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TESTIMONY  
PRESENTED BEFORE  
THE SENATE BUDGET COMMITTEE  
BY  
WILLIAM M. DIEFENDERFER, III  
DEPUTY DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET  
FEBRUARY 20, 1991

Mr. Chairman, Members of the Committee, it is a pleasure to be with you today to outline the general concept and philosophy underlying the President's initiative to turn over a number of Federal programs to the States, consolidating them into a single block grant.

WHAT IT IS:

The general concept of the initiative is straightforward. We will work with State and local governments, and the Congress, to select several Federal grant programs for "turnover." We would then take the money that would have been budgeted at the Federal level for the next five years and convert it into a single block grant, thus providing the States with the ability to manage the funds more flexibly and more efficiently.

The funding for the new block grant would approximate the same distribution to the individual States as they would have received under the present program structure -- seeking to ensure that no State would be harmed by the proposal.

THE WAY IT WOULD WORK:

Some very basic principles guide the way the program would work.

First, the list of federally funded programs must be mutually agreed upon -- by the Administration, the States and localities, and the Congress.

Second, the proposal is not some sort of budgetary gimmick designed to reduce the Federal budget or specific Federal programs. The Administration is committed to funding these programs at the projected levels for the next five years.

Third, the proposal is not revenue sharing. Once the final mix of programs is decided, the States would use the funds provided in the same areas as the original programs, although not necessarily in the same proportions and same ways.

Fourth, as I have mentioned, the proposal will have neither winners nor losers. Once a list of programs has been agreed upon, and a current funding level determined, we will calculate, on a State-by-State basis, what the funding level should be, based on the current distribution of funds in the programs that would be turned over.

Finally, the list of "Potential Block Grant Programs" in the Budget is just that -- "potential." The list, in effect, provides in the 11 suggested programs illustrative examples of what might be turned over. These total more than \$21 billion in Federal spending. We are already working with organizations that represent State and local governments to select at least \$15 billion in programs for turn over.

#### WHY DO IT:

The reasons for our proposal are as follows.

- o The proposal allows the States and localities to manage a pool of resources more flexibly and efficiently.
- o The proposal allows those in the best position to determine the needs of their citizens to be free -- to target and focus Federal assistance in accordance with each of their circumstances and to provide for innovation, as "laboratories of democracy."

This last point is important. As the President suggested in his State of the Union address: "The Federal Government too often treats government programs as if they are of Washington, by Washington, and for Washington." The President urged a more dynamic life cycle: "Some programs should increase. Some programs should decrease. Some should be terminated. And some should be consolidated and turned over to the States."

Another reason for our proposal is the growing number of specific grants to State and local governments. In 1980, there were 428 such programs. That number was reduced to 297 following enactment of ten block grants in 1982. But, by 1990, the number had not only climbed back to where we were a decade ago, but increased even further to more than 450!

Once again, we need to reduce Federal overload. Experience with the block grants enacted in 1981 and 1982 has shown that greater efficiency can be achieved if State agencies have more flexibility in administering programs. As you may know, the General Accounting Office has historically supported the use of block grants as a way to "decongest" the Federal system and

provide a clearer focal point for accountability. GAO has found that the States reported widespread management improvements under the 1981 block grants. These focused on reduced time and effort preparing applications and reports, improved planning and budgeting practices, and better use of staff. The GAO concluded that block grants work, and work well.

Our proposal would also permit reductions in regulation and associated paperwork. The 11 candidate programs on our list are currently subject to 1,028 Federal Register pages of regulation, requiring an estimated 4.2 million hours of paperwork each year. To gauge the opportunity for simplification, one has only to look at the nine block grants established by the Omnibus Budget Reconciliation Act of 1981. The number of Federal Register pages was reduced from 905 to 31, and paperwork was reduced by 5.9 million hours, or 91 percent.

#### WHY THESE 11 PROGRAMS?:

Let me restate what Director Darman told members of this Committee last week. "Conceptually we are firm. With respect to specific programs, our list is strictly illustrative." Let me give you a sense of why we picked these program as illustrative.

First, in the area of education:

- 1) Impact aid payments to local educational agencies compensate them when Federal activities result in increased enrollments or losses of local revenue. The impacts are local; the States are in a better position to gauge the need for assistance.
- 2) Supplemental Educational Opportunity Grants go to post-secondary schools to supplement Pell grants and other student aid. They are "campus based" and not portable. The Budget proposes increases in the Pell grants program and an increase in school matching for the SEOG program from 15 percent to 50 percent. The States are in a better position than we to judge how these dollars might best be allocated.
- 3) The Chapter 2 Block Grant Program makes formula grants to States and local educational agencies (based on school-aged population) to improve the quality of elementary and secondary education in both public and private schools. Why not let the States determine the best uses of these education funds?
- 4) Public library programs help libraries; the largest of these programs consists of formula grants to States. If these programs remain Federal, the Budget proposes

to limit their use to support of local library literacy efforts. Again, why not let the States decide how best to help literacy and libraries?

Second, in the area of environmental protection:

- 1) EPA's construction grants program provides funds to States to build municipal and regional sewage treatment facilities. Since over 90 percent of treated sewage flow is now treated at the secondary level, Congress has proposed a phase out of this program over time. The States are in a better position to judge the remaining needs and allocations.

Third, in the area of health and human services:

- 1) State welfare administrative expenses are currently reimbursed at varying rates by the Federal Government in connection with the Medicaid, Aid to Families with Dependent Children, and Food Stamp programs. The block grant proposal would permit consolidation of administrative reimbursement, eliminating separate accounting by program.
- 2) The Social Services Block Grant provides funds to States to support a variety of social welfare programs. Inclusion of this program permits State and local governments to manage their efforts in this and other areas more flexibly.
- 3) The Low-Income Home Energy Assistance Program provides money to States to help poor families pay their heating bills. Consolidation of this program in the Administration's proposal will allow States to determine the best way to provide supplemental income to poor people.

Fourth, in the area of housing and community development:

- 1) Five public and subsidized housing programs are included in this proposal. These provide funds to Public Housing Authorities and others to assist low-income housing through rental subsidies, rehabilitation, crime and drug reduction, and management services. These are all local needs, better dealt with at the State and local, not Federal and local, levels.
- 2) The Community Development Block Grant Program funds housing rehabilitation, economic development, public works and social services through grants to cities and States. These again are matters over which the States will have a better sense than the Federal Government.

And finally, in the area of law enforcement:

- 1) The Byrne Memorial State and Local Law Enforcement Assistance Program provides formula and discretionary grants to States and local communities for various crime and antidrug programs. Consolidation of these programs would provide greater flexibility to the States in dealing with these problems.

These 11 programs were selected to serve as examples of the kind of programs that should be considered for turnover to the States. The programs all involve State and local responsibilities; most of them are already largely managed at the State and local level. By and large, we felt that these programs provided good examples of Federal activities that could be better managed closer to home.

Again, let me emphasize that the 11 programs or program groups in the Budget were listed primarily as examples of what might, or could be, consolidated. They are not a final list, but rather a starting point for discussions with the Congress, and State and local government. These discussions are under way, and we will be providing details to the Congress in the coming weeks.

CONCLUSION:

This is a serious proposal. We have given it serious thought and consideration. We know you will give it serious thought and consideration. We also know our partners in government, the States and localities, will give it serious thought and consideration.

We have been enormously encouraged by what we have heard so far. The Governors have been strongly supportive of the concept. You have heard from Governor Ashcroft (currently Vice Chairman of the National Governors' Association). State legislators are also supportive. We have received letters from the National Conference of State Legislatures and the American Legislative Exchange Council. We have also heard, among others, from the President of the Louisiana Senate, Samuel Nunez; the former Speaker Pro Tem of the Colorado House, Paul Schauer; and the Minority Leader of the Illinois House, Lee Daniels.

At the same time, we understand the problems presented to us last week by various representatives of local governments regarding the Community Development Block Grant Program. We have asked them to provide us with a proposal in this area that would meet their concerns. We have also heard from mayors who support the full and open discussion of Federal programs that can be administrated at the State and local levels. Among them are the

mayors of Madison, Wisconsin; Modesto, California; and North Charleston, South Carolina.

But, most important, I would urge each of you to attempt to focus the debate on the concept. Then, let's decide where we can agree on specific programs, and move forward to construct a list of programs for turnover that is mutually agreeable and beneficial to all.

One last point. The President's target of at least \$15 billion seems a reasonable minimum. It requires a substantial sum to test a new concept. We propose to select the programs, with the advice of the States and localities, and we propose to commit to fund them fully over at least a five year period. Some have suggested that these programs will be vulnerable once lumped into a block grant. I would suggest they will be equally vulnerable if they remain separate in the appropriations process.

We are not proposing to turn over programs of our choosing, and we are not proposing to turn over programs with built-in growth potential down the road and no funding commitment. In this proposal, you get the money when you get the program.

Thank you for allowing me the opportunity to clarify and amplify the Administration's goals and objectives with regard to this "turn-over" initiative.

I will now be happy to take your questions.

budget proposes funding for major technological advances in high-speed rail and "smart cars/smart highways," which could help relieve the stress on the current system. (See Chapter IV.D.)

- The budget would continue to modernize the national airspace system ("NASPLAN")—increasing funding for Federal Aviation Administration facilities, equipment, and systems by 29 percent, to \$2.7 billion.
- Within the budget for space exploration and development, there is funding for the space shuttle, a new advanced solid rocket motor (ASRM), a new advanced launch system (ALS), and a national aerospace plane (NASP). As the use of space becomes increasingly relevant, these essential elements of the space transportation system should be better understood—and funded—as a vital part of America's infrastructure investment. (See Chapter IV.C.)

#### (10) Governmental Management Reform

Any 1.4 trillion-dollar-per-year enterprise (e.g., the Federal Government) is bound to show signs of failure in one place or another. But the public is demanding; and respect for governmental performance remains understandably low. There is much room for management improvement.

Discontent with government is often visible (and deemed to be newsworthy). The less glamorous issues of management improvement typically are not. Nonetheless, management reform continues to be advanced:

- *Budget process reform.* The Administration is implementing the important and valuable reforms of the 1990 Budget Agreement—enforceable spending caps, "pay-as-you-go," and credit reform. Beyond these, the Administration continues to seek the line-item veto, joint (not concurrent) budget resolutions, biennial budgeting, and a balanced budget Constitutional amendment. (See Chapter IX.D.)
- *Regulatory reform.* The principles of regulatory reform continue to be advanced through the President's Competitiveness Council and the Office of Information and Regulatory Affairs—and through broader

application of Risk Management Budgeting. (See Chapter IX.C.)

- *Accounting reform and oversight.* The budget continues to expand its analysis and presentation of "Hidden Liabilities." (See Chapter VIII.) The Administration is implementing the new Chief Financial Officers legislation—improving accounting standards, financial reporting systems, and audits. The budget explicitly identifies High-Risk Areas of vulnerability to fraud, waste, and abuse. And, as appropriate, the Administration is engaging special teams in the effort to reduce these vulnerabilities. (See Chapter IX.A.)
- *Reducing waste and improving returns on investment.* This is not only a problem of accountancy and oversight, as suggested above. It is also a problem requiring greater program evaluation and a willingness to terminate outdated or ineffective programs and projects. (See Chapter IX.B.) The problem, however, goes beyond conventional matters of accounting and evaluation—as discussed further below.

#### PROGRAM LIFE-CYCLES—AND STATES AS LABORATORIES

Clearly, the government has a need and a responsibility to improve the return on investment of Federal dollars. And improved accounting, analysis, and evaluation have an important role to play in this effort. But beyond these rather technical issues, there are larger structural issues that also require attention.

Fortunately, the 1990 Budget Act creates a framework that can encourage a more basic reform perspective.

The discussion of Entitlement Reform (above) has highlighted the budgetary "take-over" by mandatory programs—and the tendency of such programs increasingly to benefit the non-poor. The pay-as-you-go reforms may serve not only to restrain the further expansion of "mandatories." They should also encourage greater anti-poverty efficiency in the design of such programs.

With respect to discretionary programs, the effect of budget process reforms may be an even more direct increase in attention to pro-

gram efficiency, effectiveness, and return on investment. This should be a natural outgrowth of the existence of fixed, enforceable caps on discretionary spending. With unequivocal limits on available resources, competition on the merits should increase.

As one begins to think about returns on investment, it is perhaps interesting to consider how much Federal spending might be considered "investment" at all. This question involves highly arguable definitional issues.

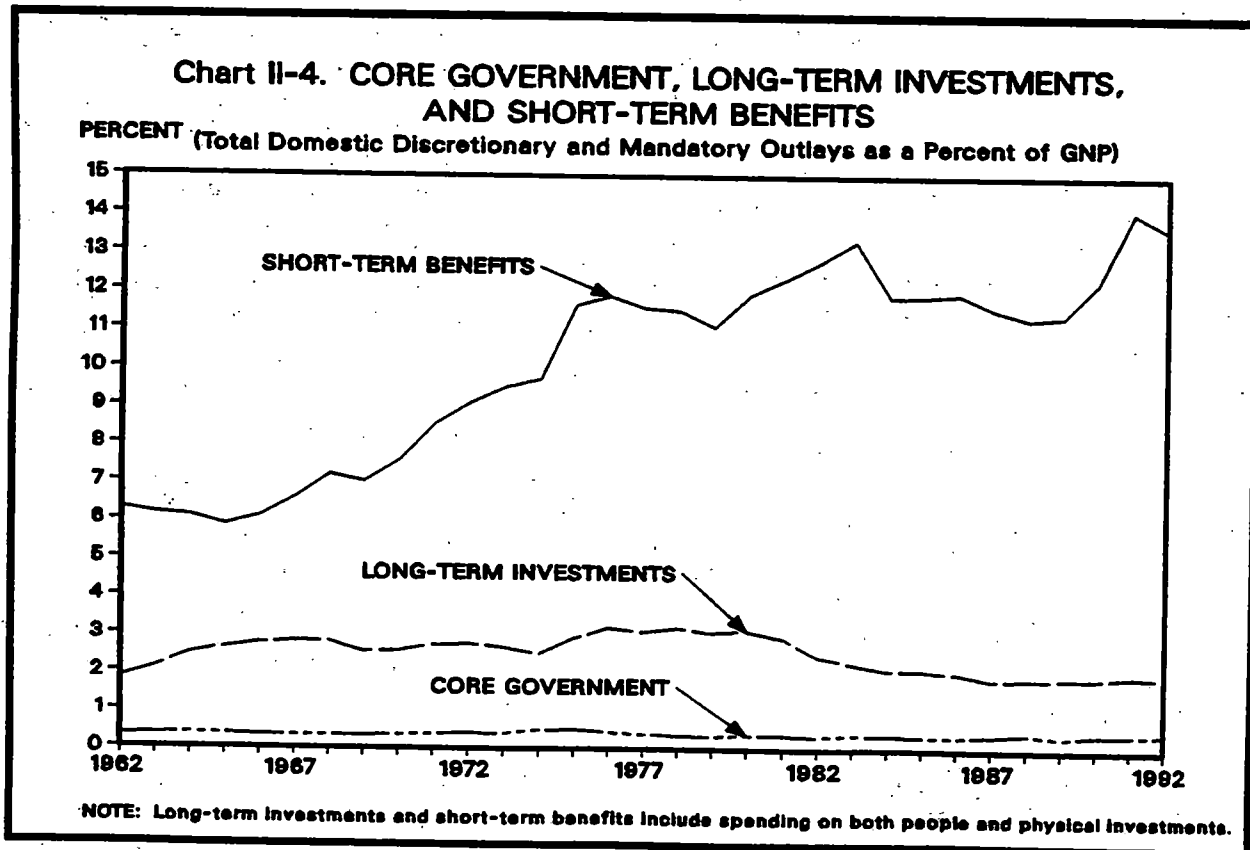
If one puts defense aside, and looks at how much nondefense spending is oriented toward longer-term investment (returns accruing over a period greater than five years), one finds that expenditures for short-term benefits clearly dominate. Long-term investments have been declining as a percent of GNP. (See Chart II-4.) This is, in part, a reflection of the budgetary "takeover" by transfer payments to individuals ("mandatories").

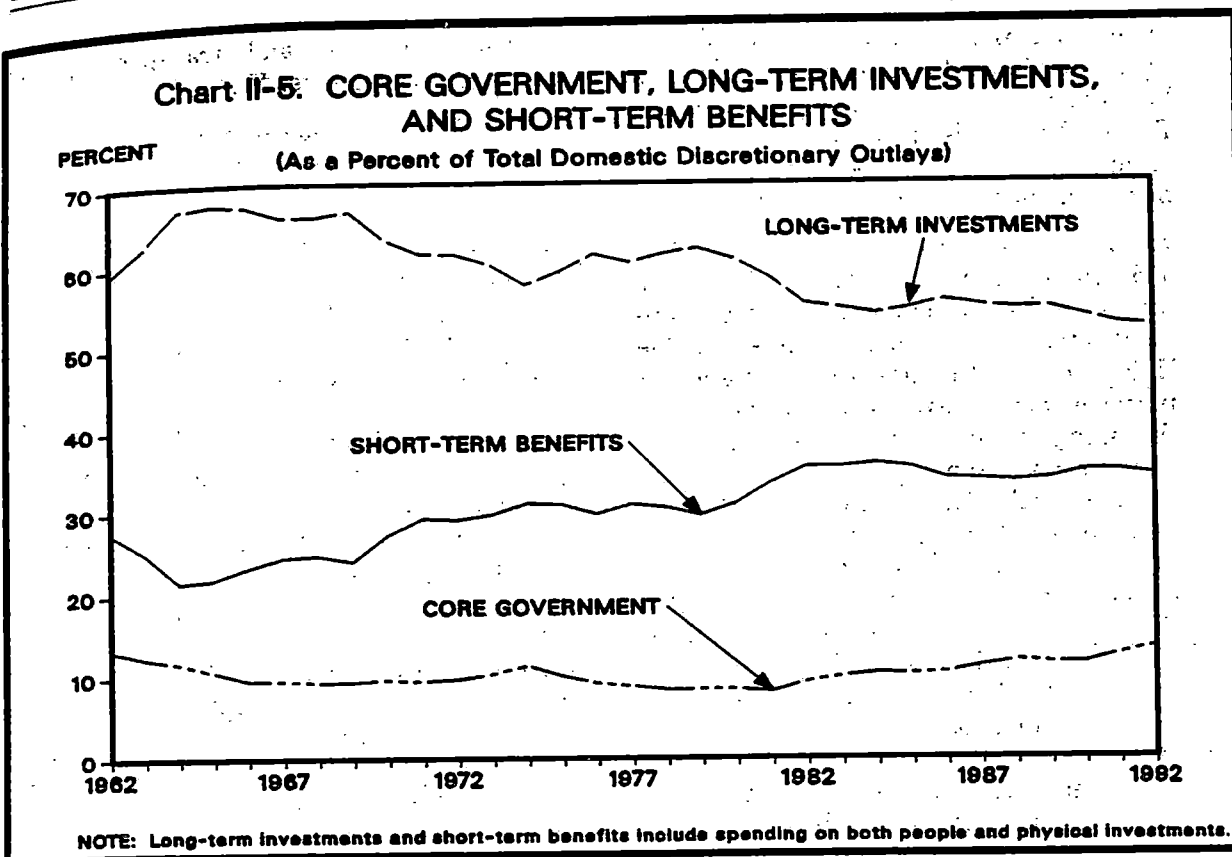
But even if one focuses only on domestic discretionary programs (*i.e.*, excluding mandatories), one finds that longer-term in-

vestments have been decreasing as a share of domestic discretionary spending. (See Chart II-5.) The President's budget seeks to correct this trend by increasing investment in R&D, prevention, early childhood, and transportation infrastructure—areas with higher return.

The expectation of a possible shift toward investment in programs with higher return may, of course, prove to be no more than a request and a hope. The existing domestic discretionary program structure has, to date, proven to be rather rigid. Reform will require a new flexibility and a new dynamic.

In the past, domestic discretionary programs often came into existence to address one alleged "urgent priority" or another. The urgency may have derived from a transitory emergency, a desire for "demonstration," or a perceived need for Federal leadership in areas where States and localities were slow to recognize or accept responsibility. As an abstract matter, this rationale may have been legitimate.





Once in existence, however, programs have tended to become fixtures in the budget. There is, in practice, little evidence of a program life-cycle—other than a move toward immortality.

In a world of fixed spending caps, there will be no room for emerging priorities if the programs-of-old remain immortal. To allow adaptation to shifting priorities, there will have to be a more dynamic concept of program life-cycles:

- Some programs and projects will have to die. This should be the case, for example, when a program (whether demonstration or not) has proven a failure, or when the urgency of a past priority has been overtaken by events. It should also be the case when a demonstration has proven a success and is, therefore, available for replication and funding through other sources. In applying these principles, this budget proposes the outright termination of 238 specific domestic discretionary programs and 3,591 specific projects. These terminations would save \$4.6 billion in

budget authority in 1992. (See Chapter IX.B.)

- Some programs should decline. This should be the case when their relative priority is judged to have decreased. This budget proposes declines of \$8.3 billion in budget authority from an additional 109 domestic discretionary programs. These programs were funded at a total of \$27.4 billion in 1991. Reasons for proposed reductions are presented in Chapter IX.B.
- Some programs should increase. The reductions and terminations noted above help finance program increases in areas judged to merit higher priority or improved return on investment. 250 domestic discretionary programs are specifically recommended for increases totaling \$17.8 billion. (See Table B-6 in Chapter IX.B. and the associated detail in Chapter XIII.)
- Some programs should be consolidated and turned over to the States—funded in more flexible form. Programs appropriate for such turnover may be selected from two

broad categories: those whose purposes are judged by States to be of continuing value, but whose relative funding priority at the Federal level is declining; and those which seem, in any case, to be appropriate for flexible management by the States.

The President has established a target of \$15 billion in program turnovers for the States. A list of possible turnover candidates totaling over \$20 billion is at Table II-9. The actual selection of programs for turnover would have to be authorized by the Congress—in consultation with the Administration and the Governors. (After the actual selection is determined, the current distribution of such programs by State would be calculated. The Administration would then propose to replace these programs with a single consolidated block grant to the States. The formula for this new block grant would approximate the same distribution to the individual States as they would receive under the present program structure—seeking to assure that no State would be harmed by the move to a new, consolidated block grant.)

The value of this turn-over approach is as follows. It allows the Federal Government to reduce overhead. It allows States to manage a pool of financial resources more flexibly. It moves power and decisionmaking closer to the people. And it reenforces another reformist theme of this Administration: appreciation and encouragement of "States as Laboratories."

This last point is especially important. The American Federal system has within it an enormous power for innovation: the natural variation and experimentation among the States. For too long, this potential has been under-appreciated at the Federal level. Nonetheless, the reality is that some of the most interesting examples of innovation are being set by the States—in areas ranging from educational choice, to enterprise zones, to health cost control,

welfare reform, and transportation finance. (See Chapter VI.)

The Administration seeks to reenforce this natural power of the States—and to help build upon it.

In sum, the opportunities for constructive reform are many. (See Table II-5.) Incentives for choice, innovation, and improved performance can be advanced in education. Investment in path-breaking R&D can be increased. The financial service sector can be modernized. Tax incentives for saving and long-term investment can be strengthened. The budgetary "takeover" by "mandatory" programs can be slowed; and the benefits of entitlements can be better targeted for the needy. The problems of the health system can be alleviated, to some degree, by physician payment reform, malpractice reform, and an emphasis on prevention. The National Drug Control Strategy can be carried forward aggressively to its next stage. The approach to housing can be improved by greater emphasis on choice, homeownership, and Enterprise Zones. Stresses on the transportation infrastructure can be relieved. And the government itself can be managed better—through budget process reform, accounting reform, program evaluation, regulatory reform, and reenforcement of the innovative power of "States as laboratories."

These reforms can all be accommodated within the "flexible freeze" (with total spending growing at less than the inflation rate) and within the limits of the 1990 Budget Act.

If these reform measures are adopted—and assuming satisfactory resolution of the Gulf crisis in the not-too-distant future—the economy can not only return to economic growth. It can move on toward a new record for economic expansion as America advances to the 21st century.

RICHARD DARMAN  
DIRECTOR,  
OFFICE OF MANAGEMENT AND BUDGET

**Table II-6 SPENDING, REVENUE, AND DEFICIT, 1991-1996**  
(Dollar amounts in billions)<sup>1</sup>

	1991		1992		1993		1994		1995		1996	
	Dollars	Dollars	% Change	Dollars	% Change	Dollars	% Change	Dollars	% Change	Dollars	% Change	
<b>Spending:</b>												
<b>Discretionary:</b>												
Defense .....	307.8	300.4	-2.4	293.3	-2.4	287.6	-1.9	289.2	0.5	293.8	1.6	
International .....	18.7	19.6	4.7	20.4	4.2	21.5	5.1	21.8	1.3	22.0	0.9	
Domestic .....	199.8	212.0	6.1	223.2	5.3	228.9	2.6	231.7	1.2	238.5	2.9	
Subtotal, discretionary .....	526.3	532.1	1.1	536.9	0.9	538.0	0.2	542.7	0.9	554.2	2.1	
Mandatory .....	686.2	707.5	3.1	705.3	-0.3	673.5	-4.5	713.8	6.0	775.6	8.7	
Interest .....	197.0	206.3	4.7	212.0	2.8	215.5	1.6	213.8	-0.8	211.0	-1.3	
Total spending .....	1,409.6	1,445.9	2.6	1,454.2	0.6	1,427.1	-1.9	1,470.3	3.0	1,540.8	4.8	
Total revenues .....	1,091.4	1,165.0	6.7	1,252.7	7.5	1,365.3	9.0	1,467.3	7.5	1,560.7	6.4	
Consolidated deficit .....	318.1	280.9	-	201.5	-	61.8	-	2.9	-	-19.9	-	
<b>Memorandum</b>												
<b>Deposit insurance (included above):</b>												
Resolution Trust Corporation .....	84.6	76.1	-	34.3	-	-47.6	-	-45.7	-	-32.0	-	
Bank Insurance Fund .....	15.9	9.7	-	8.0	-	6.8	-	0.9	-	0.6	-	
FSLIC Resolution Fund .....	11.1	3.3	-	2.8	-	2.2	-	2.7	-	1.5	-	
Savings Association Insurance Fund and Other .....	-*	-1.0	-	-0.8	-	0.4	-	-0.3	-	*	-	
Subtotal, Deposit insurance .....	111.5	88.1	-	44.2	-	-38.1	-	-42.3	-	-29.9	-	
Desert Shield (placeholder, included above) .....	8.2	4.6	-	0.8	-	0.4	-	-	-	-	-	
<b>Social Security (included above):</b>												
Operating surplus .....	40.3	38.7	-	45.3	-	56.6	-	65.5	-	77.2	-	
Interest .....	20.2	23.7	-	28.0	-	32.8	-	38.3	-	44.6	-	
Total .....	60.4	62.4	-	73.3	-	89.3	-	103.9	-	121.8	-	

<sup>1</sup>Percent change measures change from previous year.

\*\$50 million or less.



NATIONAL CONFERENCE OF STATE LEGISLATURES

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**STATEMENT OF MAINE HOUSE SPEAKER JOHN MARTIN, PRESIDENT,  
NATIONAL CONFERENCE OF STATE LEGISLATURES, IN RESPONSE TO  
PRESIDENT BUSH'S BLOCK GRANT PROPOSAL**

JOHN MARTIN  
SPEAKER OF THE HOUSE  
MAINE  
PRESIDENT, NCSL

WILLIAM RUSSELL  
CHIEF LEGISLATIVE COUNSEL  
VERMONT  
STAFF CHAIR, NCSL

WILLIAM POUND  
EXECUTIVE DIRECTOR

I am pleased today to present NCSL's response to the President's block grant proposal.

In February, Governor Sununu asked NCSL and NGA to develop recommendations on the structure of the block grant. Since that time, both organizations have undertaken intensive efforts with their memberships to respond to that request.

Immediately following the President's State of the Union message, I said that state legislators endorsed the concept of a block grant and were anxiously awaiting the next step in the process. Today we take the next step.

We remain very supportive of any proposal that would address NCSL's long-standing concerns about unfunded mandates, preemption and the invasion of state revenue systems. State legislators also hope to use this debate to accomplish other intergovernmental reforms relating to preemption and mandates across the board.

Although the specific programs that Governor Campbell and I offer today in the NCSL and NGA proposals are not entirely the same, this does not mean that there are deep divisions among the states. The somewhat varied approaches instead indicate that there is more than one approach to this consolidation process.

The critical point to be made today is that we are now ready to begin serious negotiations with the Administration and Congress on a legislative package.

**Background**

State and federal governments have long been partners in providing services to our shared citizenry. This partnership has been effective in combining the inherent

strengths of both levels of government and realizing administrative efficiencies. At the same time, it has kept government closest to those being served in areas such as unemployment services, aid to families with dependent children, the highway and mass transit program, sewage treatment and other environmental protection efforts, and the war on drugs.

In recent years, however, the burden on states for providing these services has been growing. Federal funding has steadily declined and, perhaps more significantly, the federal government has increasingly relied on intergovernmental mandates aimed at the states.

Last year, for example, at least 20 additional mandates with a price tag topping \$15 billion were imposed on the states. They range from new standards for clean air and the transportation of hazardous waste to requiring driver's license revocation for certain drug offenses.

This latter trend has resulted in extremely burdensome regulations and earmarks and restrictions on the use of funds that limit the ability of states to make adjustments according to needs.

### **Goals and Objectives**

Proposals to consolidate programs to ease this increasing burden on the states are eagerly welcomed by state legislators. The goals of such consolidation must be to increase both the responsibility and authority of states. Specifically, block grant legislation should have the following goals:

- o Enhance the discretion of state policymakers. Categorical set-asides must be avoided and states must be provided with greater freedom to use funds, including the authority to transfer funds.
  
- o Reduce the regulation of states. Front-end paperwork and post-audit requirements should be reduced, minimal reporting requirements that emphasize process rather than outcomes should be established, and state laws and procedures should be relied upon for the regulatory process.

### **NCSL Proposal**

The nation's legislators recommend eleven block grants in five categories. They include approximately 85 existing, mostly categorical programs, with FY 1991 funding totaling \$21.233 billion. The proposal is consistent with NCSL's ongoing efforts to protect the integrity of the intergovernmental system.

The programs selected include those that have been especially encumbered by regulation and programs that have become subject to excessive categorical fragmentation. Consideration also was given to simplifying current block grants and maintaining trust fund programs funded by dedicated revenue sources.

### **Proposed Block Grants**

<b>Agriculture</b>	<b>FY 91 (millions)</b>
Extension Service	\$366
Rural Economic Development	1,120
<b>Criminal Justice</b>	578
<b>Child Development, Education and Training</b>	
Readiness for School	745
The School Years	3,560
Adult Literacy, Training and Lifelong Learning	2,769
<b>Environment</b>	
Air & Land Environmental Management	337
Water Quality	2,261
<b>Transportation</b>	
National Highway Program	7,453
Highway Safety Program	250
Small Community and Rural Access	912
Metropolitan Mobility Block Grant	882
<b>TOTAL</b>	<b>21,223</b>

### **Essential Criteria**

As we advance our list to begin a serious dialogue with the governors, the Administration and Congress, state legislators recognize that there are other ways of meeting the ultimate goal of this proposal. However, if the final

package is to truly encourage state innovation and flexibility, several specific principles must be respected. Simply put, programs that are not in line with the basic principles of federalism should not be considered for inclusion.

- o Legislation must reduce and streamline existing regulations associated with the grant programs to be replaced. A 'block grant' with strings is not a block grant.
- o Legislation must ensure stable funding, with future funding secured by an automatic adjustment for inflation. New block grants must be set outside of the discretionary spending caps. There must be a commitment that these programs will not become easy targets for future deficit reduction efforts.
- o Program selection should be confined to those that are primarily state-federal programs, or those for which states are the primary beneficiaries.
- o Consolidations should ensure distributive neutrality among the states - Putting states in competition with one another will violate the spirit - and the desired outcome - of the effort.

Clearly, the challenges facing all of us today will require a strong partnership among all levels of government. The President's proposal is an opportunity to begin a new effort to strengthen that partnership to better meet the needs of the country.

We urge the Administration and Congress to review our response and work with governors and legislators to quickly develop a plan that will provide services more efficiently and creatively, will maintain the states as effective partners in the federal system, and will enhance the nation's competitiveness in the world economy.

April 8, 1991

**For additional information, contact Susan Seladones or Kathleen Proa in NCSL's Public Affairs Office at 202-624-5400.**

# National Conference of State Legislatures

## POTENTIAL BLOCK GRANTS -- OVERVIEW

Block grants are suggested in five categories:

1. Agriculture
2. Criminal Justice
3. Child Development, Education, and Training
4. Environment
5. Transportation

Eleven block grants are suggested, combining eighty programs. The programs included received \$21 billion in Fiscal Year 1991 appropriations.

These programs were selected according to certain criteria, including: programs which have become especially encumbered by regulation, programs that have become subject to excessive categorical fragmentation, simplification of current block grants, and maintenance of trust fund programs funded by dedicated revenue sources.

### PROPOSED BLOCK GRANTS

	FY91 (millions)
<b>Agriculture</b>	
Extension Service	\$ 366
Rural Economic Development	1,120
<b>Criminal Justice</b>	578
<b>Child Development, Education and Training</b>	
Readiness for School	745
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National Highway Program	7,453
Highway Safety Program	250
Small Community & Rural Access	912
Metropolitan Mobility Block Grant	882
<b>Total</b>	<b>21,319</b>

**AGRICULTURE****Extension Service**

Would be comprised of the extension service which is a national education network that provides out-of-school, applied education, information, and technology transfer to the public on national issues and concerns. There are sixteen programs that would be included in the block grant. In Fiscal Year 1991, these programs were appropriated \$366.2 million.

**Rural Economic Development**

Would include the FmHA Water and Waste Disposal money; FmHA Community Facility; Rural Development Loan Fund; FmHA Water and Waste Disposal; FmHA Business and Industry; and the FmHA Community Facility. The grants to also be included include the FmHA Water and Waste Disposal; Rural Development; Fire Protection; Solid Waste Management; and HUD Rural Development Councils Disposal. In Fiscal Year 1991, this program was appropriated \$1.1 billion.

**CRIMINAL JUSTICE**

Would combine the Drug Control System Improvement Grants and the Juvenile Justice and Delinquency Prevention Grants into one block grant. In Fiscal Year 1991, these programs were appropriated \$578 million. The Administration has proposed cutting the Drug Control System Improvement Grants and eliminating the Juvenile Justice and Delinquency Prevention Grants in his recent budget proposal.

**CHILD DEVELOPMENT, EDUCATION AND TRAINING BLOCK GRANTS****Readiness for School**

Would combine the Child Care Development Block Grant and the Child Care Licensing Grants into one grant. In Fiscal Year 1991, these two programs were appropriated \$745 million.

**The School Years**

Would combine the following programs: Chapter 2 Education Block Grant; High School Equivalency Program; JTPA Youth Programs; Drop-Out Prevention Demos; Drug-Free Schools and Communities Act; Vocational Education; Foreign Language Assistance Program; Education for the Homeless Youth; Eisenhower Math and Science Grants; and Bilingual Education. In Fiscal Year 1991, these programs were appropriated \$3.6 billion.

**Adult Literacy, Training, and Lifelong Learning**

Would combine the following programs: Job Training for the Homeless; Literacy Training for the Homeless; Community Service Employment for Older Americans; JTPA Adult Training, JTPA Dislocated Workers; Adult Education Act; Vocational Education; Workplace Literacy Partnerships; Workplace Literacy; and Student Literacy Corps. In Fiscal Year 1991, these programs were appropriated \$2.8 billion.

**ENVIRONMENT****Air and Land Environment Management**

Would combine the following programs: Clean Air; Public Water Systems; Underground Injection; Special Studies; Hazardous Waste; Underground Storage Tanks; Pesticide Enforcement; Pesticide

Program; Radon Program and Toxics Enforcement. These programs were appropriated \$336.9 million in Fiscal Year 1991.

### **Water Quality**

Would combine six programs, including the EPA sewage treatment construction program, the largest program included, which received \$2.2 billion in Fiscal Year 1991. Also included are the programs for Clean Water Management, Clean Lakes, Nonpoint Source; Wetlands, and 104 (b) Special Studies. In total, these programs were appropriated \$2.3 billion in Fiscal Year 1991.

## **TRANSPORTATION**

### **National Highway Program**

Would include the Interstate 4-R program; the Primary routes; the Urban System; Bridge Rehabilitation; and Interstate Substitution. In Fiscal Year 1991, these programs were appropriated \$7.4 billion.

### **Highway Safety Program**

Would include: State and Community Highway Safety Programs; Highway Safety Programs; Motor Carrier Safety Assistance Program; Hazard Elimination; and the Rail-Highway Grade Crossing. In Fiscal Year 1991, these programs were appropriated \$250 million.

### **Small Community and Rural Access**

Would include: UMTA Section 18; Rural Secondary Roads; and Bridges. In Fiscal Year 1991, this program was appropriated \$912 million.

### **Metropolitan Mobility**

Would include: UMTA Section 9; Urban Systems; and Bridges. In Fiscal Year 1991, this program was appropriated \$882 million.

## EXTENSION SERVICE BLOCK GRANT

The Cooperative Extension Service is a national education network that provides out-of-school, applied education, information, and technology transfer to the public on national issues and concerns. For example, the Nebraska Extension Service implements education programs in the areas of ground and surface water protection. The Extension Service in Massachusetts helps promote tourism, wood industry development, agriculture in the classroom, and improved nutrition.

**Formula:** Federal funds are distributed primarily by formula on the basis of population and other factors. Most of these funds are matched by the states and provide the federal share of costs associated with program activities.

**Comments:** The President's budget provides for a slight 3 percent increase over fiscal year 1991. The activities under the Extension Service are viable candidates for a block grant for two reasons. First, federal funds are distributed to the states to complete operation of the program. Secondly, activities of many of the individual programs are often part of a larger government initiative in which states are significantly involved. For example, there are rural development funds as well as funds for water quality education under Extension. There two programs support larger national government-wide initiatives taking place in those areas. Funds for Extension could be consolidated, allocated to states according to the current formula with states prioritizing use of funds based on their own priorities.

<b>Program</b>	<b>FY91 (in millions)</b>
<b>General Formula Programs</b>	
Smith-Lever 3 (b & c)	252.6
D.C. Extension	1.0
Subtotal	253.6
<b>Smith-Lever Section 3 (d) programs</b>	
National Interest Programs	
Water Quality	10.4
Youth At Risk	7.5
Food Safety	1.5
Low Income Nutrition	60.5
Pest Management	7.4
Pesticide Impact Assessment	3.2
<b>Other Earmarked Programs</b>	
Farm Safety	2.0
Urban Gardening	3.6
Financial Management	0.0
Indian Reservation Agents	1.0
Rural Development Centers	.9
Renewable Resources Exten.	2.8
Disadvantaged Farm Assist.	2.6
Federal Administration	9.2
<b>Total</b>	<b>366.2</b>

## RURAL ECONOMIC DEVELOPMENT

To provide states with flexibility to include resources from the Farmers' Home Administration in individual state efforts to enhance the economic capacity of rural areas, to consolidate programs administered by U.S. Department of Agriculture that are directly involved in rural economic development approach between state and federal programs. The block grant could be used to provide direct and guaranteed loans, grants, and technical assistance to rural communities in need of economic assistance.

<b>Programs</b>	<b>FY91 (in millions)</b>
<b>DIRECT LOANS:</b>	
FmHA Water and Waste Disposal	\$500
FmHA Community Facility	100
Rural Development Loan Fund	32
<b>GUARANTEED LOANS:</b>	
FmHA Water and Waste Disposal	35
FmHA Business and Industry	100
FmHA Community Facility	25
<b>GRANTS:</b>	
FmHA Water and Waste Disposal	301
Rural Development	21
Fire Protection	4
Solid Waste Management	2
<b>ADMINISTRATIVE PROGRAMS:</b>	
Rural Development Councils	0
<b>Total</b>	<b>\$1,120</b>

**Comments:** The USDA budget included \$2.6 million in 1992 funding to finance the State Rural Development Councils, which are the cornerstone of the President's rural development initiative. The President has recommended an additional \$3 million from other agencies to also underwrite the costs of the rural economic development initiatives. For the purpose of the 1991 total, no amount is shown for this program. If a 1992 total was shown, it would include only the \$2.6 million that is in the USDA budget.

States currently fund the lion's share of rural economic development activities. The states lead in policy development as well. The federal programs have resources to do the exact things states are trying to do in rural areas, but the federal activities are completely outside the state policy and planning network. A uniform set of priorities and criteria for rural economic development activities, as developed by the state and local governments, could improve the efficiency of the use of scarce resources. The programs outlined would continue to be administered by federal agencies, but priorities for the grants would be developed by the states.

This block grant is similar in intent to the House rural economic development legislation that NGA actively supported in the 101st Congress. In 1991, all the FmHA programs will be transferred to the newly created Rural Development Administration within the Department of Agriculture.

## **CRIMINAL JUSTICE BLOCK GRANT**

### **Drug Control System Improvement Grants**

This program, established by the Anti-Drug Abuse Act of 1986 as the drug laws enforcement program, provided funds to assist state governments in enforcing drug laws. Funds could be used for a wide variety of purposes, including personnel, equipment, facilities, personnel training, and supplies. The Anti-Drug Abuse Act of 1988 merged the drug laws enforcement program with the law enforcement block grant program into this new program. Allowable activities under this program consist of activities of the two precedent programs. Through 1990, states have been required to provide 25 percent of total program funds from own-source funds. Under current law, this would increase to 50 percent for 1991.

**Formula:** Allocation of twenty percent of the funds is discretionary. State formula grants are calculated after subtracting the costs of federal administration. Each state receives a "base" of 0.25 percent of the funds available for formula allocation, with the balance on the basis of state populations.

**Comments:** The Administration requested **\$490 million** for this program in the recent budget proposal--down 1.8 percent from last year's appropriation. Interestingly, we have not perceived a great deal of resistance from state officials to current requirements that states prepare drug strategies in order to receive funding. NGA and NCSL have, however, expressed strong objections to the new proposal in the National Drug Control Strategy to require drug testing throughout the criminal justice system as a condition of funding. The most difficult part of the grant program over time will be the requirement that the funds be spent on new programs. Next in difficulty is the match requirement, which, ironically, places a greater fiscal burden on the states that seek additional funding. Of course, greater flexibility would aid states in achieving targets.

### **Juvenile Justice and Delinquency Prevention Grants**

Grants are made to states and local governments to assist them in planning, operating, coordinating, and evaluating projects for the development of more effective education, training, research, prevention, diversion, treatment, and rehabilitation programs in the area of juvenile delinquency.

**Formula:** Funds are distributed among states on the basis of relative population under the age of 18. No state may be allowed less than \$225,000.

**Comments:** The President's budget would eliminate funding for the JJDPA programs (currently funded at **\$80 million**), based upon the perception that the program's goals have been accomplished. The President did request \$7.5 million to continue a High Risk Youth Program that addresses the problem with gangs and drugs. There is little opposition to the goals established by the JJDPA, although there is sentiment that greater flexibility should be built into the law to account for fiscal and population disparities. Accordingly, justice funding does not need significant changes from the state perspective, but new conditions would be objectionable.

## **CHILD DEVELOPMENT, EDUCATION & TRAINING BLOCK GRANTS**

The officers of the NCSL Education and Job Training Committee recommend blocking programs that total approximately **\$6 billion** into three grants. The framework for the suggested education blocks is built upon combinations of the national education goals.

The block grants are designed to achieve three outcomes (NGA language):

1. Children will start school ready to learn (Education Goal 1).
2. Children will complete their school years--in a safe and drug-free environment--with demonstrated competency in challenging subject areas, especially mathematics and science (Education Goals 2, 3, 4, 6).
3. Every adult American will be literate and possess the skills necessary to compete in a global economy (Education Goal 5).

Note: Each block grant should be assured that the same populations now served would continue to be served.

### **BLOCK GRANT 1: READINESS FOR SCHOOL**

<b>Program</b>	<b>FY91</b>
	(in millions)
Child Care Development Block Grant	\$732
Child Care Licensing Grants	13

**Comments:** The governors have added that, because children must be healthy so to be ready to learn in school, states should seek to develop strategies to more effectively integrate health and education programs affecting children. Health related programs are being dealt with in another block grant proposal.

## **BLOCK GRANT 2: THE SCHOOL YEARS**

<b>Programs</b>	<b>FY91</b> (in millions)
Chapter 2 Education Block Grant	\$449.0
High School Equivalency Program	9.8
JTPA Youth Programs	1,340.0
Drop-out Prevention Demos	32.6
Drug-Free Schools and Community Act	498.0
Vocational Education	856.0
Foreign Language Assistance Program	4.9
Education for the Homeless Youth	
Eisenhower Math and Science Grants	202.0
Bilingual Education	168.0
<b>Total</b>	<b>3560.3</b>

**Comments:** NCSL disagrees with the governors on the inclusion of Bilingual Education as part of the block grant. NGA would not include this program in the block grant. We see it as a national program that is attempting to serve scores of language groups with mixed success. Recent studies show it to be no more effective at improving English-language proficiency than other methods. We have always challenged the authority of the federal government to impose a teaching methodology on states and school districts, as this program does and would recommend it for inclusion in the block.

Compensatory Education, Even Start and Follow Through are connected programs aimed at serving the learning needs of educationally disadvantaged children and their families. It is conceivable that the three programs could be grouped as a separate mandatory block of some \$6.1 billion.

## **BLOCK GRANT 3: ADULT LITERACY, TRAINING AND LIFELONG LEARNING**

<b>Program</b>	<b>FY91</b> (in millions)
Job Training for the Homeless	\$12.7
Literacy Training for the Homeless	9.8
Community Service Employment for Older Americans state grants	86.0
JTPA Adult Training	1,100.0
JTPA Dislocated Workers state formula funds	422.0
Adult Education Act	239.0
Vocational Education	856.0
Workplace Literacy Partnerships	19.2
Workplace Literacy	19.3
* Student Literacy Corps	5.4
<b>Total</b>	<b>2,779.4</b>

**Comments:** NCSL, unlike NGA, would like to see Student Literacy Corps in the block grant to work like a pass-through as part of a coordinated state-local community service effort.

## **AIR AND LAND ENVIRONMENTAL MANAGEMENT BLOCK GRANT**

To provide support, and increased flexibility, for state management of air and land environmental quality programs.

**Programs to be included:** See list below. These categorical grants are distributed to states through complicated formulas reflecting a number of factors including population, the status of state programs, delegation of federal responsibilities, and the number of regulated facilities of a particular kind (e.g. air sources in the case of the air grants, hazardous waste facilities in the case of the hazardous waste grants, etc.)

<b>Program</b>	<b>FY91 (in millions)</b>
Clean air program	\$138.0
Public water systems	47.5
Underground injection	10.5
Special studies	4.6
Hazardous waste	82.9
Under. storage tanks	9.0
Pesticide enforcement	15.8
Pesticide program	14.5
Radon program	9.0
Toxics enforcement	5.1
<b>Total</b>	<b>\$336.9</b>

**Comments:** The President's FY 1992 budget includes a total of over \$360 million for these ten separate EPA grants to states for the management of environmental programs. These grants are for the administration of specific programs like clean air and hazardous waste, and consolidation would allow states to better prioritize their efforts to reflect the specific environmental conditions and needs in the state.

This proposal is designed to complement the limited water quality block grant described earlier.

## **WATER QUALITY BLOCK GRANT**

To provide flexible support for water quality-related planning and constructive projects. The proposal would allow better coordination of wastewater treatment plant construction with existing water quality-related planning and management programs, including categorical programs currently aimed at nonpoint sources, wetlands, clean lakes planning, and special demonstrations.

<b>Program</b>	<b>FY91</b> (in millions)
State Revolving Loan Fund	\$2,184
Clean Water Management	82
Clean Lakes	8
Nonpoint Source	51
Wetlands	5
104 (b) Special Studies	17
<b>Total</b>	<b>\$2,347</b>

Comments: The block grant would eliminate separate applications and allow better targeting of state water quality programs on high-priority water problems. In particular, resources could be used more easily to address multifaceted, related aspects of water quality problems in a specific geographic area by focusing attention on the natural system to be protected (e.g., a river or estuary) rather than on its individual components (e.g., the wetlands). Subsequently, greater flexibility in the use of state revolving funds and management would be required.

## NATIONAL HIGHWAY PROGRAM

To provide for a maximum federal contribution to a national system of roads and bridges deemed to be of national importance. This block grant would afford states the opportunity to invest in each portion of the national system in a comprehensive manner by removing the constraints of functional classification.

### Programs included:

Interstate 4R (non-discretionary only)--funds apportioned by formula (based on Interstate system lane miles (55%) and vehicle miles traveled on Interstate (45%)). Includes 1/2 percent minimum apportionment.

Primary-funds apportioned by following formula: 2/9 - Area; 2/9 Rural Population; 2/9 Rural Postal Delivery Route; and 1/3 Urban Population. (1/2 minimum except D.C.)

or

1/2 Rural Population and 1/2 urban population  
(the larger of the first or second formula is multiplied by total Primary Authorization)

Urban System-funds apportioned based on urban area population (with 1/2% minimum)

Bridge Rehabilitation-funds apportioned on basis of relative share of total cost of deficient bridges. (The Interstate Highway Substitution program would be eliminated and functionally consolidated within this block grant)

Program	FY91 (in millions)
Interstate 4-R	2,529
Primary	2,292
Urban System	727
Bridge Rehabilitation	1,363
Interstate Substitution	541
<b>Total</b>	<b>7,452</b>

**Comments:** This format for consolidation provides for flexibility in financing a national system to supplement the Interstate system. The Interstate completion program would not be incorporated due to the limited number of states which receive this category of funding. Funds for the programs to be blocked are currently distributed by apportionment formulas, with discretionary programs necessarily excluded from this grouping. This arrangement would provide the greatest opportunity to eliminate Congressional intervention following reauthorization. This would require terminating the use of an "obligation ceiling" for these programs.

## HIGHWAY SAFETY PROGRAM

To consolidate all highway safety programs, including driver and passenger safety, pedestrian safety, commercial traffic safety, construction safety, vehicle safety, and corresponding enforcement activities for these programs. To promote standardization of data and data collections.

### Programs included:

State and Community Highway Safety Programs-funds allocated on basis of eligibility criteria

Highway Safety Program (408,410)-funds allocated on basis of eligibility criteria

Motor Carrier Safety Assistance Program-allocated on the basis of approval of state programs with 75% federal match

Hazard Elimination- funds apportioned based on 3/4 total population and 1/4 public road mileage

Rail-Highway Grade Crossing-funds apportioned according to following: Area-1/2, Rural population 1/12, Rural Postal Route 1/12, Urban Population 1/4, Rail-Highway crossings-1/2 (includes 1/2 minimum apportionment for Urban population and postal route criteria)

Program	FY91 (in millions)
MCSAP	63
State & Comm (402)-NHTSA	115
State & Comm (402)-FHWA	10
Alcohol Safety (408)	15
Alcohol Safety (410)	5
Rail Safety	42
Hazard Elimination	0
<b>Total</b>	<b>250</b>

**Comments:** Highway Safety activities are interrelated and should be better coordinated. The new Highway Safety Block grant would presume the limitation of existing safety related mandates/sanctions in lieu of a new incentive program. By consolidating safety programs, states could direct spending to activities which were most likely to reduce highway injuries and fatalities.

## SMALL COMMUNITY AND RURAL ACCESS

To provide support for upgrading transportation facilities and services in states or regions of states with limited populations and large land areas. Eligible activities would be intercity public transportation, small community transit systems, off-system bridges, rural secondary and off-system bridges, rural secondary and off-system highways (particularly those subjected to higher truck sizes and weights in order to provide "reasonable access" to the national highway system).

### Programs included:

Nonurban Formal Block grants (Section 18)-Funds apportioned by formula based on relative population; and 1/2 based on relative population weighted by density).

Federal Aid Highways-Rural Secondary-Funds apportioned by formula (1/3 land area; 1/3 rural population; 1/3 rural postal delivery routes; includes a 0.05 percent minimum).

Federal Aid Bridge Replacement and Rehabilitation-funds apportioned by formula (based on the state's relative share of the total cost of deficient bridges; includes a 0.25 percent minimum and a 10 percent maximum). State option to use 10-35 percent of apportionment on bridges off federal aid system.

Program	FY91 (in millions)
UMTA Section 18	\$67
Rural Secondary Bridges	600 245
<b>Total</b>	<b>912</b>

**Comments:** States would develop appropriate solutions to address mobility and access needs in rural areas and small communities--whether they involved capital improvements to facilities, basic preservation and upgrading of roadways and bridges at lower cost than rebuilding to full federal standards, or providing intercity or small community public transportation services to improve mobility and prevent isolation.

## METROPOLITAN MOBILITY

To provide support for improving mobility by reducing congestion and upgrading transportation facilities and services among communities in metropolitan areas and within urbanized areas with populations under 200,000. Eligible activities would be public transportation systems and services, bridges on and off the federal and state systems, and urban street and highway resurfacing and rehabilitation.

### Programs included:

Urban Formula Block Grant (Section 9)- funds apportioned by formula (based on relative populations; and 1/2 based on relative population weighted by density). Governor has authority, with local consultation, to reallocate funds for areas under 200,000.

Federal Aid Highways-Urban System-funds apportioned by formula to urban area over 5,000 in population (based on relative share of urban area population; 1/2 percent minimum). State has programming authority, with local consultation and cooperation through the planning process.

Federal Aid Bridge Replacement and Rehabilitation-funds apportioned by formula (based on the state's relative share of the total cost of deficient bridges; including a 0.25 percent minimum and a 10 percent maximum). State option to use 10-35 percent on bridges off federal aid system).

Programs	FY91 (in millions)
UMTA Section 9 Urban Systems	\$143 250
Bridges	489
<b>Total</b>	<b>882</b>

**Comments:** States would develop appropriate solutions to address mobility needs in small urban areas and among small and medium communities. These could include capital improvements to facilities, basic preservation and upgrading of roadways and bridges at lower cost than rebuilding to full federal standards, or providing intercity or small community public transportation services to improve mobility by reducing congestion.

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Suggested Programs for Block Grants

Function	Estimated Funding FY 91 (\$millions)
<b>Agriculture</b>	
<b>EXTENSION SERVICE</b>	
General Formula Programs	253
D.C. Extension	1
Water Quality	10
Youth at Risk	8
Food Safety	2
Low Income Nutrition	61
Pesticide Management	8
Pesticide Impact Assessment	3
Farm Safety	2
Urban Gardening	4
Financial Management	0
Indian Reservation Agents	1
Rural Development Centers	1
Renewable Resources	3
Disadvantaged Farm Assistance	3
Federal Administration	9
<b>RURAL DEVELOPMENT</b>	
FmHA Water & Waste Disposal	500
FmHA Community Facility	100
Rural Development Loan Fund	32
FmHA Water & Waste Disposal	35
FmHA Business & Industry	100
FmHA Community Facility	25
FmHA Water & Waste Disposal	301
Rural Development	21
Fire Protection	4
Solid Waste Management	2
Rural Development Councils	0
<b>Subtotal</b>	<b>1,486</b>
<b>Criminal Justice</b>	
Drug Control	499
Juvenile Justice	60
<b>Subtotal</b>	<b>578</b>
<b>Child Development, Education and Training</b>	
<b>READINESS FOR SCHOOL</b>	
Child Care Development Block Grants	732
Child Care Licensing Grants	13
<b>Subtotal</b>	<b>745</b>
<b>THE SCHOOL YEARS</b>	
Chapter 2 Education Block Grant	449
High School Equivalency Program	10
JTPA Youth Programs	1,340

National Conference of State Legislatures

*Suggested Programs for Block Grants*

Function	Estimated Funding FY 91 (\$millions)
Drop-out Prevention Demos	33
Drug-Free Schools & Communities Act	498
Vocational Education	856
Foreign Language Assistance	5
Education for the Homeless Youth	
Eisenhower Math & Science	202
Bilingual Education	168
Subtotal	3,560
<b>ADULT LITERACY, TRAINING &amp; LIFELONG LEARNING</b>	
Job Training for the Homeless	13
Literacy Training for the Homeless	10
Community Service Employment	66
JTPA Adult Training	1,100
JTPA Dislocated Workers	422
Adult Education Act	239
Vocational Education	856
Workplace Literacy Partnerships	19
Workplace Literacy	19
Student Literacy Corps	5
Subtotal	2,769
<b>Environment</b>	
<b>AIR &amp; LAND ENVIRONMENTAL MANAGEMENT</b>	
Clean Air	138
Public Water System	48
Underground Injection	11
Special Studies	5
Hazardous Waste	83
Under Storage Tanks	9
Pesticides Enforcement	16
Pesticide Program	15
Radon Program	9
Toxics Enforcement	5
Subtotal	337
<b>WATER QUALITY BLOCK GRANT</b>	
State Revolving Loan Fund	2,184
Clean Water Management	82
Clean Lakes	8
Nonpoint Source	51
Wetlands Program	5
104 (b) Special Studies	17
Subtotal	2,346
<b>Transportation</b>	
<b>NATIONAL HIGHWAY PROGRAM</b>	
Interstate 4-R	2,530
Primary	2,292

National Conference of State Legislatures

*Suggested Programs for Block Grants*

Function	Estimated Funding FY 91 (\$millions)
Urban System	727
Bridge Rehabilitation	1,363
Interstate Substitution	541
Subtotal	7,453
<b>HIGHWAY SAFETY PROGRAM</b>	
MCSAP	63
State & Comm-NHTSA	115
FHWA	10
Alcohol Safety	15
Alcohol Safety	5
Rail Safety	42
Hazard Elimination	0
Subtotal	250
<b>SMALL COMMUNITY &amp; RURAL ACCESS BLOCK GRANT</b>	
UMTA Section 18	67
Rural Secondary	600
Bridges	245
Subtotal	912
<b>METROPOLITAN MOBILITY BLOCK GRANT</b>	
UMTA Section 9	143
Urban Systems	250
Bridges	489
Subtotal	882
<b>TOTAL</b>	<b>21,318</b>

**COMPARISON OF BLOCK GRANT PROPOSALS  
NCSL, NGA, AND THE PRESIDENT'S ORIGINAL PROPOSAL**

**AGRICULTURE**

**Extension Service Block Grant**

**NCSL**

Smith-Lever 3  
DC Extension  
Water Quality  
Youth At Risk  
Food Safety  
Low-Income Nutrition  
Pest Management  
Pesticide Impact Assessment  
Farm Safety  
Urban Gardening  
Financial Management  
Indian Reservation Agents  
Rural Development Centers  
Renewable Resources  
Disadvantaged Farm Assistance  
Federal Administration

**\$366 million**

**NGA**

Smith-Lever  
  
Water Quality  
Youth at Risk  
Food Safety  
  
Pesticide Impact Assessment  
Farm Safety  
Urban Gardening

Food/Nutrition

**\$348.7 million**

**President's Proposal**

**Rural Economic Development**

**NCSL**

FmHA Water & Waste Disposal  
FmHA Community Facility  
Rural Development Loan Fund  
FmHA Water & Waste Disposal  
FmHA Business & Industry  
FmHA Community Facility  
FmHA Water & Waste Disposal  
Rural Development  
Fire Protection  
Solid Waste Management  
Rural Development Councils

**\$1,120 million**

**NGA**

FmHA Water & Waste Disp.  
FmHA Community Fac.  
Rural Development Loan  
FmHA Water & Waste Disp.  
FmHA Business & Ind.  
FmHA Community Fac.  
FmHA Water & Waste Disp.  
Rural Development  
Fire Protection  
Solid Waste Management  
Rural Development

**\$1,120 million**

**President's Proposal**

**CHILD DEVELOPMENT, EDUCATION & TRAINING****Readiness for School****NCSL**

Child Care Development  
Child Care Licensing Grants

**\$745 million****NGA**

Child Care Developing  
Child Care Licensing Grants  
Education for the Handicapped  
Head Start  
Maternal & Child Health  
Immunization  
Lead Poisoning Prevention

**\$6,027 million****President's Proposal****The School Years****NCSL**

Chapter 2  
High School Equivalency  
JTPA Youth Programs  
Drop-out Prevention Demos  
Drug-Free Schools & Communities  
Vocational Education  
Foreign Language  
Education of Homeless  
Eisenhower Math & Science  
Bilingual Education

**\$3,560 million****NGA**

Chapter 2  
High School Equiv.  
JTPA Youth  
Drop-Out Prevent.  
Drug-Free Schools & Comm.  
Vocational Education  
  
Education of Homeless  
Eisenhower Math & Science  
  
Follow-through program  
Education for the handicapped

**\$6,163 million****President's Proposal**

Chapter 2

Impact Aid  
Supp. Educational  
Opportunity grants  
Public Library programs

**\$1,893 million****Adult Literacy, Training, & Lifelong Learning****NCSL**

Job Training for Homeless  
Literacy Training for the Homeless  
Community Service Employment for  
Older Americans  
JTPA Adult Training  
JTPA Dislocated Workers  
Adult Education  
Workplace Literacy Partnership  
Workplace Literacy  
Student Literacy Corps

**NGA**

Job Training for Homeless  
Literacy Training for Homeless  
Community Service Employ.  
Older Americans  
JTPA Adult Training  
JTPA Dislocated Workers  
Adult Education  
Workplace Literacy Part.  
Workplace Literacy  
Student Literacy Corps

**President's Proposal**

**Vocational Education****\$2,769 million****Food Stamp Employ & Train****\$1,983 million****CRIMINAL JUSTICE****Criminal Justice****NCSL****Drug Control System Improvement  
Juvenile Justice & Delinquency****\$578 million****NGA****President's Proposal****Byrne Memorial State & Local  
law enforcement assistance****\$490 million****ENVIRONMENT****Air & Land Environmental Management****NCSL****Clean Air  
Public Water Systems  
Underground Injection  
Special Studies  
Hazardous Waste  
Underground storage tanks  
Pesticide Enforcement  
Radon Program  
Toxics Enforcement****\$337 million****NGA****President's Proposal****Water Quality****NCSL****EPA State Revolving Loan Fund  
Clean Water Mgmt.  
Clean Lakes  
Non-point Source  
Wetlands Programs  
104 (b) Special Studies****NGA****EPA State Revolving Loan Fund  
Clean Water Mgmt.  
Clean Lakes  
Non-point Source  
Wetlands Programs  
104 (b) Special Studies****President's Proposal****EPA State Revolving Loan Fund**

Agricultural Stabilization  
 Conservation Serv. Ag.  
 Conserv. Cost Share  
 Agricultural Stabiliz.  
 Conservation Serv.  
 Wetlands Reserve  
 Agricultural Stabiliz.  
 Conservation Service  
 Water Bank Program

\$2,347 million

\$2,551 million

\$2,184 million

**TRANSPORTATION**

**A. National Highway Program**

Interstate 4-R  
 Interstate Substitution  
 Highways - Primary  
 Bridges - Primary  
 Highways - Urban

**B. Highway Safety**

MCSAP  
 State & Comm (402) NHTSA  
 State & Comm (402) FHWA  
 Alcohol Safety (408)  
 Rail Safety  
 Hazard Elimination

**C. Small Community & Rural Access**

Highways - Rural Secondary  
 Bridges - Rural  
 Nonurban Formula (Section 18)

**D. Metropolitan Mobility**

Highways - Urban (non-attributable funds)  
 Bridges - Urban  
 Nonurban Formula (Section 9)

\$9,507 million

**Administrative Block Grant**

**NCSL**

**NGA**

Medicaid  
 AFDC  
 Food Stamps

**President's Proposal**

Medicaid  
 AFDC  
 Food Stamps  
 Social Services

**LIHEAP**

**\$9,588 million**

**OTHER PROGRAMS INCLUDED IN ADMINISTRATION PROPOSAL**

The following programs were included in the list originally released as part of the Administration Budget Proposal, but have not been included in either the NCSL or NGA proposals.

**A. Education:**

Impact Aid Payments  
Supplemental Education Opportunity Grants  
Public Library Services Programs

**B. Health and Human Services:**

Social Services Block Grant  
Low-Income Home Energy Assistance Program

**C. Housing and Urban Development:**

Selected Public and Subsidized Housing Programs  
Community Development Block Grants

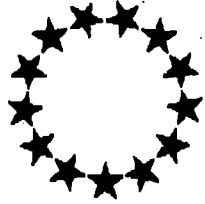
**NATIONAL  
GOVERNORS'  
ASSOCIATION**

**Booth Gardner**  
Governor of Washington  
Chairman

**John Ashcroft**  
Governor of Missouri  
Vice Chairman

P.2/11  
**Raymond C. Scheppach**  
Executive Director

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**STATEMENT OF  
GOVERNOR JOHN ASHCROFT  
STATE OF MISSOURI**

**BEFORE THE**

**BUDGET COMMITTEE**

**U.S. SENATE**

**HEARING ON BLOCK GRANTS**

**FEBRUARY 20, 1991**

Because there is a new premium on integrating services, a new block grant would be even more effective today. Problems do not respect agency or program lines. Reducing infant mortality, improving school performance, strengthening families, reducing teenage pregnancy, and improving the quality of our workforce all require a range of services that cut across current agency and program lines. While states recognize the need to better integrate and coordinate services, such efforts are often complicated by the eligibility and programmatic limitations of narrow categorical programs.

In Missouri, we are attempting to restructure the delivery of services to children. Our task is much more complicated because restrictive federal grant programs lack the flexibility to best meet the needs of our children.

There is, for example, a clear consensus that preventing dropouts requires significant changes in school curriculum. However, it may also require programs such as day care for teenage mothers, health and social service programs to reduce teen pregnancy, child protective services to deal with the problem of abusive parents, drug or alcohol treatment, or part-time employment or some other program to facilitate the transition from school to work. Under current federal grants, each of these services is authorized separately, and several of the individual services may be funded from more than one categorical grant. Some are limited by the type of service that can be provided. Others are limited by geographic area, financial eligibility criteria, or the agency that can receive or administer the money.

Mr. Chairman, I am happy to be here today to discuss the block grant proposal submitted in President Bush's budget. The major points of my statement are as follows:

- First, the nation's Governors support the block grant concept and we appreciate the willingness of Congress and the administration to include us in the design of the block grant.
- Second, the states have ten years of successful experience administering block grants created by the Omnibus Budget Reconciliation Act of 1981. So we are not embarking on a risky or untried course in working together to fashion yet another block grant.
- Third, the National Governors' Association will be ready by the second week of March to recommend programs to be included in the block grant.
- Fourth, we are eager to go beyond the block grant concept to build a stronger federal-state partnership.

The National Governors' Association has responded positively to the President's concept of turning over at least \$15 billion in federal programs in a block grant to states. We believe this would represent another important step in improving the partnership between the federal government and state governments. If enacted, a block grant should provide for more effective and efficient program delivery at the state level. My fellow Governors and I are particularly pleased that Congress and the administration have reached out to us to build an

improved federal-state partnership. Our citizens cannot help but benefit when we work together. In addition to this hearing, the Speaker of the House and the bi-partisan House leadership met with the NGA Executive Committee and displayed a willingness to work with us toward program consolidation. In a later visit to my office the Majority Leader of the House assured me of the House leadership's sincerity in discussing this proposal.

#### The BLOCK GRANT CONCEPT

The block grant concept is another important step in an improved federal-state partnership because it is not the first step and we hope it will not be the last. In the Omnibus Budget Reconciliation Act of 1981, Congress eliminated fifty-nine grant programs and consolidated nearly eighty narrowly focused categorical grant programs into nine broad-based block grants. In the process, more than 600 pages of federal regulations were reduced to fewer than a dozen. The states now have more than ten years of successful administration of block grants. While there certainly were funding problems in 1981 that appear absent in the current proposal, Congress knew then what it recognizes today with the block grant proposal -- that moving decisionmaking closer to the citizens can improve service delivery.

This fragmentation often means that people do not receive the combination of services they need to overcome their problems. Investments in one area may be largely ineffective without critical support from another program or agency. This is a result both of different eligibility criteria and of the barriers that both recipients and service providers face.

A prime example of lack of flexibility in Missouri is that social service caseworkers must document by fifteen minute intervals the time spent for individual Medicaid, AFDC, and food stamp cases. Even though all these programs often are administered to a single individual by the same caseworker, separate files - noting each fifteen minutes of work are kept for each program. This results in duplicate paperwork and consumes hours of caseworkers' time. We need a new approach that allows us to serve the citizens instead of the system. A new block grant approach can achieve that goal.

#### DEVELOPING THE GOVERNORS' RECOMMENDATION

The National Governors' Association plans to submit a block grant proposal to Congress and the administration by the second week in March. We plan to work jointly with the National Conference of State Legislatures to develop the proposal. The Governors' recommendation will follow a set of guidelines that will maximize program efficiency as follows:

- The programs selected should have some broad degree of commonality.
- Programs should be either categorical grants to state governments or project/competitive grant programs in which states currently receive the majority of the funds awarded; the Governors are not interested in including grants such as the local portion of the GDBC, that are currently targeted to local government.
- Priority should be given to those grants that currently have unduly limiting mandates and overly detailed administrative regulations.
- Programs selected should generally be national in scope and not those that primarily benefit selected regions and states.

There currently are more than 475 categorical grants to state and local government -- seventy-six in elementary, secondary and vocational education; sixty-nine in social services; and sixty-one in health care. Clearly there are considerable opportunities to consolidate many of these grants to increase services to our citizens.

While most Governors respond positively to the concept of a block grant, there is also some concern that the grant may be cut over time. Funding should be driven by the needs of the programs not by the type of the grant. States should not be expected to pursue program objectives without continued financial commitment from the Congress.

**MEDICAID: A FEDERAL-STATE PARTNERSHIP**

I have shared with you the nation's Governors' support for the block grant concept, the successful experiences states have had in administering federal block grants, and the timetable for response from the National Governors' Association on a proposed block grant. My last point addresses the Governors' desire to go beyond the block grant concept to improve the federal-state partnership.

In summer 1989, the National Governors' Association passed a resolution calling for a two-year moratorium on new federal Medicaid mandates so that there would be more time to implant the expansions already passed. Despite the Governors' united plea, Congress continued to mandate Medicaid expansions. In fiscal 1990 alone, Medicaid spending by all states increased by 18.4 percent to \$61.4 billion and consumed 12 percent of the state budgets. That made Medicaid second only to education as the biggest expenditures in state budgets. For this year Medicaid is now projected to be up about 25 percent.

The Missouri experience is common to most states. While our general revenue collections have increased an estimated 55 percent in the last six years, Missouri general revenue spending for Medicaid has increased 131 percent in the same time period. Often we are forced to cut optional services to fund mandates which means that we are giving up preventative services to fund lower risk individuals. Medicaid mandates are outstripping the growth in state revenues. Since the plea to Congress in 1989 for no more new Medicaid mandates, fourteen more Medicaid mandates have been enacted. The added Medicaid mandates in fiscal 1991 and fiscal 1992 alone will require an \$111.1 million increase in Missouri general revenue.

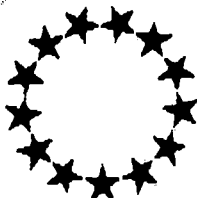
While many of these expansions have worthwhile goals, the major and cumulative expense to both state and federal governments poses a significant opportunity cost for states and the nation. There is simply less revenue to spend on education, children, and other state services as health care costs spiral upward. Some of the mandated changes merely shift Medicaid costs to states without providing any additional services.

States are facing the toughest fiscal situation since the 1982 recession. More than thirty states will have deficits if they are not able to reduce spending or increase revenues before the end of fiscal 1991. The National Governors' Association adopted a policy at their meeting in Washington two weeks ago that the Governors "should be full partners" in developing national domestic policy to address the nation's immediate concerns and develop blueprints for renewed economic growth and a better quality of life. We think a block grant proposal is one important step in that partnership. Another important step is a moratorium on any new federal mandates, increases in state matching ratios, and shifting of costs to your already overburdened partners in the state capitals.

I would be happy to answer questions.

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**FOR IMMEDIATE RELEASE**  
February 20, 1991 (38-91)  
Contact: Rae Young Bond, 202/624-5330

**GOVERNORS EXPRESS SUPPORT FOR BLOCK GRANT CONCEPT,  
URGE STRONGER FEDERAL-STATE PARTNERSHIP**

WASHINGTON, D.C. -- Citing the states' successful experience in administering block grants, NGA Vice Chairman John Ashcroft of Missouri today said the governors support the concept of turning over some federal programs to the states through a single block grant.

Speaking before the Senate Budget Committee, Gov. Ashcroft said the governors "are particularly pleased that Congress and the administration have reached out to us to build an improved federal-state partnership."

The governors will be ready by the second week of March to recommend programs to be included in the block grant, he said. The National Governors' Association will work closely with the National Conference of State Legislatures to develop the proposal, along the following guidelines:

- The programs selected should have some broad degree of commonality.
- Programs should be either categorical grants to state governments or project/competitive grant programs in which states currently receive the majority of the funds awarded. The Governors are not interested in including grants that are currently targeted to local government, Gov. Ashcroft said.
- Priority should be given to those grants that currently have unduly limiting mandates and overly detailed administrative regulations.
- Programs selected should generally be national in scope and not those that primarily benefit selected regions and states.

"There currently are more than 475 categorical grants to state and local government - 76 in elementary, secondary, and vocational education; 69 in social services; and 61 in health care. Clearly there are considerable opportunities to consolidate many of these grants to increase services to our citizens," Gov. Ashcroft said.

**NEWS RELEASE**

"While most governors respond positively to the concept of a block grant, there is also some concern that the grant may be cut over time. Funding should be driven by the needs of the programs, not by the type of the grant. States should not be expected to pursue program objectives without continued financial commitment from the Congress," he told the committee.

Governor Ashcroft outlined the states' ten years of experience in administering block grants and coordinating services. The states' administration of the block grants has enabled the states to coordinate services to address such cross-cutting issues as infant mortality, education, teen pregnancy, and workforce quality, he said. Most important, he said, moving decisionmaking closer to the citizens can improve service delivery.

"A prime example of the lack of flexibility in Missouri is that social service caseworkers must document by 15-minute intervals the time spent for individual Medicaid, Aid to Families with Dependent Children, and Food Stamp cases. Even though all these programs often are administered to a single individual by the same caseworker, separate files -- noting each 15 minutes of work -- are kept for each program. This results in duplicate paperwork and consumes hours of caseworkers' time," the Missouri Governor said.

"We need a new approach that allows us to serve the citizens instead of the system," he said. "A new block grant approach can achieve that goal."

However, Gov. Ashcroft said that while the block grant proposal is "one important step" in an improved federal-state partnership, "an equally important step is a moratorium on any new federal mandates, increases in state matching ratios, and shifting of costs" to states. States are facing the toughest fiscal situation since the 1982 recession, he said, and simply cannot afford additional mandates in the Medicaid program, which is now second only to education as the biggest expenditures in state budgets.

"There is simply less revenue to spend on education, children, and other state services as health care costs spiral upward," he said.