

Conurrence

Comments on NGA proposals:

Major Areas of Concern:

1. Different approach to program consolidation re: education and training programs:

- o Even Start (Ready to Learn)
- o Perkins (Ed Reform)
- o School to Work (Discretionary)
- o Pell Grants (Workforce Development)--note consistent with Administration proposal, for which we can find no support elsewhere

2. IDEA

- o Ready to Learn
- o Workforce Development (Voc. Rehab)

3. Ed Reform/Youth Development

- o Title 1--separate from ed reform--because important to target to LEA's with needy kids; blocking at state level would undermine fundamental purpose of this program, and risk cuts
- o Safe and Drug Free Schools (Youth Development)
 - o threatened in its entirety by House rescission
 - o newly reauthorized--focuses on the first time on safety in schools as well as drugs--MAJOR PUBLIC CONCERN
 - o important to drive this to schools, to address problems in schools and let schools participate in broader communitywide efforts
 - o would fit better in reform block than in community block
- o Overall caution on block grant for el/sec programs (my own views, not widely discussed in admin/ed)
 - o create sig. pressure for greater federal involvement in state academic and performance standards, as progress on these measures becomes tied to larger amounts of federal funds
 - o Easy to accept wide range of approaches, and untried/untested approaches still under development under Goals, with 1/3-1/2 c investment; Title 1 is more prescriptive
 - o initial experience with Goals suggests states and feds have much to learn about plans, and benchmarks/timelines for accountability--lets go

slow and learn together, without high stakes.

best course of action is to make new programs work, using to the maximum the authority we have to provide flexibility, tailor to state and local needs, etc. RWR flexibility letter in January--great interest in states in consolidated plans, edflex, etc.

- o In the context of NPR II discussions within the Administration, we are moving in the direction of performance partnerships:

- clear national purpose and priority
- agreement on goals and objectives
- funds and flexibility tied to performance
- fed/state/local government partners in design

Perkins voc-ed proposal exemplifies this--Trish McNeil, Deputy Ass't Secy for Adult and Voc. Ed. will describe

Jennifer Davis
Susan Frost
Trish McKelid

MEETING WITH DEMOCRATIC GOVERNORS' DC OFFICES

BLOCK GRANTS

1. Pleased to begin conversation

- o want to share our thinking, as well as listen to your own
- o short amount of time to cover a lot of ground--hope this is the first of a number of such discussions over the coming months

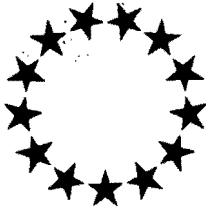
2. Where we are

History

- o last Congress accomplished a lot in education, especially in elementary and secondary areas:
 - Goals 2000--framework
 - IASA/ESEA/Title 1
 - STW- *jointly with DOE*
- o these programs already built on key principles front and center in current discussions of block grants:
 - focus on performance--emphasis on challenging standards
 - flexibility--broad framework, waivers, edFlex, no/limited regs, schoolwide project, consolidated planning
 - accountability for results--Title 1, Goals (benchmarks and timelines)
 - fed/state/local partnerships--in which federal dollars are used to support state and local reform approaches

Current view

- o We approach current discussions about block grants with a mixture of sympathy and concern:
 - flexibility and accountability for results right in line with our own principles
 - real concern over funding implications, especially for this Administration's commitment to investing in education and training
 - history of block and cut, real intent of R's
 - declining funding in subsequent years (Chapter II) (probably with increased micromanagement as well)
 - net effect of fewer \$ for real needs is less rather than more flexibility.
- o In the elementary and secondary areas we have already dealt with, we do not intend (at this time) to advance our own (block grant) proposals. Instead, we think the



March 1, 1995

MEMORANDUM

To: **Balanced Budget SAC**
Bob Rogan, Vermont
Mary Sheehy, Wisconsin
Alan Salazar, Colorado
Liz Ryan, Delaware
Charlie Steele, Massachusetts
Ed Tobin, Massachusetts
LeAnne Redick, Michigan
Brad Douglas, Missouri
Jill Friedman, Missouri
Ted Hollingsworth, Ohio
Tom Needles, Ohio
Joanne Snow Neumann, Utah
LaVarr Webb, Utah
Judy Margolin, West Virginia
From: Ray Scheppach
Re: Block Grants

Attached is a revised draft of the proposed block grant paper. There are a number of important changes in this draft. First, the transportation grant has been dropped from inclusion. Second, head start has been dropped from the Ready to Learn grant. Third, we have incorporated the NGA policy, rewritten the first section, and have placed the specific proposals in an appendix.

One question that I would like the task force to focus on is the structure of how the individual proposals are described. The current draft describes the purposes in the body of the report, but duplicates the information in the appendix. An alternative is to drop the purpose section in one of the two places, i.e., page 5-6 or in the individual descriptions.

I would like us to meet on Tuesday, March 7 from 1:30 p.m. to 2:30 p.m. in room 385 of the Hall of the States for a discussion of this latest draft.

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**Options to Consolidate
Federal Categorical Grants
to States**

March 1, 1995

National Governors' Association

Staff Paper



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I. Introduction

The purpose of this paper is to begin a dialogue with federal officials regarding the simplification and rebalancing of the federal system. It presents the National Governors' Association's positions regarding the conversion of current federal categorical non-entitlement grant-in-aid programs into a system of broad block grants. In addition, to provide illustrations of how these principles might be incorporated into specific programs, it outlines a series of possible block grants organized around a set of national purposes. It also suggests the current programs that might be terminated to provide the moneys needed to fund the possible block grants.

While the policies reflect the formal views of the Governors, the possible proposals and suggested funding sources do not. Those proposals have been prepared by NGA staff in general consultation with state staff. They are intended as a starting point for discussions between the states and the federal government, and are subject to significant modification as specific proposals are further developed and discussed. NGA endorsement of any specific block grant proposal will require the adoption of interim policy.

It is important to note that at its 1995 Winter Meeting, the National Governors' Association adopted policy that states: "Governors have not yet reached agreement on whether cash assistance and other entitlement assistance should remain available as federal entitlements or whether it should be converted to state entitlements." As a result, the principles and proposals discussed here relate solely to categorical non-entitlement grant programs.

II. Block Grants - A Federalism Context

Historically, the Governors have considered four different approaches to the simplification of the federal grant in aid system. Those approaches are:

- broad block grants to support state and local activities in selected areas
- consolidation of federal discretionary programs
- turnbacks of tax resources and program responsibility
- sorting out of federal and state and local responsibilities

Each of these approaches has merits, and the rebalancing of the federal system demands a willingness to explore a broad range of alternatives. No single approach is appropriate for the full range of federal programs and interests. However, it is clear that block grants are an important tool that needs further development and discussion.

III. Block Grants - The Policy Context

At the 1995 Winter Meeting of the National Governors' Association, the Governors adopted new policy regarding the restructuring of the federal system. That policy stated:

"The simplification of the current categorical, non-entitlement federal grant-in-aid system must also be a Congressional priority. Governors have argued that such simplification would both increase administrative efficiency and encourage state efforts to develop more effective programs.

"The history of block grants is long, going back at least to general revenue sharing and the broad block grants of the Nixon era. Block grants were also an important part of the Reagan "New Federalism" of

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the 1980s. At that time the consolidation of programs also came with funding cuts. While block grant proposals have generally begun with a theme of simplification and consolidation, the actual legislation has often retained significant federal restrictions. Equally important, over time the federal government has tended to establish additional set-asides and place new restrictions within the block grants that have been established. Future reforms must address these problems.

"Governors believe that such consolidations must:

- Recognize the national interest in protecting and serving children.
- Include a clear definition of national purpose and national objectives.
- Avoid set-asides or other prescriptive conditions of federal funding.
- Include significant transferability of funds between the block grants.
- Preclude cost shifts to the states.
- Be consistent with the way in which state governments deliver services to their citizens.
- Incorporate distribution formulations consistent with the distribution implicit in existing categorical programs.
- Allow the flexibility needed to maximize efficiency and to minimize the expansion of state government employment."

IV. Background

The American Federal System established a strong union while preserving the diversity reflected in the individual states. State and local governments - governments close to the people - provide the needed opportunities for flexibility and innovation. By their decentralization of decisionmaking and responsive nature, they encourage citizen participation and support.

Although there is a clear need for a national role in a variety of domestic issues, the principles of local determination and diversity require a careful balance of federal and state roles. It is vital to ensure that states have the authority and flexibility needed to respond to the needs and priorities of those who live within their boundaries.

Over the past several decades, that balance has become threatened as the federal government has attempted to implement its role through an increasingly complex and prescriptive system of grants in aid. While many of these grant programs address legitimate national purposes and federal concerns, the structure of the programs reduce state and local flexibility their accountability to the electorate.

In its permanent policy on federalism adopted in 1993, the National Governors' Association states:

"Steps also must be taken to overcome the imbalance that has resulted from the rapid expansion of federal programs in the past. The proliferation of detailed federal programs must be ended, and states must be given greater flexibility in policymaking. Toward these ends, the following changes are recommended.

- The number of joint federal-state programs should be reduced by a sorting out of responsibilities between the two levels of government.
- Where federal programs are to be maintained, grant conditions should not be used to force state program changes not related to the specific program purposes for which the grant is provided, and federal funding should not require state or local matching funds.
- Federal regulations should rely on state laws and procedures for the administration of federal programs.

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Americans deserve a government that is both cost effective and responsive. The consolidation and simplification of current categorical grants programs into a few broad block grants will truly enable states to reinvent government services in a manner that will:

- ensure that the investment of government resources will address local priorities
- focus investments on programs that produce measurable results
- eliminate programs that are not cost effective
- invest in prevention as well treatment
- reflect the unique characteristics of each community
- involve communities and program participants in program development and administration
- build on the strengths of all sectors - government, non-profit, and business
- eliminate unnecessary administrative overhead
- reduce the proliferation of government programs and bureaucracies
- allow for the better coordination of services
- reduce red tape and other obstacles for those in need of service

The implementation of this vision requires hard work and dedication. There are a number of important programmatic, financial, and political issues that must be resolved. They include:

- defining the national purpose
- identifying programs for consolidation or elimination
- determining the national investment
- establishing performance expectations and standards
- determining the interstate allocation of funds

Each of these elements is discussed in the sections that follow.

V. Block Grants - A Staff Proposal

A. The National Purpose

Block grants provide a vehicle for the federal government to assist states and localities meet high priority domestic needs that they would otherwise be unable or unlikely to accomplish. The first step in developing a system of block grants is to determine the national purposes that should structure such a system. Clearly there are a variety of approaches, and the ultimate choice will depend upon a number of programmatic and political factors. However, to provide a structure for possible discussions, the NGA staff have identified seventeen major programmatic or functional areas for consideration. Those areas, and the national purposes they address are outlined in the materials that follow.

1. Ready to Learn. The Ready to Learn block grant is designed to provide flexible funding to support state efforts to ensure that all children, including those at risk of poor outcomes, are mentally, physically, and emotionally prepared for formal learning and to help ensure their success in later life. Specific activities covered would include services that promote healthy births for all children, enhance parents' ability to be their child's first teacher, enhance parents' and other caretakers' ability to provide stable and caring environments, and promote the health and well-being of all young children. (See unresolved issues.)

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2. Youth Development. This grant would provide a base level of funding to states to support a continuum of developmentally appropriate activities that promote the social development of youth and facilitate their preparation for careers and lifelong learning. These activities will build the competencies of young people, while respecting the dominion of the family, fostering scholastic achievement, promoting self-reliance, and cultivating positive peer interactions. The range of activities to be funded may include school-, community- and work-based experiential learning, mentoring, community service, crisis intervention, and structured recreation and cultural activities during non-school-hours. These activities and services would be fully blended into comprehensive community-wide strategies that would enable all young people (in-school and out) to develop the knowledge, skills, attitudes, and values needed to successfully make the transition from childhood to productive adulthood. (See unresolved issues.)

3. Children and Family Services. The Children and Family Services block grant is designed to provide funding to assist states in developing programs for intervention and follow-up services for children and families who are experiencing crisis. Specific activities covered would include services designed to strengthen parents ability to care for their children such as family support and preservation and parenting education; services to secure permanent homes for children; services to care for children who cannot remain in their home; and services to reduce violence in families.

4. Education Reform. To promote state-based systemic reform of the nation's education system by providing a single federal grant that can be coordinated with new and existing state reform efforts. The funds would be directed through the state planning panel to the appropriate states agencies and local school districts who would in turn spend the monies in accordance with the state's education reform plan. Funds would be used for capacity building and to provide direct services to primarily elementary and secondary education students. If provided for under the state plan, the a portion of the funds could be used to support the transitional programs for pre-school students, such as those students enrolled in programs such as Head Start and other early intervention programs.

5. Education Discretionary. To provide the Secretary of Education with the discretionary funds to support programs of national significance and help improve educational quality and support for special populations.

6. Crime Control and Corrections. Crime control is primarily a state and local responsibility. The purpose of this block grant is to assist states in defining the crime problem on a statewide basis; to develop objectives and priorities; to identify appropriate strategies and resources to achieve these goals; and to coordinate the justice system -- courts, corrections, prosecutors, defense, police-- with units of government (county and city).

7 Health Services. This proposal will create a unified financing mechanism to support and enhance the availability and delivery of a broad range of personal health care services. Predominantly, these funds would focus on the treatment of disease. The types of activities that could be supported through this consolidation include the provision of health care and related services: to address the needs of uninsured and underinsured special populations, to reduce the rate of infant mortality and low birth weight babies, and/or to enhance the delivery of emergency medical care for children and adults. States could utilize these funds to implement innovative strategies such as developing integrated service networks in rural areas to increase accessibility to health care services.

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8. **Public Health and Prevention.** This proposal will create a unified financing mechanism to support a broad array of preventive health services as well as support the continued existence of core public health functions. States would have the discretion to target prevention dollars to critical public health activities, such as immunization of children, control of infectious diseases, and/or the prevention of lead poisoning. Other public health initiatives could be supported by these dollars, such as smoking cessation programs and childhood injury prevention programs.

9. **Substance Abuse Prevention and Treatment.** This proposal combines a variety of categorical and demonstration programs with the existing substance abuse prevention and treatment block grant to give states greater choices in the design of prevention and treatment programs. A broad array of substance abuse treatment activities could be funded, including inpatient chemical dependence programs, methadone maintenance programs for narcotic dependent persons, or community-based social models, like those that serve persons with alcoholism. Likewise a broad range of prevention activities could be designed and implemented in communities to reduce the incidence and prevalence of drug and alcohol abuse by young people, child-bearing women and other populations.

10. **Mental Health Systems and Treatment.** This proposal combines a variety of categorical and demonstration programs with the existing mental health block grant to give states greater freedom to address the needs of persons with mental illness. The consolidated funds would be available to states to finance the treatment of a range of mental health problems for populations in need; for example, states could support the continued development at the state and community level of systems of care for children who are seriously emotionally disturbed by building linkages between public and private sector providers of health and mental health services. Other types of activities that could be supported include psychosocial rehabilitation programs, mental health peer support programs, and outreach and diagnostic services.

11. **Health Professions.** States play a pivotal role in the financing of medical and other allied health professionals education. This proposal would enhance that role by giving states more flexibility and authority to direct federal funding for workforce development. Activities that could be supported include financial assistance to colleges and universities to increase their capacity to produce well-trained medical and allied health professionals, need-based scholarships to increase the number of practitioners in primary care or under-represented specialty areas, and education/training centers designed to complement university-based development of health professionals.

12. **Aging Services.** This block grant is designed to organize services for the elderly based on consumer needs rather than provider auspices. It would give states flexibility to fund the types of aging services most needed by older consumers in their jurisdictions. A broad array of types of services to meet the special transportation, nutritional and psychosocial needs of older Americans could be financed through this mechanism; for example, home-bound elderly could have meals prepared and brought to their homes, while other funds could be used to transport older persons to a community-based facility where communal meals would be prepared. Assistance with financial planning could be provided to those in need, as could help planning for the elderly's long-term health care needs.

13. **Affordable Housing.** Funding for a wide range of affordable housing services targeted primarily to low income persons and families, including construction and rehabilitation funds; interest rate buy-downs, downpayments, and other financial support; rent subsidies and vouchers; and supportive services.

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14. Community and Economic Development. To provide capital investment, training, management and technical assistance, and research aimed at promoting job creation, community enrichment, and economic growth within a community, a region, or an industry sector.

15. Agricultural Research and Extension Services. To promote research and the transfer of technology aimed at strengthening industries in rural America including farming, forestry, and animal husbandry.

16. Environmental Mandates Assistance. To provide assistance to local communities for environmental infrastructure needs in a manner that will result in compliance with various federal environmental requirements, particularly related to water quality. In order to enhance existing loan assistance programs, Governors seek greater flexibility to combine infrastructure monies and coordinate the expenditure of such monies based on state and local priorities.

17. Environmental Program Management. To provide administrative blocks grants which will enhance the ability of states to use federal resources to meet national environmental protection goals consistent with state-based priorities, while improving coordination of current environmental management programs.

18. Agriculture Conservation Programs - A Partnership. To broaden the focus of existing conservation-related agriculture programs while providing states with new tools to address environmental and conservation problems associated with modern agriculture. Currently, most funds are paid directly from the U.S. Department of Agriculture (USDA) to farmers for the purpose of taking agricultural lands out of production or encouraging certain farming practices. The proposal is to consolidate some of these program funds into one comprehensive program and allow states to set priorities for the investment of these funds. A traditional "block grant" would not be necessary to achieve this goal.

19. Workforce Development. To provide states a base level of funding for workplace skill training, occupational education, labor exchange, and employment services for welfare recipients, economically disadvantaged adults and older youth, dislocated workers who lose their jobs for any reason, incumbent workers whose skills need upgrading, and disabled individuals in need of training and placement assistance.

Activities to be funded include classroom and on-the-job training, basic skills instruction, literacy programs, needs-related supportive services, individual assessment, job counseling, job search assistance, career information, labor exchange, job matching services, administration of unemployment insurance and related income support programs, development and management of labor market information, and professional and capacity development. Labor exchange, job matching services, labor market information, and career guidance would be available to all citizens of working age, irrespective of economic need, through integrated intake, assessment, and referral systems in each community.

B. Programs for Consolidation or Elimination

Once agreement has been reached on the structure and purpose of block grants it is necessary to determine what programs will be consolidated or eliminated in order to provide the funding needed for the block grants. As in the case of the organization of the block grants themselves, there are numerous alternatives and no single right selection. However, again to facilitate discussion, NGA staff have developed for each of its possible blocks a listing of current grant-in-aid programs that might be

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eliminated. Those listings are contained in Attachment 1. Other approaches are possible and many programs could reasonably be related to more than one block.

In reviewing the listings it is important to note that block grants are intended to create a new funding mechanism and to redefine and simplify the relationship between the federal government and the states. As a result, it should be clear that the programs mentioned as funding sources should not merely be replicated as set-asides within the block grants. Existing program requirements must be terminated and replaced with broad flexibility combined with a clear understanding of new goals and objectives.

C. Determining the National Investment

NGA policy states: "As the federal government begins to move toward a balanced budget the pressure to reorder federal priorities and curtail federal grants will increase. Already, numerous proposals for program consolidation and reduction are on the table.

"While federal budget cuts are needed, the Governors are concerned about the cumulative impact on states of federal budget decisions. The federal budget must be balanced by true savings, not by shifting costs to the states.

"Governors recognize the special responsibility of government at all levels in meeting the needs of children. Governors have taken the lead in carrying out these responsibilities in the past. The Governors believe that the federal government must maintain a financial role in assisting states and localities to continue to meet these responsibilities."

In addressing the issue of funding for current entitlement programs, the Governors adopted additional policy which states: "Block grant funding should be guaranteed over five years at levels agreed to among the states, Congress and the Administration. Governors will work with the Congress to provide appropriate budget adjustments that recognize agreed upon national priorities, inflation, and demand for services." It is likely that Governors would support similar principles relating to the categorical programs as well.

D. Establishing Performance Expectations and Standards

The Governors recognize the legitimate interest of the federal government in establishing accountability for the funding that they provide. Again in adopting policy relating to concerns with an entitlement grant, the Governors adopted policy which states: "The block grant should include a clear statement of purpose including mutually agreed upon goals for the block grant and the measures that will be used to judge the effectiveness of the use of the block grants....Under this concept there should be no micromanagement and states should be required only to ensure that the funding received is used (to meet the goals of the program). While states would be required to describe their program in a state plan and to provide periodic reports to the public, the plans would not be subject to federal approval or federal revision. Financial and compliance audits would be conducted to ensure that moneys were properly spent, and states would be required to pay back any misspent funds. Specific program outcome data will be collected by the states and publicly reported."

Again, it is likely that Governors would support similar principles relating to the categorical programs as well.

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E. Determining the Interstate Allocation of Federal Funds

Formula issues may be among the most difficult raised in the development of a block grant proposal. To minimize the impact of this issue, NGA policy suggests that initial block grant allocations mirror the actual distribution of funds among the states under the programs to be consolidated or eliminated.

As noted above in the section on the national investment, Governors have also suggested the need to discuss and agree upon adjustments in federal funding that would reflect changes in a number of factors. As adjustments are made in the commitment of national resources, consideration could be given to similar adjustments in the state by state allocations as well. Such adjustments should not, however, penalize states that have used the flexibility in the block grants to achieve improved efficiency or program effectiveness.

While it is unlikely that the Governors can collectively address the issue of formula changes, individual Governors will need to be actively involved in any formula discussions.

VI. Next Steps

As noted initially, NGA policy supports the creation of broad based block grants as one mechanism to simplify the current complex system of non-entitlement categorical grants. The proposals outlined above suggest one means by which that block grants might be accomplished. There are other approaches that might have equal or more merit. The challenge is to move ahead.

However, it is vital that these block grants not be the unilateral creation of the federal government. They must be the product of frank and open discussion between the states and the federal government. Governors must have a seat at the table. The decisions made over the next several months will have a major impact on the ability of the states to effectively meet domestic needs and the Governors must be involved in those decisions.

The NGA and the Governors stand ready to participate in this discussion.

Appendices: Funding Sources; NGA Federalism Policy; NGA Principles to Guide the Restructuring of the Federal-State Partnership.

APPENDIX A

FUNDING SOURCES

READY TO LEARN

Purpose

The Ready to Learn block grant is designed to provide flexible funding to support state efforts to ensure that all children, including those at risk of poor outcomes, are mentally, physically, and emotionally prepared for formal learning and to help ensure their success in later life. Specific activities covered would include services that enhance parents' ability to be their child's first teacher, enhance parents' and other caretakers' ability to provide stable and caring environments, and promote the health and well-being of all young children.

Rationale

As reflected in Title XX of the Social Security Act, the federal government has long recognized that cash assistance alone would not address the needs of the poor and that prevention and early intervention services were of critical import. The Ready to Learn block grant also emphasizes prevention and early intervention services. In addition, it increases parents and caretakers ability to become self-sufficient and maintain their independence while addressing the developmental needs of children. By supporting state efforts to help young children and their families, the federal government also strengthens states ability to achieve Goal One of the National Education Goals: By the year 2000, all children will start school ready to learn. Finally, combining a series of program and services that are now provided to children and families through multiple categorical programs into a single funding stream enhances the ability of families to obtain comprehensive services and improves the quality of these services.

As indicated in the introduction, states have not reached agreement on whether individual entitlement programs (e.g., Title IV-A AFDC Child Care, \$555, and Title IV-A Transitional Child Care, \$156) should be included in block grant proposals.

Potential Programs

	FY 95 Budget Authority (\$ in millions)
Child Care and Development Block Grant	935
Title IV-A At-Risk Child Care	300
State Dependent Care Development Grants	13
Child Development Associate Credential Scholarship	1
Child and Adult Care Food Program	1
Commodity Supplemental Food Program (Provides food - why include)	84
Even Start	102
IDEA, infants and preschool	642
TOTAL	2,077

*Part H
early intervention - doesn't fit*

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YOUTH DEVELOPMENT

Purpose

To provide a base level of funding to states to support a continuum of developmentally appropriate activities that promote individual responsibility and the social development of youth and facilitate their preparation for careers and lifelong learning. These activities will build the competencies of young people, while respecting the dominion of the family, fostering scholastic achievement, promoting self-reliance, and cultivating positive peer interactions. The range of activities to be funded may include school-, community- and work-based experiential learning; mentoring; community service; crisis intervention, and structured recreation and cultural activities during non-school-hours.

Rationale

Pooling these categorical employment and training, education, and social service/prevention programs into a block grant would facilitate state and community efforts to plan and develop comprehensive strategies to promote positive youth development by meeting the fundamental needs of all youth without being bound by the narrow parameters of current federal youth programs. In recognition of the national implications of neglect, the federal government has traditionally provided states and communities with significant resources to address the needs of vulnerable youth. Unfortunately, the current array of crisis-driven, narrowly targeted prevention and intervention programs, scattered across federal agencies and departments, are aimed at stratified segments of the nation's young people: those exhibiting behaviors or experiencing problems commonly associated with a specific adolescent "pathology" (e.g., delinquency, substance abuse, and pregnancy), or those deemed at-risk for developing such behaviors or problems. Hence, public action frequently occurs after a problem has surfaced, rather than seeking to prevent the problem from emerging in the first place. These programs have not significantly reduced the problems associated with adolescence and in many communities, the problems have intensified despite intensive interventions. Enabling states and communities the flexibility to strategically and comprehensively plan a continuum of developmentally-relevant activities and services would more effectively prepare youth to make the transition from childhood to productive citizenship.

Potential Programs

DEPARTMENT OF HEALTH AND HUMAN SERVICES

	FY 95 Budget Authority (\$ in millions)
<hr/>	
<i>Administration for Children and Families</i>	
Independent Living	70
Youth Gang Substance Abuse	11
Runaway and Homeless Youth Programs	
Basic Centers	40
Drug Abuse Prevention	14
Transitional Living	14
<i>Office of Community Services</i>	
National Youth Sports	12
<i>Public Health Service</i>	
Adolescent Family Life	7
<i>Center for Substance Abuse</i>	
Substance Abuse Block Grant (20% earmarked for prevention)	247
High-Risk Youth	65

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FY 95
Budget Authority
(\$ in millions)

Violent Crime Control & Law Enforcement Act of 1994 -Title III:

Community Schools Youth Service & Supervision Grant Program (new program authorized in FY 95 under Crime Bill) 26

DEPARTMENT OF EDUCATION

Elementary and Secondary Education

Drug Free Schools & Communities 457

Violent Crime Control & Law Enforcement Act of 1994 -Title III:

Family and Community Endeavor Schools Grant Program* (new program authorized in FY 95 under the Crime Bill) 11

DEPARTMENT OF LABOR

Employment and Training Administration

Job Training Partnership Act (JTPA)

IIB—Summer Youth Employment and Training Program -1,056

IIC—Year-Round Youth Program 599

Youth Fair Chance 25

Job Corps 1,099

DEPARTMENT OF JUSTICE

Office of Juvenile Justice and Delinquency Prevention

Part A—Management and Administration 5

Part B—Formula State Grants 70

Part C—Discretionary Grants 25

Part D—Youth Gangs 10

Part E—State Challenge (new program funded in FY 95) 10

Part G—Juvenile Mentoring 4

Delinquency Prevention Grants 20

Violent Crime Control & Law Enforcement Act of 1994 -Title III:

Ounce of Prevention Council (new, authorized for FY 95) 1

DEPARTMENT OF AGRICULTURE

Extension Service

Youth At Risk 10

DEPARTMENT OF HOUSING AND URBAN

DEVELOPMENT

Drug Elimination Grants (50% of total appropriation minus 10% set aside for Native Americans) 130

DEPARTMENT OF TREASURY

Violent Crime Control & Law Enforcement Act of 1994—Title III:

Gang Resistance Education and Training (new program FY 95) 9

TOTAL

4,047

*Grants to CBO's.

Eliminated in House Reconciliation bill

eliminated greatly reduced

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CHILDREN AND FAMILY SERVICES

Purpose

The Children and Family Services block grant is designed to provide funding to assist states in developing programs for intervention and follow-up services for children and families who are experiencing crisis. Specific activities covered would include services designed to strengthen parents ability to care for their children such as family support and preservation and parenting education; services to secure permanent homes for children; services to care for children who cannot remain in their home; and services to reduce violence in families.

Rationale

The Children and Family Services Block Grant would continue the role that the Federal Government has historically played in improving the welfare of children in specific areas of national concern. All of the programs listed are specifically designed to support families in crisis. The Governors believe that services to this population could be significantly improved by permitting states to provide services to children and their families through a single source. By providing a single stream of funds from the federal government, states are also better able to blend state and federal dollars into a seamless system of services.

As previously indicated, there is no agreement among states about whether individual entitlement programs (e.g., Foster Care, \$3,128, Adoption Assistance, \$399, or Emergency Assistance, \$656) should be included in block grant proposals.

Potential Programs

	FY 95 Budget Authority (\$ in millions)
Social services block grant	2,800
+Community services block grant	391
Temporary child care and crisis nurseries	12
Child welfare services (includes child welfare training)	296
Adoption opportunities	13
Abandoned infants	15
Child abuse state grants	23
Child abuse demonstrations (discretionary activities and challenge grants)	15
Family violence programs	33
Foster grandparents - <i>Americorpe</i>	68
Family Preservation and Support Program	150
Family Support/Community-Based Resource Centers	39
TOTAL	3,855

+Includes only that portion allocated to states

DRAFT -- FOR COMMENT ONLY

EDUCATION REFORM

Purpose

To promote state-based systemic reform of the nation's education system by providing a single federal grant that can be coordinated with new and existing state reform efforts. The funds would be directed through the state planning panel to the appropriate states agencies and local school districts who would in turn spend the monies in accordance with the state's education reform plan. Funds would be used for capacity building and to provide direct services to primarily elementary and secondary education students. If provided for under the state plan, the a portion of the funds could be used to support the transitional programs for pre-school students, such as those students enrolled in programs such as Head Start and other early intervention programs.

Rational

Create a state-level *Education Reform Grant* by combining a number of education categorical programs into a single grant that would be allocated to the states based on a formula similar to the current Title One formula. A portion of the funds would be allocated to local schools based on the state's allocation formula. This grant would be administered by a state panel appointed by the Governor. The panel would work with the Chief State School Officer and other appropriate state agencies in developing and administering the plan. The state would submit a single plan to the U.S. Department of Education. The plan would outline the state's current reform plan and would include a set of benchmarks and performance indicators that would lead toward the achievement of the national education goals. Through the panel, states would report to the Secretary and to the citizens of the state on progress in achieving the benchmarks. This program would be phased in by amendment the existing Goals 2000: Educate America Act.

Potential Programs

	FY 95 Budget Authority (\$ in millions)
Goals 2000: Educate America Act	372
Title I: Helping Disadvantaged Children Meet High Standards	7,222
Title II: Eisenhower Professional Development Program	320
Title VI Innovative Education Program Strategies	374
Education Infrastructure	100
Carl C. Perkins Vocational Education Act	973
TOTAL	9,335

Add
Drug
Free
Schools

~~From to Lifelong Learning~~
Workforce Development

DRAFT -- FOR COMMENT ONLY

EDUCATION DISCRETIONARY

Purpose

To provide the Secretary of Education with the discretionary funds to support programs of national significance and help improve educational quality and support for special populations.

Rational

These categorical programs currently provide support for certain states to participate in programs of national significance or meet special needs. By consolidating the programs into a single grant the Secretary will be able to better prioritize and focus federal dollars on areas of special concern. This block grant would include an administrative set-aside for the Department of Education.

Potential Programs

	FY 95 Budget Authority (\$ in millions)
School to Work Opportunities Act	250
Charter Schools	6
Education, Research, Statistics, and Improvement	355
Federal Goals 2000 Activities	22
Technical Assistance for Improving Elementary and Secondary Education programs	45
Bilingual and Immigrant Education	245
Inexpensive Book Distribution	10
Arts in Education	12
Law Related Education	6
Christa McAullife Fellowships	2
Foreign Language Assistance	11
Title V: Programs to promote Equity (Magnet Schools, Women's Education Equity Act and Drop-Out Assistance)	143
TOTAL	1,107

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CRIME CONTROL AND CORRECTIONS

Purpose

Crime control is primarily a state and local responsibility. The purpose of this block grant is to assist states in defining the crime problem on a statewide basis; to develop objectives and priorities; to identify appropriate strategies and resources to achieve these goals; and to coordinate the justice system -- courts, corrections, prosecutors, defense, police-- with units of government (county and city).

Rationale

The strength of a "crime control and corrections block grant" is the flexibility provided the states to identify crime priorities, and initiate and experiment with new programs that address crime problems. It allows for the development of a statewide plan of attack that is necessary in order to mount and sustain an effective and coordinated crime fighting effort.

A block grant to states must not have any restrictions such as earmarkings, set asides or mandates for special populations. States must have full flexibility to define the nature and course of the crime problem to be addressed.

Potential Programs

	FY 95 Budget Authority (\$ in millions)
Edward Byrne Memorial Grant Program	358
Correctional Options Grants	12
State Correctional Grants/Boot Camps	0
Community policing	1,300
Violent Offender Incarceration and Truth in Sentencing Incentive Grants	0
TOTAL	1,660

DRAFT -- FOR COMMENT ONLY

HEALTH SERVICES

Purpose

This proposal will create a unified financing mechanism to support and enhance the availability and delivery of a broad range of personal health care services. Predominantly, these funds would focus on the treatment of disease. The types of activities that could be supported through this consolidation include the provision of health care and related services: to address the needs of uninsured and underinsured special populations, to reduce the rate of infant mortality and low birth weight babies, and/or to enhance the delivery of emergency medical care for children and adults. States could utilize these funds to implement innovative strategies such as developing integrated service networks in rural areas to increase accessibility to health care services.

Rationale

The proposed consolidation of these programs would allow states to determine the priority health care needs and health services required by their residents and to target the resources to best meet the needs. Without the categorical limitations of the existing programs, states would be able to better target these service delivery dollars toward gaps in the existing health care system and would permit states to better coordinate these services with the existing array of primary and specialty care services available in the private sector and through the state Medicaid programs.

Potential Programs

	FY 95 Budget Authority (\$ in millions)
Supplemental Feeding Program: Women, Infants and Children	3,470
Maternal and Child Health Block Grant	684
Community Health Centers Grants <i>go directly</i>	617
<u>Family Planning (Title X)</u>	193
Healthy Start	110
<u>Ryan White AIDS</u>	79*
Developmental Disabilities Basic Support & Advocacy Grants	70
Project Grants for Health Services to the Homeless	65
Migrant Health Centers Grants <i>go directly</i>	65
Rural Health Outreach	27
Rural Health Research	13
Residents of Public Housing Primary Care Program	10
Linking Community-Based Primary Care, Substance Abuse, HIV/AIDS, & Mental Health Treatment Services	8
Pediatric Emergency Medical Services	10
HIV/AIDS Dental Reimbursements	7
Trauma Care	5
Native Hawaiian Health Care	5
Black Lung Clinics	4
Developmental Disabilities Projects of National Significance	6
Operation of Offices of Rural Health	4
Health Services in the Pacific Basin	3
HIV Demonstrations: Children, Adolescents, & Women	2
TOTAL	5,457

*FY 94 figure

not included by Advisory panel

DRAFT -- FOR COMMENT ONLY

PUBLIC HEALTH AND PREVENTION

Purpose

This proposal will create a unified financing mechanism to support a broad array of preventive health services as well as support the continued existence of core public health functions. States would have the discretion to target prevention dollars to critical public health activities, such as immunization of children, control of infectious diseases, and/or the prevention of lead poisoning. Other public health initiatives could be supported by these dollars, such as smoking cessation programs and childhood injury prevention programs.

Rationale

This proposal consolidates a myriad of categorical funding streams with the Preventive Health Block grant to permit states to help state support the prevention of disease and meet the priority public health needs of their residents. This consolidation would give states the resources and flexibility to conduct needs assessments and design data/vital statistics systems to monitor their public health priorities, as needed. In addition, states would have the flexible resources available to maintain emergency response capacity, to address disease outbreaks, natural disasters, toxic spills, or any other public health crisis that could emerge.

Potential Programs

	FY 95 Budget Authority (\$ in millions)	
Acquired Immunodeficiency Syndrome (AIDS) Activity	590	
Childhood Immunization Grants	359	<i>Vaccine Purchase</i>
Preventive Health & Health Services Block Grant	158	<i>VFC</i>
Chronic and Environmental Disease Prevention	140	
Tuberculosis Control Programs	114	
Community Partnership Demonstration Grants	115	
Sexually Transmitted Disease Control Grants	92	
Cooperative Agreements for State-Based Comprehensive Breast & Cervical	100	
Injury Prevention & Control Research & State Grants Projects	45	
Childhood Lead Poisoning Prevention	36	
Minority Community Health Coalition Demonstration	22	
HIV Demo. Research, Public & Professional Ed. Projects	16	
Emergency Preparedness	2	
HIV/AIDS Surveillance	45	
Cancer Registries	15	
Disabilities Prevention	8	
Comprehensive School Health Programs to Prevent the Spread of HIV & Other Important Health Problems	6	
Community Health Promotion	5	
Tobacco	3	
Research, Treatment & Education Programs on Lyme Disease in the United States	1	
TOTAL	1,872	

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SUBSTANCE ABUSE PREVENTION AND TREATMENT¹

Purpose

This proposal combines a variety of categorical and demonstration programs with the existing substance abuse prevention and treatment block grant give states greater choices in the design of prevention and treatment programs. A broad array of substance abuse treatment activities could be funded, including inpatient chemical dependence programs, methadone maintenance programs for narcotic dependent persons, or community-based social models, like those that serve persons with alcoholism. Likewise a broad range of prevention activities could be designed and implemented in communities to reduce the incidence and prevalence of drug and alcohol abuse by young people, child-bearing women and other populations.

Rationale

This proposal consolidates the block grant and demonstration funds (as well as smaller public education and training programs) into a single block grant administered by the states. This consolidation would free states to establish their own priorities for the demonstration of emerging prevention or treatment protocols. With such flexibility, states would be able to reduce waiting lists for treatment services, could direct funds toward maximizing coordination with other existing state programs, and would allow states, that so choose, to focus more finances on coordination of prevention or treatment programs.

Potential Programs

	FY 95 Budget Authority (\$ in millions)
→ Substance Abuse Block Grant ¹	987
Community Prevention	115
Prevention Demonstration: High Risk Youth	65
Treatment Improvement Demonstrations: Critical Populations	24
Prevention Demonstration: Pregnant Postpartum Women and their Infants	23
Treatment Demonstrations: Target City Demo	36
Treatment Improvement Demonstrations: Criminal Justice	38
Treatment Improvement Demonstrations: Women and Children	54
Treatment Improvement Demonstrations: Comprehensive Community Treatment Programs	27
Residential Treatment for Pregnant Women	25
Capacity Expansion Program	7
Training (prevention)	16
Prevention Public Education and Dissemination	14
Prevention Demonstration: Other Programs	7
Training (treatment)	6
Treatment Improvement Demonstrations: Campus Projects	0
TOTAL	1,444

¹ This block grant does not include prevention dollars earmarked for youth. A number of states still prefer to include those prevention dollars in this block grant.

DRAFT -- FOR COMMENT ONLY

MENTAL HEALTH SYSTEMS AND TREATMENT

Purpose

This proposal combines a variety of categorical and demonstration programs with the existing mental health block grant to give states greater freedom to address the needs of persons with mental illness. The consolidated funds would be available to states to finance the treatment of a range of mental health problems for populations in need; for example, states could support the continued development at the state and community level of systems of care for children who are seriously emotionally disturbed by building linkages between public and private sector providers of health and mental health services. Other types of activities that could be supported include psychosocial rehabilitation programs, mental health peer support programs, and outreach and diagnostic services.

Rationale

The current categorically-based mental health programs have insufficient flexibility in their focus to allow states to adapt to the rapidly changing health care environment. States simply need a more flexible funding source. For example, a more flexible block grant would help states and providers adapt to changes in mental health service delivery and financing as a result of the proliferation of health care networks. Further, the operation and modification of comprehensive management information systems are vital to evaluating the impact of services. Yet, current resources are inadequate to operate and modify such systems. Compilation and analysis of data for policy formulation, program management and evaluation is needed. This new block grant proposal would give states the flexibility to respond to this changing environment. In addition, this proposal calls for the consolidation of demonstrations under a block grant. While these demonstration funds are currently competitive, allocating them to states would give states more authority to test innovations, such as testing mental health "carve-out" management versus "integrated" management arrangements in the delivery of care in managed care settings.

Potential Programs

	FY 95 Budget Authority (\$ in millions)
Mental Health Block Grant	275
Children's Mental Health	60
Projects for Assistance in Transition from Homelessness (PATH)	29
Demonstrations: Community Support Program	24
→ <u>Protection and Advocacy</u>	<u>22</u>
Demonstrations: Homeless Demonstrations ¹	21
Clinical Training	2
TOTAL	433

¹ This is a special CMHS, Housing and Urban Development, Department of Education, and Department of Agriculture five year demonstration in 18 sites (9 states). It is designed to document the impact of an integrated care model recommended by the 1992 report of the Federal Task Force on Homelessness and Severe Mental Illness.

HEALTH PROFESSIONS

Purpose

States play a pivotal role in the financing of medical and other allied health professionals education. This proposal would enhance that role by giving states more flexibility and authority to direct federal funding for workforce development. Activities that could be supported include financial assistance to colleges and universities to increase their capacity to produce well-trained medical and allied health professionals, need-based scholarships to increase the number of practitioners in primary care or under-represented specialty areas, and education/training centers designed to compliment university-based development of health professionals.

Rationale

Currently, the majority of federal funding for workforce development flows directly to individuals and universities within a state. This proposal would promote a more active role for state government in the allocation of those scarce resources. States could the identify their own needs for primary versus specialty care providers and target financial resources based upon these workforce patterns. The proposal would also allow states to direct resources to the cultural and linguistic minorities which reflect the demographics of the citizens. Finally, by increasing the state role in directing funds for health professions, states would be better able to encourage beneficiaries of financial assistance to practice in unserved or underserved areas of the state.

Potential Programs

	FY 95 Budget Authority (\$ in millions)
Grants for Family Medicine	47
Health Careers Opportunity Program	27
Area Health Education Centers	25
Programs of Excellence in Health Professions Education for Minorities	24
Minority Health	21
Developmental Disabilities University Affiliated Programs	19
Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	18
Minority Scholarships	18
Grants for General Internal Medicine and/or General Pediatrics	17
Professional Nurse Traineeships	16
Nurse Practitioner/Nurse Mid-wife	17
Advanced Nurse Education	12
Exceptional Financial Need Scholarships	11
Nurse Education Special Projects	10
Grants for Geriatric Education Centers	9
HPSL Recapitalization	8
Public Health/Preventive Medicine	8
Grants for Physician Assistant Training Program	7
Scholarships for Health Professions Students from Disadvantaged Backgrounds	6
Mental Health Clinical or Service Related Training Grants	5*
Interdisciplinary Training for Heath Care in Rural Areas	4
Allied Health Projects Grants	4

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FY 95
Budget Authority
(\$ in millions)

Nursing Education Opportunities for Individuals from Disadvantaged Backgrounds	4
Residency Training & Advanced Education in the General Practice of Dentistry	4
Area Health Education Centers - Border Health	4
Grants for Nurse Anesthetist Faculty Fellowships	3
Health Professions Research and Data	2
Grants for State Loan Repayment	1
Health Administration Traineeships & Special Projects Program	1
Chiropractic Demonstrations	1
Grants for Podiatric Primary Care Residency Training	1
Demonstration Grants to States for Community Scholarships	
<i>TOTAL</i>	354

*FY 94 figure

AGING SERVICES

Purpose

This block grant is designed to organize services for the elderly based on consumer needs rather than provider auspices. It would give states flexibility to fund the types of aging services most needed by older consumers in their jurisdictions. A broad array of types of services to meet the special transportation, nutritional and psychosocial needs of older Americans could be financed through this mechanism; for example, home-bound elderly could have meals prepared and brought to their homes, while other funds could be used to transport older persons to a community-based facility where communal meals would be prepared. Assistance with financial planning could be provided to those in need, as could help planning for the elderly's long-term health care needs.

Rationale

There are two compelling reasons for consolidating and block granting these programs. First, these programs are highly interrelated, and support and complement one another. For example, specialized Department of Transportation funds are used to purchase vehicles that transport older people to Department of Health and Human Services (DHHS) financed meal sites; DHHS funds are used for the vehicle operating costs. Both the Senior Community Services Employment Program (Department of Labor) and the Older Americans Volunteer Program (Corporation for National and Community Service) pay stipends to older people who provide direct services to the elderly (some of the services are partly financed by DHHS). In short, these programs perform overlapping functions.

The second reason is administrative efficiency. Even though these programs all serve the same target population (the elderly), their federal requirements and restrictions force states to; set-up duplicative grants management and reporting systems; to cajole local providers serving identical populations to coordinate their efforts; and allocate resources to certain functions that may be of lower priority than others due to the federal allocation of funds.

Potential Programs

	FY 95 Budget Authority (\$ in millions)	
Senior Community Service Employment Program	376	} - Older Americans 106647 group
Congregate Nutrition, Title III-C1, Older Americans Act	307	
Supportive Services - Title III-B, Older Americans Act	151	
Commodities Support for Elderly Nutrition	60	
Transportation for the Elderly and Adults with Disabilities - Section 16(b)(2) of the Federal Transit Act	36] part of National Service Corporation
Retired Senior Volunteer Program	31	
Senior Companion Program	25	
Congregate Housing Services Program - Housing and Community Development Act	17	
Health Promotion - Title III-F of the Older Americans Act	10	
Insurance Counseling Assistance - Sec. 4360, OBRA '90	10	
Home Delivered Meals, Title III-C-2, Older Americans Act	9	
In-Home Services, Title III-D, Older Americans Act	5	
Alzheimer's Demonstration Grants to States - Section 398 of Public Health Services Act	5	
Elder Abuse Prevention- Title VII, Chapter 3, Older Americans Act	5	

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FY 95
Budget
Authority
(\$ in millions)

Long Term Care Ombudsman - Title VII, Chapter 2, Older Americans Act	4
Pension Counseling - Title VII, Chapter 5, Older Americans Act	2
<i>TOTAL</i>	<i>1,459</i>

Note: The Foster Grandparent Program has been included in the Children and Family Services. A number of states still prefer that this program remain in this block grant.

AFFORDABLE HOUSING

Purpose

Funding for a wide range of affordable housing services targeted primarily to low income persons and families, including construction and rehabilitation funds; interest rate buy-downs, downpayments, and other financial support; rent subsidies and vouchers; and supportive services.

Rationale

Depending on the per capita income of its residents and the inventory and condition of its housing stock, a state may need relatively more funds for the promotion of affordable housing construction and less for actual rental assistance or vice versa. These conditions also vary across a state and change over time. A block grant would permit a state to use federal funds to address its priority affordable housing needs. In addition, many existing federal housing programs are competitive grants, awarded after expensive grantwriting investments. A block grant would save this expense, and, coupled with effective management documents, still achieve continual improvement in program design.

By folding in programs from both the Department of Housing and Urban Development (HUD) and the old Farmers Home Administration (FmHA), currently administered by the Rural Housing and Community Development Service (RHCDS), the block grant would permit states to manage housing programs consistently across the state, rather than having separate rules for urban and rural areas. This proposal does not include any loan or loan guarantee programs because their operation is not consistent with a block grant approach.

The federal government has established a wide array of programs and approaches to affordable housing, including one that few states have adopted: ownership of properties. Thus, this proposal assumes that any affordable housing stock that is owned and/or operated by the federal government (public housing, troubled multifamily housing, etc.) or under long term contract (section 236, etc.) would remain as a federal responsibility until the property was "market ready," meaning that renters with vouchers would seek to rent the units. This requirement means that the funds available for the block grant may need adjustment since HUD may need to hold additional funds to improve, repair, or demolish some portion of its inventory.

While NGA does not generally support setasides in block grants, the housing arena is one where local governments play a major role. Therefore, Governors would accept a pass through or setaside for local government purposes in this grant.

Because of the major changes suggested by this block grant proposal, it is recommended that a transition period be established. Portions of the overall proposal could be enacted on different schedules, depending on the difficulty of coordinating federal agencies, measuring the required subsidy based on the new mix of services, and creating a mechanism to determine the properties that would be transferred on a state-by-state basis. For instance the production programs (HOME, Sec. 202, and Sec. 811) and the homelessness assistance programs could each be consolidated on a faster schedule than the public housing programs.

DRAFT -- FOR COMMENT ONLY

Potential Programs

FY 95
Budget Authority
(\$ in millions)

Housing Construction/Rehabilitation Programs at HUD

HOME	1,400
National Homeownership Trust	50
Housing Counseling	50
Elderly Housing (Sec.202)	1,279
Housing for the Disabled (Sec.811)	387
HOPE II & HOPE III	62
Lead Based Paint Hazard Reduction	100
Funding for Preservation of Existing Affordable Housing in Areas Needing Such Units (Preservation)	175

out

RHCDA [formerly Farmers Home Administration (FmHA)]

Housing Production Grant Programs

Sec. 504 Very-Low Income Housing Repair Grants	12
Sec. 516 Rural Housing for Domestic Farm Labor	11
Sec. 53 Mutual and Self-Help Housing	13
Sec. 509 Compensation for Construction Defects	1
Sec. 533 Rural Housing Preservation Grants	22
Subtotal: Construction and Rehabilitation Grant Programs:	3,562

HUD Rental Assistance and Support Programs

Section 8 Certificates and Vouchers for Expiring Contracts	2,786
Section 8 Rental Assistance - Elderly	1,162
Section 8 Rental Assistance - Disabled	396
Section 8 Amendments	735
New Rental Assistance (incremental)	982
Flexible Subsidy	50
Elderly Housing Service Coordinators	22
Project-Based Service Coordinators	15
Tenant Based and Multifamily Service Coordinators	15
Family Self-Sufficiency Coordinators	17
Congregate Housing Services	25
Foster Child Care	72
Moving to Opportunity	50
Homeownership Assistance Program	7

*real
five*

\$2.86 decision

RHCDA/FmHA Rental Assistance Programs

Sec. 521 Rental Assistance	516
Sec. 502 Rental Assistance	7
Rental Assistance Subtotal:	6,857

*Previous Commitment
to prior low income
housing*

HUD Homelessness Assistance Programs

Shelter Plus Care	905**
Emergency Shelter Grants	157
Supportive Housing	**
Innovative Homeless Initiative	25

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FY 95
Budget Authority
(\$ in millions)

Section 8 SRO (single room occupancy)	**
Housing Opportunities for Persons with AIDS	186
Homelessness Assistance TOTAL	1,273

** Program costs included within \$905 million appropriation.

HUD Public Housing Construction and Rehabilitation Programs

Public Housing Development	<i>total act</i>	598
Public Housing Amendments		65
Public Housing Modernization (This figure includes Indian Housing) - <i>1.166</i>		3,285

HUD Public Housing Operating Programs

Public Housing Operating Subsidies	<i>- 904m.</i>	2,900
Family Investment Centers		26
Community Partnership Against Crime		290
Public Housing Service Coordinators		30
Lease Adjustments		13
Public Housing Subtotal		7,207

Block Grant Proposal TOTAL **18,899**

- 76.

DRAFT -- FOR COMMENT ONLY

COMMUNITY AND ECONOMIC DEVELOPMENT

Purpose

To provide capital investment, training, management and technical assistance, and research aimed at promoting job creation, community enrichment, and economic growth within a community, a region, or an industry sector.

Rationale

Efforts to promote economic and community development are primary goals of state government. Consolidation of a wide range of existing federal resources into one flexible program would permit states to use these resources more effectively to respond to local market and community situations, including affordable housing. Most states have developed strategic plans for development which identify priority areas for state action. Limited federal resources would be more efficiently spent in concert with state efforts.

This proposal does not include loan or loan guarantee programs. It does include programs that are currently delivered to customers or clients directly by the federal government, requiring a new federal state relationship in those areas. However, most states already serve these same clients and offer similar services. Therefore the transition will not be difficult for states. The proposal does bring together programs from a number of federal agencies. The block grant is intended to free states from different requirements within different federal agencies for essentially similar programs.

Potential Programs

	FY 95 Budget Authority (\$ in millions)
<i>Community Development Program, administered by HUD</i>	
Community Development Block Grant: Small Cities Portion	1,287
Empowerment Zones	400
Special Purpose Grants	45
Economic Development Initiative (UDAG Recapture Funds)	125
Subtotal HUD	1,857
<i>Economic Development Programs, administered by EDA</i>	
Development Grants	202
Planning Grants	26
Technical Assistance Grants	11
Economic Development and Adjustment Grants	45
Subtotal EDA	284
<i>Rural Economic Development Grant Programs, administered by the Rural Business and Cooperative Development Service (RBCDS) (formerly Farmers Home Administration)</i>	
Rural Business Enterprise Grants	48
Subtotal RBCDS	48
<i>Programs for Farmers administered by the Farm Service Agency (formerly FmHA)</i>	
State Mediation Grants	3
Farm Outreach and Assistance Grants	3
Subtotal FSA	6

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The Appalachian Regional Commission

FY 95 Budget
Authority
(\$ in millions)

Appalachian Development Highway System	237
Physical Development Program	100
Human Development Program	24
Business Development Program	10
Local Development District & Technical Assistance	7
Subtotal ARC	378
<i>Economic Development Programs administered by the Tennessee Valley Authority</i>	
Rural Development	21
Subtotal TVA	21**
<i>The Small Business Administration</i>	
Economic Development	166
Small Business Advocacy	8
Subtotal SBA	174
<i>Proposed Block Grant TOTAL</i>	2,768

** denotes funds to be distributed only within geographic areas of current programs

DRAFT -- FOR COMMENT ONLY

AGRICULTURAL RESEARCH AND EXTENSION SERVICES

Purpose

To promote research and the transfer of technology aimed at strengthening industries in rural America including farming, forestry, and animal husbandry.

Rationale

Cooperative state research can be managed by states within regions based on common problems, and extension services can be managed by states to effectively meet the needs of farmers and other local agricultural service providers. States fund other portions of state university budgets, and a stronger state role can better target limited resources.

U.S. Department of Agricultural Research Programs

	FY 95 Budget Authority (\$ in millions)
<hr/>	
<i>Cooperative State Research Service Programs</i>	
1890 College Tuskegee	28
Animal Health/Disease	5
Coop Forestry	20
Hatch Act	171
Agriculture - Special	75
	FY 95 Budget Authority (\$ in millions)
<hr/>	
<i>Extension Services Programs</i>	
1890 Colleges	25
D.C. Act	1
Farm Safety	3
Expand Food and Nutrition	61
Pest Impact Assessment	3
Pest Management	11
Renewable Resources	3
Smith Lever	271 <i>by mde.</i>
<i>Total Research Programs</i>	677

DRAFT -- FOR COMMENT ONLY

ENVIRONMENTAL MANDATES ASSISTANCE

Purpose

To provide assistance to local communities for environmental infrastructure needs in a manner that will result in compliance with various federal environmental requirements, particularly related to water quality. In order to enhance existing loan assistance programs, Governors seek greater flexibility to combine infrastructure monies and coordinate the expenditure of such monies based on state and local priorities.

Rationale

Governors have consistently called for more state flexibility in administering the federal infrastructure assistance monies to states and local communities. Specifically, the Governors propose consolidation of federal environmental loan funds (i.e., state revolving loan funds for drinking water and wastewater treatment construction) in order to enable states to target the funds to their greatest water quality, infrastructure-related needs. A consolidated infrastructure loan fund would combine all capitalization grant dollars for wastewater and drinking water state revolving loan funds (SRF) and other dedicated water quality-related funds. States would be authorized to utilize funds to award loans and grants to needy communities. Consolidation would increase efficiency in administering federal dollars from EPA and USDA through states to local communities for environmental infrastructure projects and other activities to reduce water pollution. Priority needs may include construction of a wastewater treatment plant, enhancement of a public drinking water system, closure of a municipal waste landfill, or groundwater treatment to clean up contamination from underground storage tank releases.

Potential Programs

	FY 95 Budget Authority (\$ in millions)
Wastewater State Revolving Loan Fund	1,235
Drinking Water State Revolving Loan Fund (appropriated but not yet authorized)	1,300
FmHA Rural Water and Waste Disposal Loans/Grants (60 percent/40 percent)	1,155
Total Estimate	3,690

1. A portion of appropriated amounts may need to be reserved for debt servicing of existing loans.

DRAFT -- FOR COMMENT ONLY

ENVIRONMENTAL PROGRAM MANAGEMENT

Purpose

To provide administrative blocks grants which will enhance the ability of states to use federal resources to meet national environmental protection goals consistent with state-based priorities, while improving coordination of current environmental management programs.

Rationale

The federal government currently provides categorical grants to assist in the administration of environmental programs. Existing grants are awarded (some by allocation formula and some on a competitive basis) under priorities set by the federal government rather than by the states and funds are severely constrained by federal grant conditions. Eliminating the specific program grant criteria and allowing the states to use the money in a block over a five-year period according to their priorities would advance state environmental activities, particularly in voluntary, non-regulatory areas. To make this fully workable, states must be authorized, in consultation with local officials, to adjust timeframes for meeting certain federal requirements to allow priority environmental problems to be addressed first. In particular, adjustment of federal enforcement priorities and explicit statutory requirements and deadlines would likely be necessary to enable Governors to target funds toward individual states' environmental priorities. States may need a one to two-year transition period to obtain environmental block grants.

Potential Programs

	FY 95 Budget Authority (\$ in millions)
Air Pollution Control Program	
Clean Air Act Section 105 Grants	181
Water Pollution Control Program	
Clean Water Act Section 104(b)(3)	23
Clean Water Act Section 106 Grants	80
Nonpoint Source Management Grants	100
Water Quality Management Planning Grants	13
Clean Lakes Program Grants	0
Wetlands Program Grants	15 ✓
Drinking Water Program	
Safe Drinking Water Act Public Water Supply Supervision Grants	70 ✓
Underground Water Source Protection Grants	10
Hazardous Waste Management Program	
State Program Support Grants	96
Leaking Underground Storage Tank Trust Fund	70
State Underground Storage Tanks Program	10
Pesticides Enforcement Cooperative Agreement Grants	16
Toxic Substances Enforcement Grants	4 ✓
Radon State Grants	8
Lead Grants	13
Total Estimate	709

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AGRICULTURAL CONSERVATION PROGRAMS - A PARTNERSHIP

Purpose

To broaden the focus of existing conservation-related agriculture programs while providing states with new tools to address environmental and conservation problems associated with modern agriculture. Currently, most funds are paid directly from the U.S. Department of Agriculture (USDA) to farmers for the purpose of taking agricultural lands out of production or encouraging certain farming practices. The proposal is to consolidate some of these program funds into one comprehensive program and allow states to set priorities for the investment of these funds. A traditional "block grant" would not be necessary to achieve this goal.

Rationale

This proposal would provide greater focus on state agriculture-related conservation and environmental priorities by giving Governors a larger role in the targeting of USDA conservation monies. Consequently, states would be better able to address priority objectives such as the clean water requirements for which states are ultimately held accountable.

Potential Programs

	FY 95 Budget Authority (\$ in millions)
Conservation Operations	603.4
River Basin Surveys and Investigations	13.0
Watershed Planning	10.5
Watershed and Flood Prevention Operations	70.0
Great Plains Conservation Program	15.2
Resource Conservation and Development	32.8
Conservation Reserve Program	1859.0
Wetlands Reserve Program	83.2
Agricultural Conservation Program	100.0
Water Bank	0.9
Colorado River Salinity Program	0.6
Total Estimate	2788.6

priority for CATT
→ not done today
programs.
→ USDA gives money to
farmers directly

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WORKFORCE DEVELOPMENT

Purpose

To provide states a base level of funding for workplace skill training, occupational education, labor exchange, and employment services for welfare recipients, economically disadvantaged adults and older youth, dislocated workers who lose their jobs for any reason, incumbent workers whose skills need upgrading, and disabled individuals in need of training and placement assistance.

Activities to be funded include classroom and on-the-job training, basic skills instruction, literacy programs, needs-related supportive services, individual assessment, job counseling, job search assistance, career information, labor exchange, job matching services, administration of unemployment insurance and related income support programs, development and management of labor market information, and professional and capacity development. Labor exchange, job matching services, labor market information, and career guidance would be available to all citizens of working age, irrespective of economic need, through integrated intake, assessment, and referral systems in each community.

Rationale

This block grant would afford states the opportunity to streamline their workforce development system, create lifelong learning systems, and integrate access to services sought by employers, workers, and labor market entrants. The block grant would provide resources for managing a state's workforce development system; cultivating partnerships among state, local, and business interests from both public and private sectors; developing and operating one-stop service centers providing access to the system; and supporting basic and occupational skills training to meet the economic and social needs of the state.

Block Grant Structure

This proposal would establish a block grant with two components -- one supported by federal general funds currently distributed through 24 programs; the other supported by some of the federal trust funds derived from the payroll tax levied under the Federal Unemployment Tax Act (FUTA). This second component includes only administrative funding allocated by formula for state employment security programs -- i.e., unemployment insurance and Job Service. At a minimum, states could combine these trust funds for maximum flexibility in administering their employment security programs.

In addition, states would have a new option to combine trust funds and general funds -- in proportions chosen by the state -- to finance comprehensive workforce development systems. This would allow states to use a portion of the administrative trust funds for other workforce development initiatives -- e.g., customized training, skills development for specialized industries, implementation of skills standards systems, etc. -- that could strengthen the link between workforce and economic development.

To further reduce the number of categorical federal job training programs, this proposal also combines 10 other federal programs into a single fund from which the Secretary of Labor would make discretionary grants for activities of national significance and programs to encourage innovation and quality improvement and to address priority multistate issues.

TABLE 1 -- Potential Programs

Component A - General Funds FY 95
Budget Authority
(\$ in millions)

DEPARTMENT OF LABOR

Training and Employment Services

JTPA Formula Grants to States

JTPA Title II-A Training for Economically Disadvantaged Adults 1,055

JTPA Title III Training for Dislocated Workers 1,037

JTPA Federally Administered Programs

Migrant Farmworkers Program 86

Veterans employment 9

Labor Market Information 5

NOICC/SOICC (Occupational Information Coordination) 5

State Unemployment Insurance and Employment Service Operations

Employment Service

Allotments to States (General Funds) 25

Trade Act Adjustment Assistance

TAA Training & Benefits

NAFTA Training & Benefits (New in FY 1995)

231 - administration
43 - would oppose these

DEPARTMENT OF EDUCATION

Migrant Education

High school equivalency program 8

College assistance program 2

Vocational Education

Data Systems (NOICC/SOICC - Occupational Information Coord.) 5

Student Financial Assistance

Pell Grants (Non-degree studies) 1,827

Sensitive area

Adult Education

State programs 252

State Literacy resource centers 8

Workplace literacy partnerships 19

Literacy training for homeless adults 9

Literacy programs for prisoners 5

Vocational Rehabilitation

State grants 2,054

severely mentally & physically handicapped

Client assistance grants to states 10

Training (Professional) 40

Supported employment state grants 37

DEPARTMENT OF AGRICULTURE

Food Stamp Program

Employment and Training 165

No sum

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	FY 95 Budget Authority (\$ in millions)
DEPARTMENT OF HEALTH & HUMAN SERVICES	
<i>JOBS Program</i>	
Education and Training for AFDC Recipients	1,300
<i>Total, General Funds</i>	<i>8,237</i>
<i>Component B - Unemployment Trust Funds</i>	
	FY 95 Budget Authority (\$ in millions)
DEPARTMENT OF LABOR	
<i>State Unemployment Insurance and Employment Service Operations</i>	
Unemployment Compensation	
State Operations	1,766
State Integrity Activities	367
Employment Service	
Allotment to States (Trust Funds)	821
National Activity-Targeted Jobs Tax Credit	15
<i>Veterans Employment and Training</i>	
State Administration	161
Total, Unemployment Trust Funds	3,130
GRAND TOTAL, STATE BLOCK GRANTS	11,367

TABLE 2 -- Secretary of Labor's National Discretionary Fund

	FY 95 Budget Authority (\$ in millions)
DEPARTMENT OF LABOR	
<i>Training and Employment Services</i>	
<i>JTPA Federally Administered Programs</i>	
American Samoans/Asian Americans	5
Rural Concentrated Employment Program	4
Pilots and Demonstrations	36
Research, Demonstration and Evaluation	12
Capacity Building	6
NOICC/SOICC	1
Skills Standards	6
Women in apprenticeship	1
Homeless job training	5

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FY 95
Budget Authority
(\$ in millions)

State Unemployment Insurance and Employment Service

Operations

Employment Service

One-stop Career Center Grants 120

Total, General Funds 196

Additional Comments and Issues

Roll-Out Reforms. Under this proposal, two "roll-out" reforms would be excluded from the block grants to states and retained in a national discretionary block fund administered by a federal department secretary:

- **One-stop career center grants**, funded at \$120 million in FY 1995, are designed to be rolled out to several additional states each year based on their readiness to implement a comprehensive workforce development system. Including these discretionary grants in future block grants could diffuse funds now focused on the states that are most ready to make maximum use of them. This proposal would include the one-stop center grants in the Secretary of Labor's national discretionary block fund.
- **School-to-work implementation grants**, which also involve a roll-out each year to another increment of states, are not included in block grants to states for similar reasons. These funds would be included in the Secretary of Education's national discretionary block fund.

Vocational Education. Perkins Act vocational education funds could have been included in this block grant or in Education or divided among them and Youth Development. Dividing them at the federal level could cause problems in a number of states. Take basic state grants, for example. States currently may use the federal dollars for secondary and post-secondary programs in ratios of their own choice, and the split now varies from state to state in a range from about 18% to 85%.

To preserve maximum flexibility, these funds would be included in an Education block grant with the understanding that up to 20 percent of its total funds would be transferable to the Workforce Development block grant or the Youth Development block grant, or both, and that states would provide an appropriate share of these funds for post-secondary vocational training and establish strong planning, management, and operating links between activities under the three block grants.

Separate Block Grant For Youth Development Programs. This block grant does not include federal youth employment and training programs. A separate Youth Development block grant combines these programs with other categorical youth services to provide states with a foundation for comprehensive youth programs that more effectively address the full range of youth needs and opportunities.

Specifically Excluded Programs

Several programs or program components have been excluded deliberately from this proposed block grant and the related secretary's discretionary block funds. Some are included in other block grant proposals, despite their apparent relevance to workforce development, because they have significant

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links to purposes of the other block grants. Others are excluded because of their national significance or applicability nationwide and would remain as discrete nationally administered financial assistance programs. Programs that do not appear in the block grants to states or the secretary's block funds would be left intact to operate as currently authorized.

APPENDIX B

**NGA POLICY
PRINCIPLES FOR STATE-FEDERAL
RELATIONS**



PRINCIPLES FOR STATE-FEDERAL RELATIONS

1

Preamble

The American federal system established a strong union while preserving the diversity reflected in individual states. State and local governments—governments close to the people—provide the needed opportunities for flexibility and innovation, and by their decentralization of decisionmaking and responsive nature, encourage citizen participation and support.

Although there is a clear need for a national role in a variety of domestic issues, the principles of local determination and diversity require a careful balance of federal and state roles. It is vital to ensure that states have the authority and flexibility needed to respond to the needs and priorities of those who live within their boundaries.

While recognizing that a strong national government was necessary, the original thirteen states, in adopting the United States Constitution, included provisions to limit the power of the national government and to preserve the power and authority of states. However, the authority of state government has been eroded over time due to constitutional changes, Supreme Court decisions, and legislative changes. The legislative changes generally have reduced state prerogatives by preempting state laws, by creating unfunded mandates, and by prescribing minute management and administrative details for specific federal assistance programs.

Not only has there been a trend toward the erosion of state authority, but two Supreme Court decisions, *Garcia v. San Antonio Metropolitan Transit Authority* and *South Carolina v. Baker*, cleared the way for this trend to accelerate. These two decisions substantially reduced the Tenth Amendment protection for state authority, forcing states to make their case with Congress much like a special interest group. The key language in the *Garcia* decision holds that “the limits are structural, not substantive, i.e., that states must find protection from congressional regulation through the national political process, not through judicially defined spaces of unregulated state activity.”

The Supreme Court decision in *South Carolina* confirmed the *Garcia* decision. Furthermore, it eliminated any remaining constitutional protection regarding the doctrine of intergovernmental tax immunity. The loss of reciprocal tax immunity, coupled with the huge federal budget deficit, increases the pressure on Congress to change the current legislation so that a part or all of the interest from general obligation bonds would be subject to federal income taxes. Other tax issues that are of potential concern are the loss of deductibility for state and local income taxes (sales taxes are no longer deductible) and the possible imposition of a national sales tax or value-added tax that would preempt the states' major source of revenue.

Recently, the Supreme Court's Tenth Amendment decisions have evinced a more positive trend. In *Gregory v. Ashcroft*, a statutory case that involved a state's authority to set a mandatory retirement age for its judges, the Court went out of its way to speak approvingly of our constitutional system of “dual sovereignty between the states and the federal government.” The following term, in *New York v. United States*, the Court restored at least some substantive content to the Tenth Amendment by expressly holding that a provision of the Low-Level Radioactive Waste Policy Amendments Act of 1985 was unconstitutional because it compelled states to govern according to Congress' instructions. “[E]ven where Congress has the authority under the Constitution to pass laws requiring or prohibiting certain acts,” the Court reasoned, “it lacks the power directly to compel the states to require or prohibit those acts.”

It is too soon to tell whether *Gregory* and *New York* represent initial steps in a revival of the Tenth Amendment or whether they are simply one more instance of the Supreme Court's vacillation in this area of constitutional doctrine.

2 **Protecting State and Local Borrowing Capacity**

State and local bonds are a significant revenue source for state and local governments. The threat of federal action to tax the interest on such bonds in the future may have a measurable impact on the cost and availability of such funding. Although no congressional action has begun to impose such a tax, the uncertainty remains. Therefore, the Governors call on Congress to permanently remove this threat by adopting and referring to states a constitutional amendment that would specifically exempt state and local bonds from federal taxation.

3 **Creating a Consensus for Action**

The continuing federal deficit, and now the health care crisis, will force the federal government to make a number of critical choices relating to the financing and administration of governmental programs. Many of these decisions will have a fundamental effect on state and local governments and the quality and availability of public services they provide and administer.

Such decisions should not be made in a vacuum. Therefore, the Governors call on Congress to convene a commission, composed of members designated by the federal government and states, to develop recommendations on the steps needed to retain or restore balance in the federal system. Such a commission should address not only the issues of the allocation of intergovernmental programs, but also the simplification of intergovernmental administration and the protection of state and local revenue bases.

The Governors recognize that resolution of the federal budget deficit entails painful spending and revenue choices and that some of these choices may have adverse effects on all or some states and on local governments, as well as on recipients of services of federally funded programs. The Governors urge that federal actions minimize such impacts and take into account the extent to which state and local governments have contributed, during the past decade, to federal budget reduction through lowered federal grant levels and shifts of funding responsibilities to the state and local sectors.

4 **Defining the Future Federal Role**

To ensure that legitimate demands for federal actions are met in a responsible manner and that the role of states and localities is preserved, several steps are needed.

- 4.1 **State Responsibility.** The Governors strongly support the principles of federalism, but the public will insist on federal action should states fail to act collectively on issues of legitimate concern. The states reaffirm their strong commitment to continued leadership and effective state action.
- 4.2 **Federal Protection and Special Populations.** The states reaffirm their support for a federal role in ensuring equality of access and due process. The federal government also has a responsibility to help states meet the needs of special populations.
- 4.3 **Federal Forbearance.** Not all problems require a uniform solution. Priorities and preferences may vary from state to state. The lack of universal action or uniform solutions does not in and of itself provide a sufficient rationale for federal action. Instead, Governors recommend that the development of future federal programs be guided first by five fundamental principles.
 - Federal action should be taken where constitutional authority for action is clear and certain.
 - Federal action should be limited to problems that are national in scope, where the national interest requires a universal or uniform solution, and should not merely address problems that are common to all states.
 - Federal action should be sensitive to each state's ability to bring a unique blend of resources and approaches to common problems.
 - Unless the national interest is at risk, federal action should not preempt additional state action.
 - Federal action should depend on risk-based priorities and cost-benefit analysis and should avoid inflexible earmarking.

4.4

Unfunded Federal Mandates. Although unfunded federal mandates may reflect well-intentioned policy goals, they often impose substantial cost and regulatory burdens on states. Federal action increasingly has relied on states to carry out policy initiatives without providing necessary funding to pay for these programs, thereby robbing states of their right and responsibility to set priorities and develop policies that best meet local needs.

In *New York v. United States*, 112 S.Ct. 2408 (1992), the U.S. Supreme Court unequivocally reaffirmed the vitality of state governments in the federal system as separate and independent political entities. The Court held that state governments cannot and should not be treated as mere subdivisions or agents of the federal government. States must be free to maintain the integrity of their governmental structures and governing processes.

State governments cannot, however, function as full partners in our federal system if the federal government appropriates states' ability to devise and legislate their own solutions to domestic problems by requiring states to devote their limited resources toward complying with unfunded federal mandates.

The Governors commend President Clinton for issuing Executive Order No. 12866 on regulatory planning and review and Executive Order No. 12875 on enhancing the intergovernmental partnership. The strong commitments made to the reduction of unfunded mandates, increased flexibility, and regulatory restraint in these executive orders, combined with the administration's vigorous reinventing government effort, create an important and extensive action agenda. The Governors support the basic intent and direction of that agenda and pledge their cooperation in carrying it out.

The Governors call on members of Congress to oppose, and the President to veto, legislation that imposes further mandates without also providing adequate funding to cover the costs of implementation. The following additional actions are recommended.

- Governors must work with state legislators, county officials, mayors, and city officials in support of federal legislation that provides state and local governments with real, permanent relief from the mandate burden. Congress should act to guarantee that costs to state and local governments associated with all new mandates are reimbursed by the federal government.
- Legislation must be enacted to require the Congressional Budget Office to report on the costs imposed by unfunded mandates on state and local governments prior to congressional action by a full committee and the full House or Senate.
- Congress should extend the principle of pay-as-you-go, revenue-neutral requirements, now used for federal entitlement programs, to any new state and/or local mandate.
- A point of order should be provided against any mandate on state or local governments that violates the above three requirements, with a three-fifths majority necessary to override the point of order.
- State and local elected officials of general purpose governments and their representative national organizations should be exempted from the Federal Advisory Committee Act and the Administrative Procedures Act.
- The National Performance Review recommendations for broad agency waiver authority and bottom-up grant consolidation should be enacted.
- Burdensome and costly reporting requirements should be reduced through enactment of the Paperwork Reduction Act.
- A summit conference on federalism should be formed to discuss the breakdown of federalism and to renew our national commitment to the federalist system our founding fathers envisioned.

4.5

State Task Force on Federalism

The Governors embrace the following four steps to create a process to bring a better balance to the federal system.

- A Governors' working group will be appointed and will extend an invitation to a similar group that has already been created by the National Conference of State Legislatures (NCSL) to establish a joint NGA/NCSL task force.
- The NGA/NCSL task force will be charged with proposing to NGA and NCSL an action plan to increase the ability of the states to preserve their constitutional role in the federal

system. The proposal may include a conference of states or other means for collective state action, concentrating state power and focusing national attention on federalism.

- This proposal is to be ratified by the full membership of NGA and NCSL.
- The task force will consider legislative, legal, and constitutional means to address imbalance in the federal system. It will seek fundamental ways states can leverage their ability to compete. The National Governors' Association, Council of State Governments, International City/County Management Association, National Association of Counties, National Conference of State Legislatures, National League of Cities, and U.S. Conference of Mayors will be invited to support the plan and provide input on potential solutions. However, the Governors, in their role as statewide officers, and state legislators, who have a constitutionally specified role in this matter, must be the primary organizers and participants.

5 Ensuring Program Flexibility and Accountability

Steps also must be taken to overcome the imbalance that has resulted from the rapid expansion of federal programs in the past. The proliferation of detailed federal programs must be ended, and states must be given greater flexibility in policymaking. Toward these ends, the following changes are recommended.

- The number of joint federal-state programs should be reduced by a sorting out of responsibilities between the two levels of government.
- Where federal programs are to be maintained, grant conditions should not be used to force state program changes not related to the specific purposes for which the grant is provided, and federal funding should not always require state or local matching funds.
- Federal regulations should rely on state laws and procedures for the administration of federal programs.
- Where a joint federal-state role is to be retained, federal grants should be consolidated into general block grants.
- While local governments must be assured that resources will be made available for priority needs, such as crime control, the federal government should end the bypassing of state governments.

As a specific step toward this more rational allocation of services, the Governors support the following action steps.

- Enact a national policy on income security for the needy with a larger federal responsibility in exchange for reduced federal responsibilities in other areas.
- Develop a national program of medical care for the needy, financed by federal resources.
- Provide funding for these programs and preserve the balance of costs within the federal system by the orderly turnover to states of a comparably priced set of program responsibilities, such as education, community development, transportation, and social services.
- Ensure that all states have the fiscal capacity to meet the requirements of the national income security policy and other federal goals.

6 Administering Intergovernmental Programs

To provide maximum flexibility and an opportunity for innovation, as well as to foster administrative efficiency and cross-program coordination, intergovernmental grant legislation should be designed to meet the following principles.

6.1 General. The following principles should apply.

- Legislative authorization should be kept current, and all grant programs should be subject to periodic review.
- There should be a congressional determination of a compelling need for federal action.
- Legislation should include clear statements of measurable program objectives to reduce administrative confusion and facilitate judicial interpretation of congressional intent.

- States should be actively involved in a cooperative effort to develop policy and administrative procedures.
- Grant requirements should be tied to the purpose of the grant.
- The federal government should respect the authority of states to determine the allocation of administrative and financial responsibilities within states in accordance with state constitutions and statutes. Federal legislation should not encroach on this authority.

6.2 Financing. The following principles should apply.

- Federal revenues that are earmarked for federal aid programs should be made fully available for the purposes enacted.
- Legislation should authorize and appropriate sufficient funds to meet identified program objectives.
- Federal assistance funds, including funds that will be passed through to local governments, should flow through states according to state laws and procedures.
- States should be given flexibility to transfer a limited amount of funds from one grant program to another, or to administer related grants in a consolidated manner.
- Federal assistance appropriations should be enacted on a timely basis, possibly even one year in advance.
- Federal funds or letters of credit should be provided in a timely manner.

6.3 Administrative Requirements. The following principles should apply.

- Federally mandated administrative requirements should be uniform across federal agencies and programs and should allow the substitution of comparable state requirements.
- Federal grant programs should not impose unreimbursed administrative costs on states or localities.
- Congress should limit administrative authority over planning and reporting requirements by specifying the product of planning rather than the process, by delegating planning to existing state organizations, and by requiring that reporting requirements be clearly justified.
- States should be given broad flexibility in establishing federally mandated advisory groups, including the ability to combine advisory groups for related programs.
- Governors should be given the authority to require coordination among state executive branch agencies, or between levels or units of government, as a condition of the allocation or pass-through of funds.
- Federal government monitoring should be outcome-oriented and should not focus on process or procedural measures.
- Federal reporting requirements should be minimized, and states should be encouraged to develop cooperative reporting efforts.
- The federal government should not dictate state or local government organization.
- States with prior programs and acceptable performance should be excused from detailed federal requirements or certified as meeting federal requirements.
- Federal agencies should accept state and local administrative structures and program administration.

7 Avoiding Federal Preemption of State Laws and Policies

The Constitution assigns certain responsibilities to the federal government and reserves the balance to states. Accordingly, the role of the federal government in areas reserved for states and for local governments should be strictly limited. There should be highly compelling reasons to justify federal actions that require changes in policies adopted by state and local officials, who are accountable to the same voters and whose performance is reviewed by them at least as often as the performance of Congress and the President.

In cases where Congress determines that federal preemption of state laws is in the national interest, the federal statute should accommodate state actions taken before its enactment. Provision should be made to permit states that have developed stricter standards to continue to enforce them and to permit states that have developed substantially similar standards to continue to adhere to them without change.

The principle of avoiding preemption by the federal government in areas of primary state responsibility is applicable across the board, covering issues such as education; insurance regulation; crime control; preservation of the dual banking system; preservation of state securities regulation, including registration, licensing, and enforcement activities; and management of state personnel programs.

The federal courts, as well as the Department of Justice, must practice restraint when determining states' responsibility versus deprivation of constitutional rights. As a result of litigation, states have been required to impose restrictive standards in our state prisons and schools that go far beyond the guarantee of constitutional rights.

To avoid state preemption, whenever the federal government is a party to litigation to secure federal constitutional guarantees, in the area of primary state responsibility, the U.S. Department of Justice should vigorously pursue termination of the litigation as soon as constitutional concerns are alleviated.

Integral to the operation of state government is the freedom to structure state revenue systems. It is essential that the federal government not preempt, either directly or indirectly, sources of state revenues, state tax bases, or state taxation methods.

For example, increases to federal excise taxes, by raising prices, reduce demand and therefore revenue from existing state excise taxes. At the same time, the federal tax preempts the tax base, restricting future state use.

Similarly, new federal excise taxes on raw materials risk distorting the prices of final products, reducing economic growth, and causing industries and states to bear costs unequally.

When considering excise taxes or increases in excise taxes, Congress should carefully consider the fact that these options have an adverse impact on states' ability to raise revenue or result in a disproportionate burden among various states. Where federal court decisions restrict state tax actions, Congress should review these decisions and provide legislative relief when appropriate.

8 Preserving Intergovernmental Communication

The Governors recognize the need for open communication and the free flow of information among officials at all levels of government. Such communication is essential to the effective and efficient implementation and administration of intergovernmental programs. The Governors oppose efforts by the federal government to restrict employees of state and local governments from communicating with members of Congress and other federal officials. Although federal funds should not be used to retain private individuals and firms to influence federal legislation and regulations, federal statutes and regulations should specifically exempt employees of state and local governments from the restrictions on lobbying the federal government.

9 Conclusion

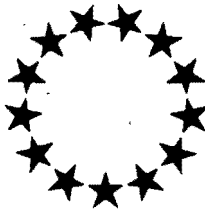
The Governors recognize the unique nature of the federal system and the critical importance of developing a close working relationship with our federal partner. We recognize and support a continued federal role in protecting the basic rights of all our citizens and in addressing issues beyond the capacity of individual states. At the same time, the federal government must recognize that there are problems that can be best addressed at the state and local levels.

The Governors are committed to a revitalized and strong partnership with Congress and the administration to bring a new balance to federalism. We believe these issues are crucial to the future viability of our separate governments and to a revival of citizen participation in the affairs of government.

*Permanent policy
Adopted Annual Meeting 1993; revised Winter Meeting 1994 and Annual Meeting 1994.*

APPENDIX C

NGA POLICY PRINCIPLES TO GUIDE THE RESTRUCTURING OF THE FEDERAL-STATE PARTNERSHIP



EC-15. PRINCIPLES TO GUIDE THE RESTRUCTURING OF THE FEDERAL-STATE PARTNERSHIP

15.1 Preamble

The Governors believe that the next two years will present an enormous opportunity to restructure the federal-state relationship. The Governors urge Congress to take advantage of this opportunity both to examine the allocation of responsibilities among the levels of government and to maximize state flexibility in areas of shared responsibility. However, the Governors believe that children must be protected throughout this process.

As the federal government begins to move toward a balanced budget, the pressure to reorder federal priorities and curtail federal grants will increase. Already, numerous proposals for program consolidation and reduction are on the table.

Although federal budget cuts are needed, the Governors are concerned about the cumulative impact on the states of federal budgetary decisions. The federal budget must be balanced by true savings, not by shifting costs to the states.

The Governors recognize the special responsibility of government at all levels in meeting the needs of children and families. Governors have taken the lead in carrying out these responsibilities in the past. They believe that the federal government must maintain a financial role in assisting states and localities to continue to meet these responsibilities.

15.2 Welfare Reform

All Governors recognize the importance of a federal role in financing income assistance to families and children. However, the continuation of the current welfare system is unacceptable. Tinkering and changes at the margin will not be sufficient. Congress should create a new, simpler, and more responsive federal role.

The Governors have not yet reached consensus on whether cash and other entitlement assistance should remain available as federal entitlements to needy families or whether it should be converted to a state entitlement block grant. They do agree, however, that in either case states should have the flexibility to enact welfare reforms without having to request federal waivers. Although the Governors recognize the legitimate interest of the federal government in setting broad program goals in cooperation with states and territories, they also believe that states should be free from prescriptive federal standards, including key aspects of the welfare system, such as work requirements, benefits to teen parents and to legal immigrants, and time limits on benefits.

15.2.1 A State Entitlement Block Grant Program. The Governors believe that block grants as discussed in this section should be entitlements to states and not discretionary grant programs. The Governors view any block grant proposal as an opportunity for Congress and the president to provide needed flexibility for states, not as a primary means to reduce the federal budget deficit. Block grants should include a clear statement of purpose, including mutually agreed-upon goals for the block grant and the measures that will be used to judge the effectiveness of the block grant. The block grants must recognize the nation's interest in:

- services to children;
- moving recipients from welfare to work; and
- reducing out-of-wedlock births.

Under this concept, there should be no micromanagement and states should be required only to ensure that the funding received is used to provide services for poor children and their families. Although each state would be required to describe their program in a state plan and to provide periodic reports to the public, state plans would not be subject to federal approval or federal revision. Financial and compliance audits would be conducted to ensure that funds were properly spent, and states would be required to pay back any misspent funds. Specific program outcome data will be collected by the states and publicly reported.

Block grant funding should be guaranteed over five years at levels agreed to among the states, Congress, and the administration. The Governors will work with Congress and the administration to provide appropriate budget adjustments that recognize agreed-upon national priorities, inflation, and demand for services.

In return for this broad flexibility, states would consider an initial allotment based on the average of several prior years. Federal funds would be automatically available under a capped entitlement structure, instead of being subject to annual discretionary appropriations. There would be no maintenance-of-effort provisions, and states would be allowed to keep all savings as long as the federal allocation was spent. Unexpended federal funds would remain available to states to maximize flexibility and to encourage the creation of a "rainy day" fund and would not be subject to reallocation by the federal government.

To provide for significant changes in the cyclical economy and for major natural disasters, an additional amount should be set aside each year for automatic and timely distribution to states that experience a major disaster, higher-than-average unemployment, or other indicators of distress.

15.2.2 An Individual Entitlement Program. If the federal government preserves the federal entitlement of all needy families to assistance, the Governors believe the current Aid to Families with Dependent Children (AFDC) program should be replaced by a new national program that establishes clear policy objectives and certain minimum standards, but provides states with broad flexibility to design key program elements.

Federal policy objectives and standards could include, but should not exceed, the following.

15.2.2.1 Time-Limited Aid to Families with Dependent Children. Assistance in the form of cash grants to families and children should be available for a time-limited period; during this time, activities should take place to help recipients make the transition from welfare to work.

15.2.2.2 Social Contract. The expectations and responsibilities of both the recipient and the government should be clearly defined, and incentives and sanctions should be designed to ensure that those responsibilities are carried out. States should be granted broad flexibility in defining the components of the social contract, including requirements to begin work before the maximum time is exhausted. Receipt of assistance should be conditional upon ongoing compliance with the social contract.

15.2.2.3 Support Services. State programs could include, as appropriate, the education, training, and support services necessary to help participants become self-sufficient. Such services should be funded either as a component of the income support program or through broader block grants.

15.2.2.4 Long-Term Assistance. Continued federal, state, county, and local assistance under the national program after the time-limited period should be dependent upon a requirement of work or work-related activities unless no job, community service work opportunity, or community service placement is available. Federal funds equivalent to the assistance payment should be available to the states to support the creation of needed work. States should be allowed to create work directly and through subsidies to the private sector. The ongoing financial needs of children must be addressed in any time-limited system.

15.2.2.5 Flexibility. States oppose prescriptive federal management of the AFDC program. Federal guidelines should be reasonably general in nature and states should have broad statutory authority to adjust benefit levels and to determine the form and condition of assistance. This flexibility should be in the form of allowable options and should not require federal waivers or plan approval.

States should have the ability to extend assistance on a case-by-case basis, with full federal financial participation, for a limited period beyond the federal standard in order to ensure that recipients complete education or job training programs; complete treatment for substance abuse or other physical or mental impairments; or resolve emergency situations, such as homelessness.

TALKING POINTS REGARDING BLOCK GRANTS FOR HIGHER EDUCATION

The federal role in postsecondary education is to provide access and equal opportunity for students of all income levels. Block grants without strict regulations are unlikely to be as targeted as federal aid, and will not be uniform across states. Moreover, the costs of operating separate state systems would be significantly higher with 50 systems than with one federally managed system.

Equity:

- **Benefits may not go to the neediest students:** Financial aid provided by the states through block grants would probably not be targeted to the neediest students. Many state scholarship programs do not target needy students as is done on the federal level through the need analysis system.
- **Decreased uniformity of benefits:** Block grants would decrease uniformity of benefits across regions, types of students, and types of institutions. Significant disparities could exist across states.
- **Decreased diversity:** The federal government has an appreciation for diversity in higher education that is not shared by all states. Some states might choose not to support some types of schools such as historically black colleges and universities.
- **Reduction in mobility:** State block grants will probably reduce mobility of students. Currently, many students attend colleges outside of their home states, creating diversity in the higher education system. If block grants are created, many states will provide benefits only to students who attend colleges in that state thereby reducing student choice and decreasing the diversity of student bodies.
- **Money may not be spent on education:** If higher education funds are blocked with other social programs, states may choose to spend money that is now designed for postsecondary education in other areas thereby reducing access to postsecondary education for lower income students. Today, seventy percent of student financial aid is provided by the federal government, and many students would not be able to continue their educations without that money.
- **Less aid may be available:** States may choose to provide grants rather than loans. Accordingly, fewer dollars may be available to students to pay tuition.

Efficiency:

- **Duplicative loan systems:** Each state would need a loan delivery system to handle loan origination, servicing and collection; these systems are less efficient when they are small because fixed costs to design and operate are significant. States would also need to guarantee loans or to raise capital through state bonds.
- **Duplicative student aid delivery systems:** Currently, need analysis is handled by one federally administered central processor. If block grants are provided to states, each state would need to establish a need analysis system and a distribution mechanism.
- **Increased administrative costs:** Fifty state student aid systems would be much more costly to operate than a federally managed system because the fixed costs of system design and implementation are significant. Currently, ED has roughly 1300 employees and spends about \$500 million to manage all aspects of student aid (including aid delivery, legal assistance, oversight, IG activities, etc.). Total costs for 50 states systems would be significantly more than what ED currently spends.
- **Administrative complexity:** Most colleges and universities serve students from multiple states. If financial aid is provided through block grants, those schools will need to learn the rules and

regulations of multiple states rather than simply administer one federal program.

- **Complexity for students:** Students would be eligible for different amounts of student aid depending upon where their schools are located. As part of determining where to go to school, students would need to consider the amount of financial aid available in each state. This information may not be readily available to students. Lack of information could discourage students from attending postsecondary education. Additionally, many students would have to repay loans from multiple states if they attend schools in multiple states.
- **Lack of accountability:** To ensure proper use of block grants, states would need to design systems to ensure accountability. Such systems, including gatekeeping, are difficult to design, and operate, and burden on schools will increase if schools must adhere to multiple state accountability systems rather than one federal system.

U.S. Department of Education NPR Phase II Reinvention Strategies

Accomplishments to Date

The FY 1996 budget for the U.S. Department of Education (ED) totals \$30.4 billion (5,060 FTE), and reflects President Clinton's commitment to education as the key investment in the nation's future. The President's agenda includes the Goals 2000: Educate America Act, the Improving America's Schools Act (IASA), the School-to-Work Opportunities Act, and the Student Loan Reform Act—some of the most significant legislative successes of the first two years of the Clinton Administration. *The challenge presented to the Department by NPR II is how to complete the reinvention started by the Administration, while sustaining, indeed accelerating, the momentum achieved by these successes in the face of severe Congressional attacks.*

Department of Education Cost Savings Achieved Prior to NPR II: Projected Effects 1995 - 2000	
Mandatory	
■ Student Loan Reform savings	\$6.8 billion
■ Direct Loans savings	\$5.2 billion
Discretionary	
■ 86 ED programs eliminated or consolidated in FY 94, 95, and 96 budgets	\$4.6 billion
■ ED personnel reduced (5,131 to 4,698)	\$0.1 billion
Total savings	\$16.7 billion

While the Department's accomplishments are significant, we recognize that there are still too many programs, too much regulation, too much concentration on process and too little on performance, and too big and complex a bureaucracy.

To achieve our long-term aim of a customer-responsive agency, we must focus on the four agency priorities identified in our strategic plan as essential to our mission: 1) promoting school reform focused on challenging K-12 standards; 2) creating comprehensive school-to-work systems in every state; 3) promoting access to high-quality postsecondary education and lifelong learning; and 4) becoming a high-performance organization. The first three priorities respond strategically to the challenge of meeting the national education goals and the fourth priority aims to make the Department fit for the task.

Improvements would build on the best ideas from research and the field, as we have done in Goals 2000, IASA, and School-to-Work. We would use modern technology and customer-responsive approaches to strengthen these priorities, while cutting programs and operations that simply get in the way.

Much has been accomplished. The Department is two-thirds of the way toward reinvention. The challenge now is to move forward in the current political environment to complete our task. Issues to consider are:

- How can we maintain the President's commitment to education and management improvement in the context of a Congress that is attempting to undermine the President's agenda?
- How can we credibly present a long-term vision of where the Department is heading and our sense of urgency about the need to reform education, while carefully phasing in improvement activities that reflect the research-driven reforms we just passed in the 103rd Congress?
- How can the Department contribute appropriately to deficit reduction, without blurring the distinction between the Administration and the opposition, who will propose cuts—far more draconian ones than ours—regardless of what we do?

Completing Reinvention

Our *vision* for completing reinvention of the U.S. Department of Education, to support the mission as defined in our strategic plan, is in four areas:

- I. **Performance.** Create seven new performance partnerships covering all priority areas of our strategic plan.
- II. **Leadership.** Continue to expand our family involvement initiative, and launch a reading initiative. Make the Administration a visible leader on issues that are critical to realizing the national education goals.
- III. **Customer-driven operations.** Focus operations on improving customer service and performance rather than process and compliance monitoring, while reducing regulations by at least 50 percent by 1997. Support customers through implementing new, coherent, and sustained research institutes; building a world-class information system; monitoring for improvement; and providing jargon-free "Idea Books" that provide research-based information on what works in education.
- IV. **Streamlining—budget savings and reduced bureaucracy.** Focus on core priorities. Cut almost everything else.
 - ▶ Terminate or consolidate over 100 previously funded programs that are lower priority activities that distract us from our mission. Delete from the legislation another 124 previously unfunded programs.
 - ▶ Reduce bureaucracy, with 16 percent fewer staff, fewer principal offices, and fewer regional offices, and with fewer organizational layers involved in hiring, purchasing and contracting operations.
 - ▶ Save \$3.843 billion more through 2000 by focusing on mission and achieving efficiencies.

These are substantial proposals, and they are each worth undertaking. However, we also urge prudence, coupled with diligence and continuous improvement. We do not have all the answers and are concerned that moving too fast could lead to unexpected failures or misconceptions about ED's priorities and motives, and thereby undermine our effectiveness and serve opponents of the President's agenda.

I. Performance Partnerships

Target: Propose five performance partnerships initially, while moving toward eight partnerships covering every major ED program area by 1998. ED believes strongly in a results-driven policy, but we also believe that the performance measures must be valid. In a number of programs substantial work remains in developing valid performance indicators. While our strategic plan provides for the first time a set of performance indicators for the Department, data systems to support these indicators are just beginning to be developed. Few real-world examples exist of the successful application of performance incentives and accountability approaches in education. We have a strong beginning with Goals 2000 and School to Work, but we must do more with the field to create better performance measures and more effective accountability systems.

Proposals for immediate consideration and adoption:

- **Vocational Education (FY 1996: \$1.2 billion).** As part of the GI Bill for America's Workers, the President is proposing a performance partnership that replaces 23 separate vocational education programs currently authorized under the Carl D. Perkins Vocational and Applied Technology Act with a single state grant program to support school-to-work systems, based on challenging, industry-approved performance standards. In return for increased flexibility, the partnership would identify a state-proposed set of performance measures (e.g., percent of students achieving skill standards; percent employed in the field they trained for; percent going to postsecondary education) that would be benchmarked to state academic standards and industry-supported skills standards. Based on these standards, states would establish accountability systems for local educational agencies, and the Secretary would be able to hold states accountable using both sanctions and rewards. States would evaluate their career and technical education systems against these standards and take corrective actions with poor-performing districts. *[S&E savings of \$15 million]*
- **Adult Education (FY 1996: \$490 million).** The President proposes to consolidate 12 federal programs for adult education and literacy into a single state grant that would do away with separate state and local categorical programs and set-asides. Federal, state, and local governments would focus on a core set of performance measures (e.g., learning gains, GED attainment) and use "One-Stop Career Centers" to refer adults only to programs known to provide high-quality services. *[S&E savings of \$8 million]*
- **Campus-Based programs (FY 1996: \$1.4 billion).** This partnership would consolidate three programs which provide participating postsecondary institutions with three different forms of student assistance: Work-Study, Supplemental Education Opportunity Grants, and Perkins Loans. As part of the partnership, the Department proposes that the Perkins Loan revolving fund be terminated—with two-thirds of it being returned to the federal government, providing \$4 billion in long-term savings. Pooled funds would be available for student aid of any sort.

In exchange for pooled funding, institutions would establish performance measures addressing how they have effectively packaged campus-based aid with other federal, state, and institutional aid available to meet student financial need, including aid for students with "exceptional need." [*Savings of \$1.7 billion in revolving fund by 2000*].

- ***Postsecondary institutional gatekeeping.*** This partnership would greatly streamline the current gatekeeping system, which is plagued by regulatory rigidity and complexity, insufficient focus on quality and results, and lack of sensitivity to the differences among postsecondary providers of education and training. Postsecondary institutions would be partners with the federal government, with performance measures based on the level of their financial and administrative capabilities and on student outcomes.

An institution with high performance in these areas would be given relief from numerous requirements, such as internal audits and evaluations by the State Postsecondary Review Entities, would receive program reviews that were more limited in content and frequency, and would be freed from other specific rules and regulations (for example, delayed disbursement of student loans for first-time students and detailed requirements on how to provide entrance and exit counseling). [*Substantial S&E savings by postsecondary institutions*].

- ***Public Libraries programs (FY 1996: \$107 million).*** This partnership with state grantees would consolidate programs for public library services and public library construction to support the attainment of challenging academic performance standards and adult literacy goals. In exchange for the flexibility afforded by pooled funding, states would enter into performance agreements with the federal government to increase access to reading, supplementary materials, new technologies, and out-of-school services supportive of more challenging standards for student performance and adult literacy, particularly for disadvantaged populations.

States would be asked to target one or more of the following areas for support: access to reading, supplementary materials, and new technologies to enable all children to read to challenging standards; public dissemination of curriculum standards and materials that support their attainment; and access to materials used in literacy training programs to help reinforce adult literacy development. States would encourage greater cooperation across public libraries, local school systems, and adult literacy program providers to support programs in the after-hours and summer. Performance indicators would include the extent to which public libraries offered expanded access to disadvantaged populations (e.g., through extended hours or mobile or satellite facilities in low-income areas), as measured by increased rates of book circulation in low-income areas.

Three additional areas—vocational rehabilitation, K-12 education improvement, and services to at-risk populations—are recommended for later implementation of performance partnerships. The President's recent legislative accomplishments in these areas have brought significant improvements that need time to take hold. These partnerships would be phased in over time, using knowledge gained from waivers and experience with the Goals 2000 Ed-Flex demonstrations. With respect to at-risk populations, considerable indicator development is required before the federal government could provide safeguards to ensure these populations are making adequate academic progress.

- ***Vocational Rehabilitation (FY 1996: \$2.119 billion).*** This partnership would cover the Vocational Rehabilitation State Grants program plus at least three other smaller categorical programs (Supported

Employment State Grants, the Migratory Workers program, and the Projects with Industry program) that could reasonably be consolidated into state grants.

Performance agreements would replace the existing highly prescriptive legislation, which has specified everything from how state Vocational Rehabilitation agencies are organized to the timetable for making an eligibility determination for individual clients. New performance measures could include the percent of clients in competitive employment and the level of client earnings, adjusted for client capability. *[Move from mandatory to discretionary produces savings of \$500 million].*

- ***Educational Improvement (FY 1996: \$1.985 billion).*** This partnership would be built around Goals 2000 and include Eisenhower Professional Development State Grants (IASA-II), Safe and Drug-Free Schools (IASA-IV) and Innovative Educational Program Strategies (IASA-VI). States would have to put in place a Goals 2000 plan (or its equivalent) with performance targets and student performance indicators specified in their plan in exchange for the flexibility to pool funds across authorities to achieve targeted improvements.
- ***At-risk populations—Schoolwide performance partnerships (FY 1996: \$7.897 billion).*** This partnership would retain funding safeguards for target populations (low-income, limited-English proficient, migrant, and American Indian students) down to the school building-level, but enable schools to pool funding streams in exchange for being accountable to districts and states for improving academic performance.

This partnership would be an extension of the schoolwide option in Title I and in no way means a reduction in our commitment to members of these populations. Targeting is retained down to the school level because it preserves a special federal role for traditionally underserved populations who look to the federal government to ensure access to programs. By focusing on performance at the point where services are delivered, we can strengthen our commitment to enabling all students to succeed.

II. ED Leadership: Family Involvement and Reading Initiatives

Target: Use the Department's leadership role to focus national efforts on areas of opportunity, including 1) family involvement partnership for learning and 2) learning to read. ED does not necessarily need a program to have an impact on learning. Taking advantage of ED's unique national position in education, we can mobilize the nation's creative energies and widespread willingness to support students. Two initial leadership opportunities are:

- ***Family Involvement Partnership for Learning.*** The ongoing national initiative to encourage families and the wider community to take a more active role in children's learning is based on 30 years of research showing that greater family involvement is a critical link to achieving a high-quality education and a safe, disciplined learning environment for every student. This message has resonated with the public, businesses, and community and religious groups — over 120 national organizations have signed on to the initiative.

- *Reading Partnership to Support High Standards.* The Department's proposed initiative to encourage reading is both a natural extension of the family involvement initiative, and a recognition that new research on teaching reading should enable schools to bring increasing numbers of students to high reading levels. Reading is the skill that is essential to achieving high standards across all subjects.

The Department's strategic plan includes proposed performance indicators for these initiatives:

- Surveys of parents will indicate that larger percentages say that schools are more open and responsive to their involvement and that students are doing better in school as a result of increased family involvement.
- Between 1994 and 1998, the proportion of students who meet or exceed proficiency levels in reading on the National Assessment of Educational Progress will increase by 10 percentage points.

III. Customer-Driven Operations

Our value as an agency is determined by what we accomplish for our customers—intermediate customers, such as states, school systems, postsecondary institutions, and community organizations, and our ultimate customers, families and students of all ages. While we must insure the integrity of our programs, we must do nothing to impede the enormous creativity of America's students, teachers, and education leaders, or to reduce their capacity to meet challenging academic standards. To transform our agency into a customer-responsive, results-driven organization, as outlined in priority #4, the Department must radically reinvent its regulatory process and build a world-class information network.

Regulatory Reinvention

Target: *Make the regulatory process customer friendly.* The Department's Regulatory Reinvention report to the Vice President has outlined initial steps to achieve this target and implement a true partnership with our customers. The Department will:

- *Apply pathbreaking ED principles for regulating:* ED will regulate only when essential to improve the quality and equality of services to its customers—learners of all ages—and then in the most flexible and least burdensome way possible.
- *Reinvent the regulatory process by viewing regulations from the perspective of the customer:*
 - 1) eliminate obsolete and unnecessary regulations;
 - 2) "scour" regulations for excessive prescriptiveness;
 - 3) consult customers and partners regularly about regulatory choices, using regional meetings, electronic options, and other outreach strategies to solicit and respond to customers' views about ED rulemaking; and
 - 4) carry reinvention into customer service and compliance.
- *Streamline the process for customers seeking federal grants for education programs:* eliminate 25 percent of grant regulations for FY 1996 and another 25 percent by FY 1997. Performance measures will track progress with respect to reducing scope (e.g., number of new regulations) and depth (e.g., specification of detailed processes).

- *Create performance incentive initiatives that apply outcome criteria to assess and reward progress:* replace detailed "how to" rules and allow for experimentation; reward high-performance institutions with less federal control; and support institutional performance that maintains the integrity of ED programs for the benefit of the ultimate customers—students.
- *Provide leadership across the Executive Branch:* Convene cabinet agencies to reduce the overall federal burden of regulations (and associated statutes) on education customers and to involve these customers in this regulatory review.

Supporting Continuous Performance Improvement

Target: Use new technology and information systems to provide customers with sound information to support improvements in teaching and learning. Use performance indicators to make informed improvement decisions at national and provider levels.

- *Make ED a leader in the knowledge revolution by building an education knowledge network.* Comprehensive electronic access will enable ED to provide our customers—families, schools, and governments—access to the best practical information available from researchers and educators around the world. We will work with other federal, state, and private organizations to provide on-line electronic connections to federal program information—ED reports, state standards, and Goals 2000 plans and information on the most promising strategies for improvement.
 - ▶ New comprehensive education support centers and education laboratories will be linked electronically to one another and to the Department, and will be accessible on line to districts and schools around the country.
 - ▶ The "On-line Library" will offer common assistance "tools" (e.g., needs assessments, school performance profiles, parent satisfaction surveys).
 - ▶ "Idea books" promote best practice through clear, common-sense descriptions and applications of the best that research has to offer.
 - ▶ Our one-stop shop (1-800-USA-Learn) will offer guarantee call-back within 24 hours and family-friendly hours to respond to weekend and evening calls.
- *Use performance for program feedback and resource allocation.* The Department can be a leader in implementing the Government Performance and Results Act by building on its performance-driven strategic plan. The Under Secretary is meeting quarterly with each program office to develop performance indicators supporting the Department's strategic plan. ED evaluations are being aligned to support indicator development, and results are fed into budget determinations.
- *Organize quality-improvement monitoring teams across the Department to replace current stovepipe monitoring by individual program offices.* As part of an overall reorganization, program monitoring and expert assistance will be provided through a matrix structure that draws upon expertise across the agency. Teams monitoring particular regions will model the kind of integrated quality reviews focused on improving performance we will be expecting states and local education agencies to use. Cross-agency monitoring teams offer guidance to grant recipients on how to continuously improve

programs toward enabling all students to reach challenging standards. Their work will coordinate with new comprehensive assistance centers to provide continuous, high-intensity assistance to states and school systems.

IV. Streamline ED Around Strategic Plan Priorities—Reduce Budget and Bureaucracy

The day to day management of 240 discrete programs has seriously taxed the Department's capacity to focus on its fundamental role in improving education for all students. ED's first-ever strategic plan seeks to set a limited number of critical priorities, allowing the agency to eliminate what it does not do best and save the taxpayers money.

Eliminate and consolidate programs

Target: *Eliminate through termination or consolidation over 100 ED programs currently funded and remove from the books another 124 unfunded programs.* These proposals focus ED on those programs most critical to its mission and strategic plan. The rest are eliminated, however justifiable they may be in their own right.

To achieve these targets, ED will:

- *Build on significant initial accomplishments:* 59 funded ED programs were proposed for elimination in FY 1994, 1995, and 1996, and another 27 funded programs were reduced by consolidating 39 programs into 12.
- *Propose for 1997-2000 to eliminate 17 programs totaling \$1.7 billion through 2000.* Programs proposed for elimination are of questionable effectiveness (e.g., Magnet Schools); have served their purpose (e.g., Civil Rights Training and Advisory Services); are inconsistent with ED's mission (e.g., International Education Exchange); or are duplicative (e.g., Perkins Loans Capital Contributions).
- *Cut from legislation 124 unfunded programs* that clutter the books and may even require regulation.

Make ED work more efficiently

Target: *Cut unnecessary requirements and streamline internal operations while improving customer service—reduce regulations and grant competitions by half and staff by 16 percent.*

- *Dramatically reduce unnecessary work,* including unproductive regulations, unread reports, and unjustifiable numbers of small discretionary grant competitions. Two examples are: reducing regulations to cover less than 20 percent of the newly reauthorized IASA programs; and cutting by 50 percent ED discretionary grant competitions by 1997 (mainly by reducing the number of small awards (those under \$250,000), which currently account for 80 percent of all awards).
- *Reduce bureaucracy, not services.* This redefinition of ED's work translates into better service at less cost.

- ▶ Reduce staff—down by 800 positions, or 16 percent, from 5,131 FTE to 4,300 FTE over the years 1995 to 2000.

Restructure the Department

Target: Trim the bureaucracy through consolidations and devolving responsibility and organize key functions around matrices that link substantive program expertise with essential operations. Cut the number of principal operating components by 3, and regional offices from 10 to 4.

- *Eliminate three principal operating components by the beginning of FY 1998 (move OIIA into Secretary's office, eliminate the office of the Under Secretary and move it into the office of the Deputy Secretary, and consolidate management and CFO offices).*
- *Consolidate regional offices from 10 to 4, while enhancing their capacity for outreach by creating four technologically-modern regional offices with sophisticated telecommunications capacity.*
- *Devolve Office of Management authority for smaller actions in personnel and contracting to principal offices for all grades below a GS-13 and for all contracts below a specified minimum amount (e.g., \$100,000).*
- *Expand the work begun in cross-agency quality monitoring to other essential functions, including matrix organizations for information dissemination and publication support, performance measurement and information systems development, in-house staff development, and customer service. Functional matrices will link program experts with centralized support staff to ensure optimum performance and effectiveness, for example, by organizing program staff and evaluation staff in teams to work together on performance indicator and information systems.*

Mission-driven budget savings

Target: Reduce spending by the approximately \$3.8 billion in savings through 2000 derived from improved focus on mission. Such selected reductions could be achieved without forsaking the President's commitment to his education agenda.

Opponents of the President's agenda have put forth proposals that could erase the gains already made. Fragmentation and near-elimination of the federal role are proposed in the ABC bill (Alexander, Bennett, and Coats). A super-cabinet Department of Education and Employment proposed by House Republican leadership (Gunderson and Goodling) would submerge the Department's mission within a mega-bureaucracy. It is likely that the Republican Congress will continue to put forward substantial budget reductions in programs for children, especially education, as typified by the initial round of FY 1995 House rescissions.

The Department has already enacted or proposed legislation and policy changes which would save \$16.7 billion between 1995 and 2000. Reforms for NPR II that serve our mission and make us work better will produce additional justifiable cost savings. However, when cost savings are not produced through gains in efficiency but become the end in themselves, we play directly into the hands of opponents of the President's education agenda.

Unfortunately, the political reality is that whether or not we propose making cuts and savings, Congress will do it anyway. Moreover, some of the cuts we are proposing based on our mission and strategic plan are politically sensitive. For example, eliminating the revolving fund seems to fly in the face of the President's commitment to postsecondary education. Many programs we are proposing to trim or cut out have strong supporters.

Possible New Savings 1997-2000 (\$ in millions)					
Source	1997	1998	1999	2000	Source Totals
Program reductions	\$230	\$328	\$468	\$467	\$1,493
Perkins Loan Funds	200	400	500	600	1,700
S&E	20	30	40	60	150
Rehabilitation Services	50	100	150	200	500
Annual Totals	\$500	\$858	\$1,157	\$1,326	
Grand Total					\$3,843

Additional savings are possible for 1997 through 2000:

- \$1.5 billion from terminating 17 categorical programs (see appendix) including programs which have served their purpose (e.g., Chapter 1 Capital Expenses, Reading is Fundamental), duplicate other programs (e.g., Perkins Capital Contributions), or will not contribute to the Department's mission (e.g., International Education domestic programs). Past sponsorship of some of the programs (e.g., Hatfield, Kennedy, Harkin) should be weighed along with evaluation results (e.g., Magnet Schools are popular, but may not effectively achieve the intended purpose of desegregation).
- \$4 billion recovered over a ten-year period from the \$6 billion Perkins Loan revolving funds now held at individual schools. Net recovery over the years 1997 to 2000 will yield \$1.7 billion. Average loans of \$1,300 at 5 percent interest are awarded to 764,000 students. If the federal government reclaims the capital it provided over the years, it would reduce funds available for new student aid, but this could be offset by an increase in loan limits under the Direct Loan program. The reduction could decrease the appeal of the campus-based performance partnership proposal. As pointed out in past discussions with Hill staffers, any such cut in campus-based programs would also detract from the effectiveness of student aid as a wedge issue dividing Congressional Republicans and the Administration.
- \$150 million in additional administrative savings is possible by doubling the FTE decrease from 8.4 to 16 percent by 2000. Fewer FTE will be needed with the decrease in programs from elimination or consolidation. The number of principal offices will also be reduced by combining similar headquarters staffs, and 10 regional offices will be consolidated into 4.

- \$500 million in savings will be achieved by changing Rehabilitation Services from a mandatory to a discretionary program. By not providing the currently mandated inflation increase, about \$60 million per year is saved. Because the programs will be included in a performance partnership, no further reduction would be made.

Appendix

NPR Phase II: Programs Suggested for Elimination (Phased in Over Time)

Program	1996 Estimate (in thousands)
Capital expenses for private school children	\$20,000
Inexpensive book distribution	10,300
Magnet schools	111,519
Training and advisory services	14,000
Foreign language assistance	10,912
Training in early childhood education and violence counseling	9,600
Federal Perkins loans capital contributions	158,000
Federal Family Education Loan Program (FFEL) Administrative Account	30,000
Minority teacher recruitment	3,000
Minority science improvement	5,839
International education domestic programs	52,283
Faculty development fellowships	3,732
School, college and university partnerships	3,893
National Diffusion Network	14,480
Eisenhower regional mathematics and science education consortia	15,000
Civic education	4,463
International education exchange	3,000
TOTAL	\$470,000

- **Capital Expenses for Private School Children**

Formula grant program. This program is a particular interest of Senator Arlen Specter (Chairman, Labor-HHS-Education Appropriations Subcommittee). Reimburses LEAs for the costs of providing portable vans and remodeling of space to provide Title I services to children enrolled in religious schools. There has been a recent decline in the number of states that use their full allocation, since many of the start-up costs of providing instructional space have already been met.
- **Inexpensive Book Distribution**

Sole source award through a contract with Reading is Fundamental, Inc. (RIF). New legislation requiring that priority be given to funding projects serving special-needs children has had little effect, since the turnover rate for projects is very low.
- **Magnet Schools**

Provides grants to LEAs to operate magnet schools that are part of a federally-approved or court-ordered desegregation plan. New legislation requires the Department to give priority to applicants who propose to operate new or significantly revised magnet schools or to those that propose innovative education programs.
- **Training and Advisory Services**

Supports the provision of technical assistance and training by SEAs and Desegregation Assistance Centers (DACs) to districts that are desegregating on the basis of race, sex, or national origin. SEA efforts have been too diffuse to have a major impact, so the Department would fund only the DACs in 1996.
- **Foreign Language Assistance**

Particular interest of Senator Mark Hatfield (Chairman, Appropriations Committee). New legislation created a two-part program to improve foreign language learning: 1) a project grant program, at least 75 percent of which is to be used at the elementary level; and 2) Incentive Payments to LEAs, based on a formula of the number of elementary students enrolled in language programs. If the program is funded in 1996, the Department would fund only project grants.
- **Training in Early Childhood Education and Violence Counseling**

Particular interest of Senator Tom Harkin (Ranking Minority Member, Labor-HHS-Education Appropriations Subcommittee). Demonstration grant program to institutions of higher education to recruit and train students for careers in 1) early childhood development and care, and 2) counseling of young children affected by violence. FY 1996 would provide the third and final year of funding for a small number of projects that have limited national impact. Proposed for phase-out in 1996.
- **Federal Perkins Loans Capital Contributions**

Supplements postsecondary student loan funds available from the repayment of outstanding loans to the program's institutional revolving funds. Approximately 2,700 participating institutions currently administer Perkins Loans revolving funds, with total assets of about \$6 billion. Revolving funds comprise 30 years of Federal capital contributions, institutional matching, and repayment by students of previous loans.

- **Federal Family Education Loan Program (FFEL) Administrative Account (Discretionary)**
- **Minority Teacher Recruitment**
Provides grants to institutions of higher education to support programs to encourage minority students to enter the teaching profession.
- **Minority Science Improvement**
Provides grants to minority institutions of higher education to develop and maintain science education programs and to increase the participation of minorities in the fields of science, mathematics, and engineering. Funds are used to purchase equipment, develop curricular materials, and support advanced faculty training.
- **International Education Domestic Programs**
Includes 10 domestic programs. These project-grant and fellowship programs support comprehensive language and area study centers within the United States, research and curriculum development, and opportunities for American scholars to study abroad.
- **Faculty Development Fellowships**
Authorizes 3- to 5-year grants to institutions of higher education to help current faculty from under represented groups obtain doctoral degrees and participate in short-term professional development programs specifically designed to advance the careers of under represented minorities.
- **School, College, and University Partnerships**
Supports projects that improve retention and graduation rates at secondary schools; improve the academic skills of students at public and nonprofit private secondary schools; increase student opportunities to continue their education after secondary school; and enhance students' prospects for employment after secondary school. Partnership agreements can involve high schools, institutions of higher education, businesses, organizations, and community agencies.
- **National Diffusion Network**
A favorite of many Members of Congress, including Representative Obey, and most recently, Senator Mark Hatfield. The program identifies and provides information about effective and promising education practices, and provides technical assistance to help districts and schools implement those practices.
- **Eisenhower Regional Mathematics and Science Education Consortia**
Created and funded primarily through the efforts of Senator Mark Hatfield. Consortia (10 awards in 1995) focus on providing training and other assistance to classroom teachers, administrators, and other educators to promote the use of high-level instructional material, teaching methods, and assessments in classrooms. The consortia operate with the advice of a regional advisory board and coordinate their activities with other mathematics and science education reform efforts and with other technical assistance providers.
- **Civic Education**
Appropriations support from Senator Arlen Specter. A single award is provided to the Center for Civic Education to educate students about the history and principles of the Constitution of the United

States, and to foster civic competence and responsibility through the program known as "We the people...The Citizen and the Constitution." Funding is made available to all 435 congressional districts.

■ **International Education Exchange**

Supports awards to independent nonprofit educational organizations to make available to educators from eligible countries curricula and teacher training programs in civics and government education and economic education developed in the United States. (From the eligibility criteria in the law it appears that only one existing organization can qualify for these funds.)