicate those aspects which worked well. Opponents of block grants feel that such accountability is essential, and without a sound and detailed system of data collection and reporting as well as regular federal monitoring, it is impossible to assure that funds are used appropriately and effectively.

3. Fraud, and Abuse

With few provisions for evaluation or accountability, block grant funds are seen as much more susceptible to fraud and abuse than categorical monies. As with early CETA and Title XX block grants, state and local administering jurisdictions are able to fraudulently use the block grant
monies for their own purposes, or to fund ineligible programs, communities or individuals. It is felt that only through strong evaluation and accountability requirements, such as those found with categorical programs, can such fraud and abuse be systematically determined and deterred.

4. Citizen Participation

Local citizen participation in the planning, implementation and evaluation of federal programs is seen as an important means for individuals to have input into the system of service program delivery. Many federal categorical programs call for some type of citizens advisory council, open hearings, or other type of involvement by those persons who will directly benefit from the program. Requirements are often specified for assuring representation of low-income, minority, and neighborhood representatives. This permits citizens to express their opinions, offer their recommendations, and relate their concerns. Such participation also provides a system for local monitoring of how programs are operated. Under most block grant programs there are no provisions for citizen participation. Opponents of block grants feel that it is important for citizens to be given the opportunity to influence the operation of programs which directly affect them. Citizen participation and monitoring are viewed as protection against fraud and abuse, and as a means of assuring that target group concerns are heard.

5. Civil Rights

During the last decade minority groups have actively sought, and received, legal assurances that their civil rights would not be violated under any federally funded program. These provisions were legislated through the Civil Rights Act of 1965 and more recent legislation and amendments, and enforced through civil rights offices in the federal
agencies and through the U.S. Department of Justice. The implementation of civil rights laws, while not fully successful, has resulted in momentous changes in the enforcement of nondiscrimination policies at the federal, state and local levels. Block grants do not, for the most part, include specific provisions for the enforcement of civil rights or equal employment opportunity requirements, although the activities undertaken fall within the coverage of current civil rights legislation. With no funds or procedures for civil rights enforcement, block grants could lead to increased discrimination, with no means for individuals to challenge inequalities except through individual, expensive, and lengthy court battles.

6. Fund Distribution

Under federal categorical programs, funds are distributed based on strictly mandated requirements which are developed by Congress or by the federal agency with jurisdiction over the program. This centralized system is designed to ensure a fair and pre-planned distribution of monies, based on need, rather than on political patronage or other outside interests. These requirements are directly linked to targeting provisions. It is felt by most opponents of block grants that the block grant system, which includes few or no guidelines for the distribution of funds, will foster the distribution of money based upon political interests rather than on true needs. Such distribution will have a serious impact on many impoverished communities which truly need the services, but lack the political influence necessary to acquire the funds. Programs may also be eliminated based upon political antagonism between state and local officials. It is thought that in many states such vital
programs as Legal Services and Community Action Agencies will not be funded by state officials, since these programs have historically been very controversial in many states. Only those programs, communities, and individuals with strong political power -- whether through high voter participation rates, membership on key state and local councils or commissions, or personal acquaintances -- will be assured of continued funding under those block grant programs without federal mandates regarding the distribution of funds.

7. Maintenance of Effort

Many opponents of block grants fear that some programs which are successfully operating under current categorical programs, and having a significant impact on those persons or communities which they serve, might be indiscriminately eliminated by state officials under the block grant system. Without some provisions for the maintenance of existing efforts, continuity may be broken, and the delivery of essential services may be interrupted, curtailed, or totally abolished. Since needy individuals and communities have come to rely on many of the programs funded categorically, such actions would have a debilitating effect on them. They would be left without alternative means of meeting their needs. There is a real possibility that certain programs which exist in their areas will be eliminated during the implementation of block grants.

V. STATE ACTION ON BLOCK GRANTS

Under the block legislation passed by Congress recently, states were designated to receive funds from the federal government to provide for specified services. There were no stipulations to the legislative language regarding who in the state would have primary jurisdiction over the admin-
istration of these funds. Each state is expected to determine how it will administer the block grants, whether the authority will lie solely with the governor's office or whether the state legislature will be involved in determining how monies will be allocated. Most states have yet to make this decision, although a few have already acted by appointing advisory committees, drafting legislation, or meeting with state and local organizations.

Several coalitions have recently been organized by concerned individuals and community groups. These state and local coalitions have organized in efforts to involve themselves in the planning and implementation of the block grants in their states. They have been pursuing a number of different strategies. Some have started negotiations with their governors or with others in the Executive Branch, while others have focused their attention on the state legislatures. All have been pressing for decision-making procedures and standards which will protect the interests of the people whom the categorical programs were expected to serve, especially low-income and minority groups. Some examples of state level activity follow.

The California Coalition of Hispanic Organizations and other groups have worked with state legislators who have introduced a bill in the California legislature that would provide one year of "hold harmless" funding. That provision would ensure that projects previously funded by categorical programs would receive continued funding under the block grants. The funding levels will be based on last year's levels, with a percentage decrease equal to the amount approved by Congress for that particular grant. The amount available for the state's administrative costs would be based upon the amount previously used by the federal
government for their administrative costs. The bill also would establish a study commission, composed of 60 percent community group representatives, that would recommend to the governor and state legislature how best to maintain state services in programs affected by block grants. (A second version of the bill would give the commission authority to set priorities for state services on its own.)

In New York State, a statewide coalition (SENSES) has reached agreement with the Governor — who opposes the federal block grant legislation — that eight representatives of the coalition will be invited to attend sessions of the commission of state officials who are responsible for developing block grant policies for that state.

The New Jersey Block Grant Steering Committee has been meeting with the state human services commissioner on state policy on service delivery under the block grants. The steering committee is encouraging the state to decrease direct service delivery and increase its purchase of services from community groups and other nonprofit agencies in a wholesale restructuring of how the state provides services.

In Arizona, the Governor began meeting with several citizens' groups in May in an effort to solicit their opinions concerning the implementation of block grants in that state. A 21 member advisory committee was then appointed to develop alternative plans for the distribution of funds under the block grants. Several methods have been discussed by the committee and are being reviewed currently.

The Coalition for Sensible and Humane Solutions in St. Louis has prepared a Bill of Human Rights which addresses a series of block grant issues. The Bill was adopted in large part by the Missouri House of Representatives. In its final form the Bill of Human Rights sets forth five principles for block grants. The principles include:
1. Civil rights protections;

2. Accountability and openness to the public on the use of funds;

3. Open hearings and thorough review by citizens and state legislatures;

4. Rejection of block grants that are "merely temporary steps toward the abolition of federal funding"; and

5. Establishment of procedures whereby citizens can appeal illegal or arbitrary actions by government agencies.

It is noteworthy that the Missouri House did not adopt a sixth principle advocated by the Coalition -- distribution of funds on the basis of need, with the "truly needy" receiving top priority.

Other coalitions nationwide are beginning negotiations on such issues as:

- Whether the state legislature should be actively involved in allocating block grant funds, or whether the responsibility should be lodged exclusively with the Governor;

- What standards of openness and accountability should be included (the equivalent of the federal Freedom of Information Act, a procedure for administrative complaints, public hearings, etc.);

- Whether the funds should be targeted on the basis of need (personal income, distressed neighborhoods or rural areas, special needs, etc.);

- Whether there should be a limit on how much money can be spent on state administration (from $0 to a fixed percentage);

- Whether there should be a special emphasis on contracting out service delivery functions to community-based groups and nonprofits, or a set-aside for such groups.

It is uncertain at this time exactly what effect the aforementioned tactics will have on the implementation of block grants in the states. Input from citizens, however, is essential in light of the rushed environment in which many state officials will be working. If concerned
individuals do not express their opinions on issues which are important to them, it is probable that those aspects will not be considered when key decisions are made regarding administration and funding under the block grants in their states.

VI. CONCLUSION

The Congressional passage of the new block grant proposals is unquestionably one of the most momentous changes in the administration of federal programs in the last 50 years. The long-term impacts of these proposals are impossible to determine, yet there is no doubt that block grants will revolutionize the system under which federal programs operate. The simple matter of such a large number of block grants being instituted simultaneously is in itself of great consequence. Previously, a single block grant was passed at one time, making it easier for states to prepare for the assumption of responsibility and affected communities and individuals to better prepare for the change. With the simultaneous passage of eight block grants, and the possible future passage of several more, states and community members are ill-prepared to realistically assess how programs should be funded and administered.

This issue, coupled with others previously outlined, serve as a source of great concern among civil rights, low-income, and minority organizations, such as the National Council of La Raza (NCLR). The Council plans to work with other local, state and national organizations to closely monitor the implementation of block grants at the state and local levels. NCLR will also be involved in efforts to actively oppose future block grants or reductions in the funding levels of existing ones.
It is the Council's hope that such actions, in conjunction with other efforts at the state and local level, will lessen the negative effects which it perceives block grants will have on low-income and minority groups throughout the nation.
NEW BLOCK GRANTS

**Education**

Title I of the Elementary and Secondary Education Act (Education for the Disadvantaged) is preserved in nature. Formula distribution is maintained, but most protections and requirements are weakened (e.g., no parent advisory councils mandated). Funding for Title I will be at $3.8 billion for FY '82, a slight increase from this year's $3.104 billion funding level.

Title II of the block grant will consolidate 28 programs, including basic skills, special programs, educational improvement, emergency school assistance, Teacher Corps, community schools, etc. These programs will remain categorical for FY '82 and be block granted in FY '83. Funding is set at $589 million per year, as compared to a total program funding of $610 million currently.

**Social Services**

New block grant for Title XX was enacted which excludes Child Welfare Services and Foster Care and Adoption Assistance, which will remain categorical. The block grant is funded at $2.4 billion for FY '82, with $50 million increases yearly through FY '86. This is approximately a 23% reduction from $3 billion in FY 1981.

**Community Development**

The Community Development Block Grant (CDBG) program is essentially continued as the current program, but with less federal control over applications and greatly reduced guidelines for use of funds. The block grant is funded at $3.66 billion for FY '82, $500 million less than the FY '81 funding level, with a 30 percent set-aside for the Small Cities Program. States may elect to administer the Small Cities Program, or leave the control with HUD. The Urban Development Action Grants (UDAG) Program was kept as a separate categorical program with $500 million yearly funding for FY '82 and '83.

**Community Services**

There is a separate block grant for most programs previously funded by the Community Services Administration (CSA) (excluding community economic development programs and programs for native Americans, which will remain categorical). Funding for the block grant will be capped at $389 million, from an FY '81 level of $489 million, with $354 million of this earmarked for community-based organizations. States can choose to accept the block grant in FY '82 or to allow the Department of Health and Human Services (HHS) to administer it for that year.

**Maternal and Child Health**

This block grant includes maternal and child health programs and programs for disabled children's care, sudden infant death syndrome, adolescent pregnancy, hemophilia, lead-based paint poisoning, and genetic disease. There is an 18 percent funding reduction from FY '81 with a total authorization set at $373 million.
The block grant includes home health, rodent control, fluoridation, health education, health incentive grants, emergency medical services, rape crisis centers, and hypertension programs. There is a funding reduction of approximately 25 percent for FY '82, with a total authorization of $95 million.

This block grant includes alcohol abuse, drug abuse, and community mental health centers. Previously funded mental health centers must receive continued support for FY '82 - FY '84. A funding reduction of approximately 24 percent is set for FY '82, with total funding of $491 million.

Community Health Centers will be the only program in this block grant, with FY '82 funding at $280 million. In FY '82 it will remain categorical, under federal supervision. However, in FY '83, states may choose to assume control of the block grant or to simply leave control with the federal government. Should states assume control, they are required to fund every community health center which received funds in FY '82 and must also match federal funding at a 20 percent level for FY '83 and a 33.33 percent level for FY '84. No federal funds may be used for administration.