NATIONAL GOVERNORS' ASSOCIATION

Howard Dean, M.D.
Governor of Vermont
Chair

Tommy G. Thompson
Governor of Wisconsin
Vice Chair

Raymond C. Scheppach
Executive Director

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BACKGROUND MATERIALS FOR GOVERNORS-ONLY MEETING

January 26, 1995

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- An example of a policy statement that identifies issues of possible concern to Governors.
- Introductory materials from the block grant discussion draft sent to you for comments earlier.
- A glossary of terms relating to grant-in-aid programs and the federal appropriation process.

All of these documents are intended solely to provide background for your discussion. They are not intended to reflect official NGA positions, and any positions or options have not been endorsed either by Governors or their staff.

If you have any questions about the planned discussion, or if we can provide you with any additional information prior to the meeting, please let me know.

Sincerely,

Raymond C. Scheppach

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c: Washington Representatives
NGA State Contacts

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BLOCK GRANTS - BACKGROUND

January 26, 1995

In 1993 the federal grant-in-aid programs provided approximately $206 billion to state and local governments. About $22 billion of this aid was provided through broad-based programs, largely the 15 block grant programs. The remaining $180 billion was provided through some 578 categorical programs. In addition states and localities received over $100 billion in partial reimbursement for the costs of individual entitlement programs such as AFDC and Medicaid.

Over the past 10 years the number of broad-based programs has increased by 3 while the number of categorical federal grant-in-aid programs has increased by 186. More significantly the percent of federal assistance distributed through categorical programs has grown from 79.7 percent to 88.3 percent.

States have long advocated reform in the federal system. The simplification of the current federal grant-in-aid system has been an important part of that reform. Governors have argued that such simplification would both increase administrative efficiency and encourage state and local efforts to develop more effective programs.

As the federal government begins to move toward a balanced budget the pressure for reordering federal priorities and curtailing federal grants will increase. Preliminary analysis suggests that the adoption of the balanced budget amendment could require the Congress to cut categorical grants to states and localities by as much as several hundred billion dollars over a five year period. Already, numerous proposals for program consolidation and reduction are on the table.

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 the 1980s. At that time the consolidation of programs also came with significant funding cuts. While most block grant proposals have 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 setasides and place new restrictions within the block grants that have been established.

However, funding constraints and overly prescriptive federal management is not restricted to block grants alone. States have seen similar problems develop in individual entitlements and in categorical programs. Moreover, the number of small categorical programs has continued to proliferate rapidly. These trends have tended to reduce state flexibility and to slow down state efforts to reform and reinvent state government.

It seems almost certain that block grant proposals will emerge from the House of Representatives. Similarly there is at least some degree of receptivity in the Senate. Changes in the federal grant-in-aid program will have a significant impact on the ability of states and localities to address critical domestic

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BLOCK GRANTS FOR CATEGORICAL PROGRAMS
ILLUSTRATIVE APPROACH TO POLICY

January 26, 1995

The nation's Governors have long recognized the need to reform and restructure the federal system. The simplification of the federal grant-in-aid system must be part of that reform. Block grants are a key tool in simplification and Governors support consolidation of the current several hundred non-entitlement grants into a small number of flexible grants organized around clear program objectives. The current array of federal grant programs are inefficient and their complexity and inflexibility contribute to the public disillusionment with big government. The administration of an excessive number of federal categorical grants creates unnecessary costs such as duplicate application and recordkeeping at both the state and federal level. Moreover, the complexity discourages state innovation and the development of coordinated community-based programs. Finally, categorical programs often ignore regional differences and the individual characteristics of the fifty states.

Block grants, with broad and clearly defined objectives, and substantial state flexibility offer opportunities for significant administrative savings. More important they will encourage and reward state and local efforts to develop more innovative and cost effective programs and services. Finally, such consolidations will help enhance public involvement and restore public confidence in government.

While the nation's Governors are generally supportive of consolidation they also believe that such consolidation must:

1. Avoid set-asides or other overly prescriptive conditions for the funding.
2. Include significant transferability of funds between the block grants.
3. Preclude cost-shifts to the states.
4. Be consistent with the way in which state government delivers services to citizens.

5. Incorporate distribution formulations consistent with the distribution implicit in existing categorical grants.

6. Allow the flexibility needed to maximize efficiency and to minimize the expansion of state government employment.

(Additional criteria could be added based on gubernatorial discussion.)

The National Governors' Association will be developing specific proposals that collapses most categorical grants into a small group of block grants that meet this criteria.

Once the various options have been evaluated, the Governors would welcome the opportunity to negotiate the final structure and funding levels for the grants. However, the Governors view the consolidation as one of efficiency in government not part of a general budget reduction strategy.

needs. As a result, it is vital that the Governors become active participants in the debate that will take place on the Hill.

Even if it is not possible to agree on all aspects of a block grant strategy, it is important that the Governors identify those areas of common interest where they wish to collectively influence federal decisions.

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BLOCK GRANTS - ISSUES FOR CONSIDERATION

January 26, 1995

Ideally over the next several weeks the Governors will be in a position to develop their own recommendations for specific block grants. This process is already underway. However, as we have attempted to move ahead, it is clear that there are a number of threshold issues that must be addressed by the Governors. Some of the most important of those issues are outlined briefly in the sections that follow.

The Need for Early Action on NGA Policy

Public discussions and comments over the past few months appear to assume that there is broad agreement among the Governors on the need for block grants. Indeed, NGA's current permanent policy on federalism endorses the concept of block grants. In addition, time limited policies endorse efforts to consolidate or integrate programs in a number of specific program areas. However, while broadly supported by the Governors when initially considered, this policy has not been reviewed by the newly elected Governors. Equally important, the Governors have not fully discussed the implications of the wide scale conversion of almost all federal grant-in-aid programs to broad based grants or the implications of such a strategy in the face of substantial cuts in federal spending.

Block grants offer a number of advantages. A smaller number of programs will be less costly to administer. Properly constructed block grants will offer states and localities a greater opportunity to address local priorities and to tailor programs and delivery systems that are more cost effective and responsive to community needs. However, to realize those benefits the Governors must be prepared to make hard choices. They must be prepared to reorganize programs and reduce administrative overhead. They also must be prepared to abandon lower priority or ineffective programs. They must be prepared to invest in the thoughtful planning and fundamental system reform that will increase the overall effectiveness of government services.

There are also a number of pitfalls that must be considered. History has shown that it is difficult to muster strong advocates for block grants and that, as a result, Congressional support for adequate funding may wane. If federal funding is not adequate to meet priority needs, states and localities may be forced to increase taxes. Equally important, we have seen existing block grants encumbered with program setasides and detailed administrative or programmatic requirements. A block grant without flexibility offers few advantages. Under current fiscal conditions there is a real danger that block grants may be used as a vehicle to shift costs to states and localities.

Do Governors continue to support efforts to consolidate and integrate federal grant and assistance programs?

Option 1 - Continue existing policy.

Option 2 - Adopt new policy that will reinforce NGA's general commitment to block grants and emphasize state concerns with possible cost shifts.

Option 3 - Adopt new policy that will reinforce NGA commitment to block grants, emphasize state concerns with possible cost shifts, and establish criteria for the development of specific block grant proposals. (See discussion below.)

Federal Funding Levels

At the national level, block grants are frequently seem as a vehicle for federal budget reductions. While block grants offer the possibility of some immediate savings through administrative efficiencies, many programs are already underfunded, and any significant future savings that may result from better program design or the investment in prevention, will take time.

Are Governors willing to support block grants that result in significant reductions in federal funding for shared federal, state, and local responsibilities?

Option 1 - Adopt new policy that makes clear that the Governors would oppose block grant approaches that would serve primarily to shift costs to states and localities.

Option 2 - Adopt new policy that indicates that states are willing to accept block grants with restricted future funding increases so long as those restrictions are reasonable and the structure of the grant is sufficiently flexible.

Distribution Formula

The current allocation of federal funds among the states is driven by a variety of factors. Individual entitlements are driven by program participation. Categorical programs are generally driven by formulas that reflect some measure of need (from number of poor children to miles of interstate highway) or allocate funds on a competitive basis. Approximately 420 of the current grant-in-aid programs are allocated on a project basis. States alone complete for funds under some 90 of those programs, while states and localities jointly compete under 39 and localities compete exclusively for 16. State and local governments compete with other entities for funds under the remaining 274 project based programs.

Opening a formula debate could well preclude any movement toward block grants in the near future. Allocating block grants based on existing distributions may create some inequities as allocations of project funds may be skewed at any particular point in time. In addition, to the extent that current formulas are "needs based", changing economic and demographic conditions may produce future imbalances.

Are Governors willing to see changes in the overall distribution of federal funds among the states?

Option 1 - Adopt new policy that makes clear that present distributions should be frozen in place for some period of time.

Option 2 - Attempt to develop policy that would address the long term reallocation of federal resources based on some state defined measure of need and capacity.

<u>**Programs to Be Considered**</u>

Current federal aid programs include individual entitlements, capped entitlements, state entitlements, block grants, formula driven categorical grants, and competitive or discretionary categorical programs. In addition some federal aid programs are funded through trust funds and/or through earmarked revenue sources. Finally some services are currently provided directly by federal staff. See Attachment 2 for definition of assistance types and the budget process.

Traditionally, NGA has excluded individual entitlements (AFDC, Medicaid, Food Stamps, etc.) from its block grant proposals. This reflects both differences in the treatment of individual entitlements under the federal budget process and the fact that individual entitlements are often particularly sensitive to cyclical changes in the economy.

A number of grant programs are funded from trust funds or earmarked revenues. Some of those programs are included in a variety of block grant proposals. Some Governors have suggested that it might make better sense if the federal government were to eliminate those earmarked federal revenue sources and turn back full responsibility for those programs to the states. In most cases this would require the states to replace the federal tax with a state tax.

Do Governors wish to specify the types of programs that should or should not be considered for inclusion in block grants?

Option 1 - Adopt new policy that supports block grants without specific provisions regarding program types.

Option 2 - Adopt new policy that supports block grants and addresses specifically whether the following should be included:

- individual entitlements
- capped entitlements
- state entitlement block grants
- formula based categoricals
- competitive or discretionary categoricals
- programs funded from trust funds or earmarked federal taxes

The federal role in domestic programs often extends beyond the provision of financial assistance to state and local government. In some areas the federal government provides direct services or directly contracts for those services. In other areas the federal government provides technical support and or research and evaluation.

Are the states willing to see current direct federal responsibilities included in block grants?

Option 1 - Adopt new policy that indicates that states are willing to accept programs currently directly operated by the federal government.

Option 2 - Adopt new policy that supports a continued federal role in technical assistance and research and development.

There are a number of categorical federal grant-in-aid programs that appear to work well. Examples cited by some Governors include the school lunch program and the Agricultural extension service. There is a concern that the inclusion of such programs in block grants may have an adverse impact.

Are there any specific federal programs that should be excluded from block grants?

Option 1 - Identify specific programs, if any, to be excluded.

Option 2 - Refer to staff for further consideration

Some Governors have argued that not all federal domestic programs should be continued. They would favor the elimination of such programs, rather than their consolidation into block grants.

Are there federal responsibilities that should be eliminated?

Option 1 - Develop a list of low priority federal programs that states would no longer support.

Option 2 - Remain silent on this issue.

A significant portion of federal assistance flows to local government or to private nonprofit organizations such as universities. Some of this money is passed through the states. Some of it flows directly to the final recipient.

Local governments have strongly supported maintaining a direct federal-local relationship and have opposed increasing state discretion and flexibility in the management or allocation of pass through money. Non-profits are also likely to strongly object to imposing the state in decisions relating to their receipt of federal funds.

Do the Governors wish to include local government and nonprofit assistance in the block grants?

Option 1 - Support the broadest possible block grants without regard to current allocations at the substate level.

Option 2 - Support the broadest possible block grants, but agree to provisions that would ensure that some percent of the available resources were passed through to substate recipients.

Option 3 - Support efforts to exclude existing directly funded substate programs from the block grant.

Program Structure

Block grant proposals generally group existing categorical programs. Generally speaking such a grouping will generally follow population groups (children, aging, etc.), service modalities (health, nutrition, income support), or program goals or objectives (ready to learn, etc.). There are strong advocates for each approach. Ideally, block grants would not presume any single administrative agency or delivery structure. States would be free to allocate funds from an individual block grant to a variety of agencies, programs, and delivery systems. However, Congress may not adopt this ideal approach and the importance of the choice of program structure will increase as the flexibility within the block grants themselves is reduced.

NGA has developed a set of proposed categories that is based primarily on a combination of population groups and/or broad service modalities. A listing of those categories is included in Attachment 3. A number of states have suggested either the combination of categories (e.g. place all health programs in a single block grant) or the creation of new categories.

Do the Governors have a preference as to the organizing principles to be used in the development of block grant proposals?

Option 1 - Accept the NGA listing.

Option 2 - Reorient the program structure to focus on service delivery modalities.

Option 3 - Refer to staff for additional work.

Other Issues for Discussion

There are a variety of other issues that Governors may wish to address in considering approaches to the block grants and state concerns. Those issues include:

Will states require some minimum period of lead time in order to convert from existing categorical funding to block grant funding?

Should block grants include the authority to transfer some percent of the appropriated funds from one block to another?

Are states willing to accept limited federal requirements regarding the development of a state plan and public review and comment?

Are the states willing to accept performance measures or other accountability mechanisms?

Are states willing to accept any limitations on the use of block grant funds for administrative costs?

Are states willing to accept any maintenance of effort or matching requirements?

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Option 2 - Support the broadest possible block grants, but agree to provisions that would ensure that some percent of the available resources were passed through to substate recipients.

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Do the Governors have a preference as to the organizing principles to be used in the development of block grant proposals?

Option 1 - Accept the NGA listing.

Option 2 - Reorient the program structure to focus on service delivery modalities.

Option 3 - Refer to staff for additional work.

Other Issues for Discussion

There are a variety of other issues that Governors may wish to address in considering approaches to the block grants and state concerns. Those issues include:

Will states require some minimum period of lead time in order to convert from existing categorical funding to block grant funding?

Should block grants include the authority to transfer some percent of the appropriated funds from one block to another?

Are states willing to accept limited federal requirements regarding the development of a state plan and public review and comment?

Are the states willing to accept performance measures or other accountability mechanisms?

Are states willing to accept any limitations on the use of block grant funds for administrative costs?

Are states willing to accept any maintenance of effort or matching requirements?

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January 29, 1995 9:10am Smith

RESPONSIBLE BLOCK GRANTS

I. ISSUES AND CRITERIA

A. Formulation of Responsible Block Grants: Balance efforts to improve quality and equality by regulation with efforts to encourage responsiveness, flexibility, and energy to promote quality and equality. Possible characteristics of a responsible education block grant.

o Clear national purpose (eg. improve overall quality and/or equality as measured by student academic performance toward meeting challenging standards: reduction of dropout rate)

o Clear Standards for student Performance and Benchmarks for other processes: eg:

- Multiple student Performance measures that are established by the state and are challenging and have yearly (bi-yearly?) progress goals. (eg. Student achievement gains on state assessments; changes in dropout rates; AP gains or other measure of gains in high achievement; progress in closing achievement "gap" without reducing any group scores..)

- Benchmarks driving progress goals and quality of processes and inputs. (Progress in improving percent of teachers that meet certain standards of knowledge of subject matter; student commitment higher as measured by attendance, surveys; parents involvement higher as measured by surveys, testimony; ...)

o Use of Grant: Dollars proposed to leverage maximum performance toward goals: [Feds only provide 6% of E/S costs: Maximum leverage might mean $s moved to schools **or** improved technical assistance and professional development **or** other strategies)

o Flexibility and blocking grants to be based on evidence that state can provide efforts of quality: (eg. Peer reviewed plans that emphasize knowledge based improvement)

o Civil rights and health and safety provisions cannot be compromised -- though they may be improved.

o Target resources in line with the purposes of the block grant (eg. for a grant for most students in high poverty areas make sure that the grant targeting is focused on these areas and that comparability is maintained).

B. Possible Incentive Provisions

- o State to be able to move to responsible block grant only under condition of approved state plan (eg. meet Goals 2000 plan or Title I plan or consolidated ESEA plan)

- o Incentives for matching dollars for the purpose of the grant (eg. states match dollars to the purpose)

- o Incentives for meeting yearly student performance progress goals

- o Incentives for states that de-categorize and simplify state legislation and regulations. (eg. de-categorize in areas of relevance to the grant)

C. Possible Accountability requirements:

- o Within state performance accountability system with a system of rewards and measures for protecting students in schools that are not providing them with quality education based on student performance.

- o States accountable to the federal government for meeting overall student performance progress goals -- informed on an interim basis by progress toward meeting process and other benchmarks. System of incentives and system of withdrawals of flexibility?

- o Use of reasonable mixture of student performances and quality

- o Use of outcomes disaggregated by relevant populations.

D. Benefits of de-categorization / responsible blocking:

- o De-categorization removes

  - - inflexibility in use of resources.

  - - tendency to stigmatize students through categorization.

  - - necessity of establishing separate bureaucratic processes and structures.

  - - tendency to focus on deficits rather than strengths

- o Decategorization potentially increases:

- Ability at the local levels to use funds creatively

- Responsiveness of services to the priorities of local citizens.

- Capacity of the system to respond systemically to problems by coordinating resources, using resources where they are most needed etc.

D. Strategies in the direction of de-categorization

o Reduction in Dept of Ed regulations: does not influence law: strategy being carried out in the Department with vigor. Principles shifted the burden from assuming that we need new regulations to having to demonstrate that we need them. Goals 2000, School to Work, ESEA Title II, IV, VI others no regulations.

o Waivers by the Secretary of regulatory and legislative requirements: In place in the department for the first time in three places and for most elementary/secondary programs.

- These waivers are attached to the general **principle** that they will be granted if they operate to reduce or eliminate impediments to state or local reform.

- They have some bureaucratic hurdles at the state and local level that might be able to be eliminated.

- One strategy might be to request a more general waiver authority.

o Waivers by the State (Chief State School Officer(CSSO): the Goals 2000 legislation contains a demonstration provision for six states that allows the Secretary to grant the CSSO in a state the authority to grant waivers of federal regulations or legislation if the waiver assists the local agency or state to meet its goals in its approved Goals 2000 plan. **The state must have an approved Goals 2000 plan.** There is an evaluation of the demonstration authority.

o The 5% strategy: One approach is to increase flexibility by allowing up to 5% of the funds of one program authority, at the state or local level, used for the purposes of another program authority. This occurs two place in ESEA:

- For a small subset of state programs (Titles II, IV and VI?).

- Under Title XII? 5% can be drawn from all state programs for use as "glue" money for coordinating schools with other social services.

o Program by program strategy: Many ESEA and other programs have new legislative flexibility:

- Increase authority for School Wide projects in Title I

- Remove requirements to use federal test in Title I

o ESEA allows Consolidated planning of different programs and consolidated administrative use of funds at the state and district levels.

E. What does the history of block grants tells us:

o Block grants with budget cuts are vulnerable to failure -- Nixon proposals, Reagan Chapter II. They mobilize constituencies against them.

o Administration of block grants is less costly than administration of categorical enabling greater percentage of funds to go to services? [Data]

o Targeting: Block granting also leads to less concentration of resources (Chapter II) and therefore perhaps less effective services [issue of distribution of resources, not of flexibility per se]. (Data??)

o Mobilization of constituent groups is more difficult with block grants than with categoricals. Small categoricals allow symbolic political representation -- large categoricals represent jobs for specific people.

F. Can we imagine a phase in of de - categorized grants? For example:

o States would have to meet some minimum requirements to receive a responsible block grant -- eg: an acceptable Goals 2000 plan for a reform block grant and a system of reasonable but challenging performance accountability measures.

o If does not reach this level retain the categorical system but allow a simplified waiver strategy partially based on states being able to grant waivers and partially on federal granting of waivers. Use "class-action" waivers to get around bureaucratic problem of many single waivers.

o Fall back position is the current situation which is moving toward some de-categorization through flexibility provisions.

II. What might be some characteristics of a system of responsible block grants in Education?

A. Use Strategic Plan to define National purposes:

o Overall academic quality and equality: high standards for all students.

o Promotion of opportunity for all for challenging and coherent school to work experience.

o Access for all deserving to post-secondary education.

B. Criteria: Use criteria developed above. Clear goals; performance accountability etc.

C. Assume current levels of funding.

D. Establish a reasonable system of incentives.

E. Include all of the Education programs in the formulation.

F. Recognize a national purpose in research, statistics, dissemination.

G. Coordinate with other strategies for "re-inventing"

III. A possible formulation of block grants and re-invented processes:

A. At the Elementary - Secondary Level two block grants:

o School Improvement grant: This would include Goals 2000, Title II, Title IV, Title VI: In 1996 dollars roughly $2 billion. Two percent would be reserved for the federal government for national activities to stimulate and support state reform.

- States would receive consolidated grant beginning in 1997 predicated on a Goals 2000 state plan being accepted.

- Accountability system based on state student assessment, state goals, and state adopted benchmarks.

- Possible incentives: 15% off top for incentives to states to be determined by a panel of peers:

. 5% would be given immediately to states with provisions for using their own categoricals in same way.

. 5% for states that match at least 1 for every 4 federal dollars for purposes of the grant.

. 5% to be distributed at end of year to top ten states in meeting their goals.

- State Plan would define the minimum percentages to reach the school building levels.

- State to provide at least 75% of all state administrative funds for all education programs, federal and state.

o Grant for helping needy students succeed to challenging state standards. Consolidate all of Title I, Magnet Schools, Indian Ed, Bilingual Education, Homeless, Title VII including Immigrant Ed. Total = $8 billion. One percent would come directly off the top for national support, evaluation, technical assistance, etc. activities to support state and local use of the funds in an effective fashion (none of this would go toward administration).

- Distribute remainder on basis of poverty counts directly to counties and districts under current Title I formula with an added provision for LEP students -- eligible are all schools in district with greater than 50% poverty or top half of all schools in district, whichever is greater. Schools with reform plan (eg. under Goals 2000) use that plan and can be school-wide. States to receive 2% of original dollars for providing support and assistance and for aiding in the implementation of accountability system.

- Use state accountability system for bringing all students to high standards to hold districts and schools accountability for gains under this grant consolidation.

- Use same systems for incentives as for the reform block grant.

- Neither the federal government nor the states to provide any binding regulations (beyond the legislation) on these grants.

o Other programs: This leaves out Impact Aid and IDEA and a lot of little programs. The little programs would be consolidated into the Federal discretionary grants program. Impact Aid and IDEA would stand separately.

B. Secretary's Discretionary Grants: This would consolidate a variety of R&D and other discretionary grant authorities that would come to roughly $1 billion. The range would cover elementary and secondary, school to work, and post-secondary education. The purposes would be R&D, dissemination of effective practices, national priorities such as technology, technical assistance centers, demonstration programs in all sectors. We would need to wall off certain functions to protect the resources. For purposes other than R&D and technical assistance the real key here would be to have only a minimum of grant competitions -- this would save administration all around. I think the best strategy here would be to impose an absolute limit of 10 discretionary grant competitions in any single year. The authority should set aside a certain percentage of the total funds (say 10%) for unsolicited proposals.

C. School to Work and Vocational Education: Also Adult Ed and Voc Rehab. STW, Voc Ed, and Adult Ed would be dealt with through ETR -- the JTPA programs for youth should probably be closely integrated. This leaves Voc Rehab which would stay separate but should have its discretionary programs consolidated into a maximum of five new programs.

D. Post-Secondary: The basic idea would be to have one grant program (Pell), one loan program (Direct Loans), three institutional aid programs, one for student assistance, one for institutional support and one for HBCUs, and one state program. The discretionary programs would be consolidated into the "Federal discretionary grants" grant program.

- o Institutional Aid programs for student assistance: This would include all of the campus based aid (1.2 billion) and would effectively be distributed on the same basis as the current formula works but with complete flexibility for the institution. As the direct loan program fully phases in recover 75% of Perkins direct loan program reserves from schools -- promise of $4 billion for the federal treasury by year 2005.

- o Institutional Aid program for TRIO: Consolidate into single grant -- make it five years long for purposes of promoting equality of opportunity in colleges and Universities and run as a discretionary competition. ($500 million)

- o Institutional Aid to Black colleges: Consolidate into a single grant and allocate to all HBCU's on the basis of a formula. Establish performance assessment criteria and benchmarks and establish percentages of resources to act as incentives for reaching the performance objectives. ($150 million)

- o State program: This would be established to support

gatekeeping and analysis capacity at the state level.
($100 million)

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.

TALKING POINTS ON BLOCK GRANTS

1. **When people say "block grant" they mean very different things**

   -- consolidation of other programs
   -- programs with greater flexibility and fewer requirements

2. **People advocate block grants for very different reasons**

   -- cut paperwork
   -- more flexibility
   -- consolidation of programs
   -- eliminate programs
   -- cost savings

3. **I support what helps students -- Responsible block grants**

   Elements of a responsible "block grant:
   -- clear national priorities
   -- flexibility for states and localities on how to achieve them
   -- accountability for results
   -- ensuring equity for those most at risk

   Goals 2000, School to Work, ESEA are "responsible block grants." (Governor Tommy Thompson described School-to-Work as a block grant.)

   Responsible block grants can cut paperwork, increase flexibility, consolidate programs to make them more effective and eliminate programs that are no longer needed.

   We are already doing this:
   o reduced paperwork (Goals application 4 pages);
   o increased flexibility (Goals and STW are state-generated reforms; waivers; charter schools);
   o reduced regulations (Goals and STW none; ESEA fewer; doing thorough review of all regulations);
   o proposed eliminating 41 programs for a savings of $700 million by FY96 and consolidating an additional 27 into broader authorities

4. The problems with "irresponsible" block grants

A. No clear national priorities or accountability

Without clear purpose, there can be no accountability and, often, no improvement in teaching and learning. Money is used on unconnected activities and key elements of school improvement can be lost. Examples:

In the early 1970's, studies showed Title I funds were being spent to carpet principals' offices, buy band uniforms and build swimming pools. Title I was then focused on basic skills instruction. As a result, disadvantaged and minority students began to close the previously existing gap in basic skills test scores.

In tight budgets, professional development is first thing to be cut because it is not tied to jobs and fails to produce immediate tangible results. This occurs even though the critical role of professional development in school reform is widely recognized. The new Title II program is designed to respond to this reality.

A Chapter 1 director in KY had a room full of computers, but no one knew how to use them or teach their students how.

However, high poverty schools often have been able to use the clear focus in Title I schoolwide to leverage overall reforms. By asking schools to look at upgrading entire program, develop alternatives to what they are doing, and adopt research based strategies, schoolwides can make it easier for those who want to, to do the right thing.

B. No targeting of resources on those most at risk

In 1981, the emergency school aid program was consolidated into the new Chapter 2 "block grant" authority that did not contain specific targeting provisions. The result: Chapter 2 funds were spread across all districts, and the high poverty schools lost significant funding. In response, Congress created yet another targeted federal education program: the magnet schools program.

Historically, school districts have tended to distribute Title I funds to as many schools as possible, which often results in many high poverty schools receiving amounts too small to make a difference. Without some targeting parameters, districts often cannot withstand the pressure to serve as many schools as possible.

5. **I do not support cutting investment in education because these cuts will hurt students**

Re-naming grants as "block grants" should not be used as a veil to conceal cutbacks in aid.

The notion in Congress today is that you can block grant programs and then cut funding without having any negative affect on students. The theory is that education programs are bureaucratic and costly to run -- and that if we blockgrant them states and district can be more efficient and cuts in funding will not hurt children.

This is a myth. There is no big administrative cost for states and districts. Chapter 1 is an example:

> Dollars spent on federal program implementation at the local level <u>tend to be lower</u> than the costs of administering non-categorical state and locally-supported efforts.
>
> -- Districts devoted a greater percentage of their Chapter 1 expenditures to classroom services (73%) than other district funds (62%).

Moreover, data from GAO, the U.S. Chamber of Commerce and the Department of Education show that the costs associated with administering federal programs vary widely across states and districts. This suggests that the costs <u>depend in large part on choices that each state and district makes in how they administer their programs.</u>

6. **Quotes from local educators**

March 8 article in Education Week raises points made by various local educators:

o Without targeting and accountability, districts may use funds intended for poor children to buy everything from airplanes to carpeting.

An elementary school principal in Tennessee says: "I'm telling you. I've been there. I know."

A local superintendent in Wisconsin says: "I'd like to do away with the paperwork. . . . But if it involves millions and millions of dollars, someone has to administer it."

o Need to go slowly.

A deputy state superintendent in Utah who is a former aide to Orris hatch says: Congress is "just moving so rapidly. They ought to take a year out and study what they are doing."

7. **Most Department funding is directed at a few critical national purposes**

We have about 140 elementary and secondary education programs; about 45 percent of our total budget.

Most of this funding goes to States and school districts through just a few major programs focused on critical needs: helping all children learn to high standards, ensuring schools are safe and drug free, training teachers, preparing students for the transition from school to work, and serving children with disabilities.

Just eight major formula grant programs — Goals 2000, Title I, Eisenhower Professional Development, Safe and Drug Free Schools, Impact Aid, Innovative Education Program Strategies, Vocational Education Basic Grants and Special Education state grants — account for 80 percent of Federal elementary and secondary education funding.

The same is true of Federal support for postsecondary education. We administer about 70 postsecondary programs funded at more than $15 billion in 1995.

More than 90 percent of our postsecondary dollars are delivered through just six student aid programs: Pell Grants, Supplemental Educational Opportunity Grants, Work-Study, Perkins Loans, Federal Family Education Loans, and Direct Loans.

What this means is that most of our dollars are already delivered in essentially block grant form, but with some targeting on important national purposes as defined by Congress, and with accountability that allows us to tell taxpayers in California, for example, how their money is being used in South Carolina.

To: Mike Smith, Frank Holleman, Mike Cohen, Terry Peterson, Tom Payzant, Kevin Sullivan, Kay Kahler, David Stevenson, Susan Frost, Tom Wolanin, Michele Cavataio

From: Judy Wurtzel JW

Date: June 9, 1995

Attached is an excellent short paper on block grants that refines some of the themes that we have been discussing. While it focuses specifically on the Republican welfare reform bill, it makes general points that could be applicable to the education/youth development block grant discussions.

cc: Jeanne Jehl

MEMORANDUM

TO: Colleagues interested in block grants

FROM: *Frank Farrow and Sara Watson*
Center for the Study of Social Policy

Charlie Bruner and Karon Perlowski
Child and Family Policy Center

Richard Murphy and Bonnie Politz
Center for Youth Development and Policy Research/
Academy for Educational Development

Maria Elena Orrego and Shelley Peck
Family Resource Coalition

DATE: May 22, 1995

SUBJECT: Re-structuring block grants to improve community support for children, youth and families

Enclosed is a new working paper that examines how the current re-examination of federal funding could be used to advance the family support agenda. The four organizations above have a long history of working with states and communities to reform the way human service systems work to improve outcomes for children, youth and families. This paper represents a pooling of our diverse perspectives and experiences.

A major principle underlying block grants -- moving decision-making closer to communities -- can help advance the goal of creating a responsive, effective, accountable, family-supportive and community-based system. However, we are concerned that the current structure of block grants, as embodied in the Personal Responsibility Act (PRA), will not make government more accountable, and will not improve the system, or the lives of children, youth and families.

Our purpose here is not to repeat what others have said about the PRA but rather to expand the debate by focusing on (1) why the approach used in the PRA will not improve the systemic problems everyone wants to address, and (2) alternative principles and criteria for block grants that could promote reform.

We welcome your comments and feedback. If you have questions or comments, please contact any of us. Dr. Sara Watson at CSSP will be consolidating all comments into the next version of this paper (CSSP, 1250 Eye St. NW, Suite 503, Washington, DC 20005; (202) 371-1565).

HOW BLOCK GRANTS CAN HELP, AND WHY THE PRA APPROACH WON'T

A Working Paper

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May 1995

HOW BLOCK GRANTS CAN HELP,

AND WHY THE PRA APPROACH WON'T

This working paper represents a pooling of the experiences of four organizations[1] that work with states and communities to reform the way human service systems work to improve outcomes for children, youth and families. Our agenda is to help create a responsive, effective, accountable, family-supportive and community-based system that actively supports children, youth and families. This requires substantial policy change at the federal and state level -- changes that move decision-making to the local level; that institute accountability for results, not process; and that bring together fragmented, ineffective services into a coherent, effective, holistic approach. Incremental changes, however well-intentioned, will not achieve these goals, and so we welcome the current climate for dramatic, large-scale reform. However, the specific design for these reforms, as embodied in the Personal Responsibility Act (PRA), will not accomplish its goals of making government more accountable, reforming the system, and improving the lives of children, youth and families. In this paper, we propose a different set of principles to guide the development of more flexible funding that will.

There is virtually universal agreement on five major problems affecting current services for children, youth and families:

- The current system is not focused on results, but measures itself through process and procedure.
- The current system is fragmented. Multiple programs, funding sources and accounting rules generate wasteful duplication of services and administrative expenses.
- The current system is overly categorical, treating problems or concerns as isolated and individually-based rather than viewing them holistically and in the context of family, neighborhood and community.

[1] Child and Family Policy Center; Center for Youth Development and Policy Research/Academy for Educational Development; Family Resource Coalition; and Center for the Study of Social Policy.

- Expensive, "back-end" services are emphasized at the expense of long-term prevention programs necessary to change results.

- The current system is too "top-down," not allowing communities the flexibility to determine their own needs, and not fostering consumer involvement and participation in seeking collective solutions to improve outcomes.

These problems are ingrained into the current system. They arose over many years, and ordinarily, it might take decades to fix them. But the current discussion over block grants provides a major opportunity to address these problems and others, to effect a "sea change" in the way public services support children, youth and families. The basic principle behind the block grant concept -- that of shifting decision-making over service delivery closer to the families and children affected by those services -- <u>can</u> greatly improve the responsiveness, effectiveness and fiscal accountability of public services, and improve the lives of children, youth and families. It can help ensure that services are designed in a way that attracts families, and that resources are targeted to areas of greatest need.

Unfortunately, the current block grant proposal embodied in the Personal Responsibility Act <u>will not</u> achieve these goals. This paper describes how the PRA undermines the goal of improving both the system, as well as the lives of families and children. It also describes how an alternative formulation of the block grant concept could accomplish those goals. This alternative formulation embodies many of the principles of accountability, responsiveness and local empowerment that have been rallying cries for people across the political spectrum.

<u>Why the PRA Won't Improve the System and the Lives of Children, Youth and Families</u>

The PRA would eliminate several major entitlement programs for low-income families, including AFDC, Foster Care and Adoption Assistance, and various grant-in-aid child care and child nutrition programs, replacing them with block grants to the states. States would have considerable discretion in their use of these new Federal block grants. They could shift as much as 30% of their funds under any block grant to any other block grant, and they would not be required to maintain State spending on any programs that are currently Federal/State entitlements. Furthermore, they would no longer have to accept all applications for assistance, act on applications within a particular period of time, or provide assistance to all parts of the state.

A worst case scenario related to income support illustrates how this approach could harm children, youth and families. States could decide not to pay their 40% share of AFDC benefits, reducing the (1994) $366 median benefit to $220. States could also transfer up to 30% of the remaining Federal share to other block grants, further reducing the monthly benefit to $154 -- less than half the current level. States could decide not to provide even this smaller benefit to all families, they could devise services that did not easily serve all parts of the state, and they could take long enough to process applications that many families would suffer tremendous family break-downs before aid arrived.

Block grants that irresponsibly devolve all federal direction or accountability this way will not solve the system problems listed above, and may well hurt America's families and children. Five major flaws of the PRA are discussed below.

First, the PRA would allow decisions by certain states to hurt the entire country. The PRA does not recognize that developing and supporting a decent national standard of living affects the whole country. The problems of poor children and poor families are not confined by state borders. Children in New York who grow up with a poor education, no skills, families who cannot support them, and no positive connections to their community affect the standard of living in Michigan and California. If that child from New York commits a crime in Texas, will New York bear the costs alone? Of course not. We cannot afford for states to simply abdicate their responsibility for the families and children who live within their borders, and then shift the problems that result onto the entire country.

Second, the PRA forces funding for prevention and early intervention programs to compete directly with funds available to meet the most basic support and protection needs. Years of research studies and experience with communities demonstrate that the only way to improve the long-term outcomes for children, youth and families is to invest in long-term preventive strategies. These strategies need to emphasize strengths and child and youth development, not just fixing problems or filling holes. To make these investments requires the ability to put money up-front, when the return may be years away. But the PRA makes that long-term investment strategy much more difficult. Given one pool of money that must cover both prevention and basic support, it will be difficult for states to emphasize prevention as they shoulder more of the burden for direct support. Faced with families living on the street, states will be pressed to spend money housing them rather than on services and supports to prevent them from becoming homeless in the first place. Faced with increasing numbers of children being abused or neglected, states will be pressed to spend money on foster care rather than preventive strategies meant to prevent child abuse.

Third, there is virtually no accountability for how the funds are spent. Too many strings and regulations can hamper communities' ability to be flexible in designing and implementing services and supports. But no accountability means that it is all too easy for states to support only politically popular or well-connected programs that may be entirely ineffective. Even more dangerous, they may be tempted to serve only some children, and to eliminate protections that guarantee child safety. This is an open invitation for more "pork" spending, not less.

Fourth, block grants with no direction for local community involvement may end up promoting funding mechanisms that are as bureaucratic, categorical and unresponsive to family, neighborhood and community needs as the worst aspects of the current system. For many communities, state governments are almost as distant and non-responsive as Washington D.C. Yet the PRA includes no provisions for ensuring that communities have a voice in state and/or local priority-setting, resource allocation and service delivery. Front-line workers may end up just as hamstrung by state regulations as they were by federal restrictions.

Fifth, there is no protection against re-regulation of the block grant programs. History has shown that block grants are highly susceptible to being "re-categorized," thus suggesting that the promises of flexibility may be short-lived. Even though the block grants of the early 1980s were intended to increase state flexibility, additional constraints in the form of cost ceilings and set-asides were reintroduced in subsequent years. This development leaves states with the worst of both worlds: the same problems but less money and less flexibility to address them.

These flaws in the concept and design of the PRA mean that it will not fix, and may even exacerbate, the systemic problems and poor family outcomes it was meant to address.

How A Different Approach Can Address the Systemic Problems and Improve the Lives of Children, Youth and Families

Clearly, there is a need for a more rational system of providing federal support to states and communities to address concerns affecting children, youth and families. The federal government sponsors hundreds of separate family- and child-serving programs, at a budget of almost $400 billion across the departments of Education, Health and Human Services, Housing and Urban Development, Justice, and others. Many of these programs are similar enough that they could be combined in such a way to give communities increased flexibility to accomplish their goals. This blending could be in the form of a block grant, a capped entitlement, or through some other financing arrangement that encouraged states and communities to pool and consolidate similar funding streams.

This approach -- making funding available more flexibly -- makes sense when:

- Effective responses to child and family needs require holistic approaches that cross program, professional and agency boundaries;
- Effective responses require that services and supports be contoured to the strengths and resources of the community and require strong community ownership to be effective;
- There is a coherent focus that offers confidence that the emphasis will remain upon children, youth and families the federal government believes should be served (e.g., the people served by programs consolidated into the block grant will not be ignored);
- Flexibility in responding differently to different community and family circumstances is needed to achieve desired goals;
- Activities will lead to more collaborative, less fragmented, and better integrated services and supports, including those not directly funded through the block grants.

This different approach would combine the purposes and funding streams of similar programs into larger categories. There would be drastically reduced federal requirements as to how the funds would be spent. But in exchange, states and communities would be publicly accountable for their progress on mutually-agreed outcome goals, publicizing their progress on established benchmarks such as school readiness, school completion, teen pregnancy, substance abuse, and criminal behavior. In a process similar to that being used in the Family Preservation and Support Services Program, local communities would help design services based on local needs and resources. State service delivery would also need to operate according to certain principles that would protect citizen's health, safety and civil rights. (States couldn't increase their education test scores by discriminating against certain categories of students, for example.)

It may make sense to develop two large block grants based on the developmental stages of children -- for example, a "School Readiness Block Grant" aimed at prenatal to age 6, and a "Youth Development Block Grant," aimed at children aged 6 to 18. (The current proposal closest to this is the Youth Development Block Grant sponsored by Sen. Nancy Kassebaum.) A third category could focus on adult family members and address issues such as domestic violence and employment.

Any block grant would need to include certain features in order to ensure maximum effectiveness and to protect the basic health, safety and civil rights of families and children. These principles include:

- **Results-based Accountability:** The state and the federal government need to agree on measurable outcomes or results that the funds are intended to achieve. There must be a process for measuring data, reporting results, and making changes based on those results.

- **Assurances of quality and fair treatment.** Basic protections to safeguard the health and safety of children and prevent discrimination or arbitrary decision-making on the basis of ethnicity, race, gender, age, disability, culture, class, or similar circumstance.

- **Community control in planning and delivery of services.** An inclusive process to develop and review service priorities and implementation activities that ensure meaningful input from community representatives, parents, and other child and family advocates as well as service providers.

- **Maximizing the impact of federal funds.** Provisions to ensure that the intent of federal investments in children, youth and families is not subverted or undermined by offsetting state and local budget cuts.

A reformulation of federal programs structured in this way would address in significant manner the major problems with the current federal system. It would give states new authority and responsibility in fashioning more comprehensive, preventive, and community-based strategies for addressing the needs of children, youth and families. Specifically, it would:

- ✓ coordinate diverse programs with similar goals, giving communities fewer, more streamlined sources of funds and reporting mechanisms;
- ✓ encourage more comprehensive and coordinated community planning and resource mapping, by limiting the number of auspices under which such planning is required;
- ✓ establish accountability based upon achieving goals and results, rather than upon adherence to procedures and reporting regulations;
- ✓ allow communities to shift funds among initiatives in such a way that supports the most effective, long-term solutions, instead of pitting prevention and development against basic support;
- ✓ encourage communities to emphasize prevention and development, and give them the ability to make the initially expensive investments in prevention that are necessary to change long-term results;
- ✓ provide communities real control over the design and delivery of services;
- ✓ protect against re-regulating these programs, since entire communities would be involved in the design -- once allowed to take the driver's seat, it will be much more difficult to force communities into the back seat; and
- ✓ increase the opportunity for truly integrated solutions that cross and transcend professional and categorical boundaries.

The table attached summarizes the impact of the PRA and the alternative block grant structure on the major problems facing the current service delivery system.

This is a watershed time. We do not wish to lose this opportunity for making the sweeping changes that are needed. But all of our experience with communities indicates that the PRA is the wrong use of this opportunity. An alternative structure for the block grants could use this window to accomplish what we all want for our children, youth and families.

THE IMPACT OF THE PERSONAL RESPONSIBILITY ACT AND ALTERNATIVE BLOCK GRANT STRUCTURES ON SYSTEMIC REFORM

Personal Responsibility Act	Characteristic of the Existing System	Alternative Block Grant Structure
Would only reduce administrative structure in a few isolated programs. Would not address fragmentation of other programs.	*Fragmentation*	Would greatly reduce fragmentation by putting similar programs together.
Discourages funding for prevention by pitting prevention against basic support.	*Emphasis on "back end," not on prevention*	Encourages funding for prevention and development by separating them from basic support, and by rewarding communities for improving results.
Structure would move to state level, where it may be equally restrictive and distant from communities.	*Top-down, not community driven*	Requires community input and participation in design and delivery of services and supports.
Does nothing to address this problem, as state rules may simply substitute for federal rules.	*Driven by rules, not results*	Would address this problem by making programs accountable for results.
Gaps are likely to widen, because of fewer requirements on universal availability of services and supports.	*Gaps in service delivery*	Would discourage gaps by holding states accountable for results for <u>all</u> children, youth and families.
May exacerbate this problem by combining dissimilar programs.	*Inefficient use of resources*	Would address this by combining similar programs and streamlining administration.
Allows states to abdicate their responsibility for supporting families and children, with the costs falling on the nation as a whole.	*Support for the national interest in strong children, youth and families.*	By not including entitlements, would protect national interest in maintaining basic level of support for families and children.
Largely consolidates on a programmatic and categorical basis, as opposed to a more holistic approach.	*Categorical*	Would encourage more integrated and holistic approaches to meeting family needs by consolidating across agency and categorical program lines.

Outline of Education Reform Block Grant

Purpose: The purpose of this block grant is to consolidate over 50 elementary and secondary education categorical programs into a single consolidated grant in order to provide States maximum flexibility to achieve systemic education reform by increasing student achievement to help all students raise their achievement levels and meet the National Education Goals in order to become productive and successful members of society .

One Federal Requirement:

- Require States to set curriculum content and pupil performance standards of their choice and develop or adopt assessments tied to these standards. States would have to demonstrate that they are making progress toward achieving the standards they develop and would be measured by how well students in their States are performing based on the State standards.

Federal Formula:

- Based on total school age population including students in public and private schools (current Chapter 2 formula).

- Send 85 percent to local school districts (Chapter 2 currently sends 85 percent down to local level)

Within State Formula Options:

- Use current chapter 2 formula which is based on total school- age population of students in public and private schools with schools that have children living in areas of high concentrations of low income families, children from low income families and children living in sparsely populated areas receiving more funds.

Private School Participation:

Retain current law in Chapter 2 so that private schools can receive these funds.

State level activities:

Of the 15% retained at the State level, funds may be used for: (a separate pot could be held as a Governor's pot to do innovative education reform activities as well as the DARE program)

- Supervision of funds to school districts;

- Planning, supervision and processing of State funds;

- Monitoring and evaluation of education reform activities at the local level;

- Technical assistance to local school districts in implementing education reforms to increase student achievement;

- Statewide education reform activities, including public and private school choice;

- Drug Abuse Resistance Education (DARE) programs.

State Improvement Plan: --

States would be required to submit to the Secretary of Education a State improvement plan which outlines the improvements in elementary and secondary education the State plans to make. Such plan would include:

- Strategies for meeting the National Education Goals by improving teaching and learning and student mastery of basic and advanced skills in the State's core content areas (such as English, math, reading, etc);

- A process for developing or adopting State content standards and State student performance standards and assessments aligned with the State content standards;

- A process for establishing specific benchmarks of improved student performance and of progress in implementing the State improvement plan with timelines established so that student performance in the State can be measured.

Secretarial Review and Approval - The Secretary would review the plan to ensure that the State had met the plan's requirements and only disapprove the plan if the State had not met these requirements.

Pre-existing State Plans - The State would be allowed to submit a pre-existing State improvement plan if it meets the requirements in this State improvement plan. (Most States have already had to do the above things in order to receive Goals 2000 funds)

Uses of Funds at the Local Level:

- State student performance and content standards and assessments;

- Professional development to teach to the State standards and increase student achievement;

- Educational technology related to the implementation of school-based reform, including acquisition of technology and

teacher training to use technology;

- Public and private school choice;
- Charter schools, magnet schools and private management of public schools;
- Programs to combat illiteracy, including family literacy;
- Programs for gifted and talented students;
- Programs to prevent students from dropping out;
- Programs to prevent alcohol, drug abuse, and violence in schools;
- Programs for the acquisition and use of instructional and educational materials which are tied to high academic standards and will be used to improve student achievement as part of an overall education reform program;
- Programs for career exploration and guidance counseling;

Accountability:

Continued Federal funds will be based on increased student achievement through State assessments geared to measure student performance in the State's content standards.

Education Flexibility:

All States would be able to participate in the "ed flex" program allowing States to waive certain Federal education statutory requirements.

National Activities:

- The National Goals and the Goals Panel will be retained as they are currently except the Chairman of the Goals Panel will be a Governor (currently the Members select a Chairperson which may or may not be a Governor);

Programs to be consolidated and repealed: - See attached list.

Opportunity to learn standards and strategies and NESIC will be repealed.

The Gun Free Schools Act will be repealed.

Looking at providing more flexibility in the Bilingual Education Program such as no restrictions on the teaching method to be used to teach children English.

Programs to be Consolidated into One Education Reform Block Grant

Consolidations	
Goals 2000 (including national programs & parents as teachers)	403.4
Innovative Education Program Strategies Chapter 2 State Grants	347.3
Eisenhower Professional Development	320.3
Education Technology	40.0
Star Schools	30.0
Charter Schools	6.0
Fund for Improvement of Education	36.8
Safe and Drug Free Schools	482.0
Javits Gifted and Talented	9.5
21st Century Learning Centers	0.8
Eisenhower Regional Math and Science Education	15.0
Subtotal (fiscal year 1995 budget authority for consilidation)	**1,691.1**
Less 10 %	**169.1**
Total	**1,522.0**

Repeals	
Education Infrastructure	100.0
Telecommunications demo for Math	2.3
Women's Educational Equity	4.0
Foreign Language Assistance	10.9
Education for Native Hawaiians	12.0
Law related education	5.9
Civic education	4.5
Ellender fellowships	4.2
National Writing Project	3.2
International Education Exchange	3.0
Family and Community Endeavor Schools	11.1
Christa McAullife Fellowships	1.9
Minority Teacher Recruitment	2.5
Ready to Learn	7.0
National Board for Professional Teaching Standard	0.0
Additional Assistance for School Improvement	0.0
Education Finance Incentive Grants	0.0
Innovative Elementary School Transition Projects	0.0
Demonstrations of Innovative Practices	0.0
National Teacher Training Project	0.0
State and Local Programs for School Technology Resources	0.0
Educational Technology Product Development	0.0
Elementary Math and Science Equipment Grants	0.0
Bilingual Education Instructional Materials Development	0.0
Alaska Native Educational Planning, Curriculum Development, Teacher Training, & Recruitment	0.0
Alaska Native Home Based Education for Preschool Children	0.0
Alaska Native Student Enrichment	0.0
Elementary School Counseling Demonstrations	0.0
Smaller Learning Communities	0.0
Model Projects	0.0
Cultural Partnerships for At-Risk Children & Youth	0.0
De Lugo Territorial Education Improvement	0.0
Urban Education Demonstration Grants	0.0

Rural Education Demonstration Grants: Rural School Grants	0.0
Rural Education Demonstration Grants: Higher Education Grants	0.0
Extended Time for Learning and Longer School Year	0.0
General Assistance for the Virgin Islands	0.0
Workers Technology Skill Development Act	0.0
Minority-Focused Civics Education	0.0
School Finance Equity Studies and Demonstrations	0.0
Goals 2000 Community Partnership Program	0.0
Midnight Basketball League Training and Partnership Act	0.0
Teacher Research Dissemination Program (Part D, (j))	0.0
Waste Energy Research Consortium	0.0
Total repeals	172.5

(as of 06-26-95)

Draft 7/6

Outline of Education Reform Block Grant

Purpose: The purpose of this block grant is to consolidate over 50 elementary and secondary education categorical programs into a single consolidated grant in order to provide States maximum flexibility to achieve systemic education reform by increasing student achievement to help all students raise their achievement levels and meet the National Education Goals in order to become productive and successful members of society .

One Federal Requirement:

- Require States to set curriculum content and pupil performance standards of their choice and develop or adopt assessments tied to these standards. States would have to demonstrate that they are making progress toward achieving the standards they develop and would be measured by how well students in their States are performing based on the State standards.

Federal Formula:

- Based on total school age population including students in public and private schools (current Chapter 2 formula).

- Send 85 percent to local school districts (Chapter 2 currently sends 85 percent down to local level)

Within State Formula Options:

- Use current chapter 2 formula which is based on total school- age population of students in public and private schools with schools that have children living in areas of high concentrations of low income families, children from low income families and children living in sparsely populated areas receiving more funds.

Private School Participation:

Retain current law in Chapter 2 so that private schools can receive these funds.

State level activities:

Who gets $

Of the 15% retained at the State level, funds may be used for: (a separate pot could be held as a Governor's pot to do innovative education reform activities as well as the DARE program)

- Supervision of funds to school districts;

- Planning, supervision and processing of State funds;

•Monitoring and evaluation of education reform activities at the local level;

•Technical assistance to local school districts in implementing education reforms to increase student achievement;

•Statewide education reform activities, including public and private school choice;

•Drug Abuse Resistance Education (DARE) programs.

State Improvement Plan: --

States would be required to submit to the Secretary of Education a State improvement plan which outlines the improvements in elementary and secondary education the State plans to make. Such plan would include:

•Strategies for meeting the National Education Goals by improving teaching and learning and student mastery of basic and advanced skills in the State's core content areas (such as English, math, reading, etc);

•A process for developing or adopting State content standards and State student performance standards and assessments aligned with the State content standards;

•A process for establishing specific benchmarks of improved student performance and of progress in implementing the State improvement plan with timelines established so that student performance in the State can be measured.

Secretarial Review and Approval - The Secretary would review the plan to ensure that the State had met the plan's requirements and only disapprove the plan if the State had not met these requirements.

Pre-existing State Plans - The State would be allowed to submit a pre-existing State improvement plan if it meets the requirements in this State improvement plan. (Most States have already had to do the above things in order to receive Goals 2000 funds)

Uses of Funds at the Local Level:

- State student performance and content standards and assessments;
- Professional development to teach to the State standards and increase student achievement;
- Educational technology related to the implementation of school-based reform, including acquisition of technology and

teacher training to use technology;

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- Programs to combat illiteracy, including family literacy;
- Programs for gifted and talented students;
- Programs to prevent students from dropping out;
- Programs to prevent alcohol, drug abuse, and violence in schools;
- Programs for the acquisition and use of instructional and educational materials which are tied to high academic standards and will be used to improve student achievement as part of an overall education reform program;
- Programs for career exploration and guidance counseling;

Accountability:

OK [illegible]

Continued Federal funds will be based on increased student achievement through State assessments geared to measure student performance in the State's content standards.

Education Flexibility:

All States would be able to participate in the "ed flex" program allowing States to waive certain Federal education statutory requirements.

National Activities:

other activities

- The National Goals and the Goals Panel will be retained as they are currently except the Chairman of the Goals Panel will be a Governor (currently the Members select a Chairperson which may or may not be a Governor);

Programs to be consolidated and repealed: - See attached list.

Opportunity to learn standards and strategies and NESIC will be repealed.

The Gun Free Schools Act will be repealed.

Looking at providing more flexibility in the Bilingual Education Program such as no restrictions on the teaching method to be used to teach children English.

RWR - ope to resp. Clinton

Standards choice

Concerns about block grant:

1. Use of chapter II formula rather than a more targeted one

2. Who gets $--gov. vs. chief

3. Impact of private school provisions beyond chapter II--does this shift funds to private schools

4. Private school choice provisions

5. National activities--need some discretionary funds for national leadership

6. expansion of ed/flex to all states

7. funding reductions

8. elimination of Goals 2000 and Drug Free schools while we are battling for funding for them

1.7 - 1.6 billion

Our posture
- still under discn
- looks like real live grass on hill
- could seen be seen as enlarg 1 ch

still
school
flex

$

RWR hill

Alnsgn - draft

The American Federation of Teachers | 555 New Jersey Avenue, N.W. Washington, D. C. 20001

FAX

Date: July 18, 1995

Number of pages including cover sheet: 7

To: Mike Cohen

COMPANY:

Phone:

Fax phone: 401-0596

From: AFT Department of Legislation

	Gerald Morris
✓	Jane Usdan
	Mary Cross
	Donna Mollis
	Cheryl Birdsall
	Bill Tammelleo

Phone: 202-879-4452

Fax: 202-879-4402

REMARKS: ☐ Urgent ☐ For your review ☐ Reply ASAP ☐ Please comment

Outline of Education Reform Block Grant

Purpose: The purpose of this block grant is to consolidate over 50 elementary and secondary education categorical programs into a single consolidated grant in order to provide States maximum flexibility to achieve systemic education reform by increasing student achievement to help all students raise their achievement levels and meet the National Education Goals in order to become productive and successful members of society .

One Federal Requirement:

- Require States to set curriculum content and pupil performance standards of their choice and develop or adopt assessments tied to these standards. States would have to demonstrate that they are making progress toward achieving the standards they develop and would be measured by how well students in their States are performing based on the State standards.

Federal Formula:

- Based on total school age population including students in public and private schools (current Chapter 2 formula).
- Send 85 percent to local school districts (Chapter 2 currently sends 85 percent down to local level)

Within State Formula Options:

- Use current chapter 2 formula which is based on total school- age population of students in public and private schools with schools that have children living in areas of high concentrations of low income families, children from low income families and children living in sparsely populated areas receiving more funds.

Private School Participation:

Retain current law in Chapter 2 so that private schools can receive these funds.

State level activities:

Of the 15% retained at the State level, 7.5% of these funds would go to Governors and 7.5% would go to State Education Agencies. Governors could use their funds for innovative approaches to education reform such as public and private school choice and would award grants competitively to LEAs. Governors could also use their funds for the DARE program.

State Education Agencies would use their funds primarily for administration of the program, monitoring and evaluation of education reform activities at the local level; and technical assistance to local school districts in implementing education reforms to increase student achievement;

State Improvement Plan: --

States would be required to submit to the Secretary of Education a State improvement plan which outlines the improvements in elementary and secondary education the State plans to make. Such plan would include:

- Strategies for meeting the National Education Goals by improving teaching and learning and student mastery of basic and advanced skills in the State's core content areas (such as English, math, reading, etc);

- A process for developing or adopting State content standards and State student performance standards and assessments aligned with the State content standards;

- A process for establishing specific benchmarks of improved student performance and of progress in implementing the State improvement plan with timelines established so that student performance in the State can be measured.

- A process for involving parents and other community representatives, particularly business representatives, in planning, designing and implementing improvements in elementary and secondary education in the State.

Secretarial Review and Approval - The Secretary would review the plan to ensure that the State had met the plan's requirements and only disapprove the plan if the State had not met these requirements.

Another option is to have the Goals Panel act as a peer reviewer of the State applications to determine if the State has met the requirements of the State plan and if so, the Secretary would award the funds. The Goals Panel is primarily made up of Governors and State Legislatures who are most interested in determining what States are doing.

Pre-existing State Plans - The State would be allowed to submit a pre-existing State improvement plan if it meets the requirements in this State improvement plan. (Most States have already had to do the above things in order to receive Goals 2000 funds)

Uses of Funds at the Local Level:

- State student performance and content standards and assessments;

- Professional development to teach to the State standards and increase student achievement;
- Educational technology related to the implementation of school-based reform, including acquisition of technology and teacher training to use technology;
- Public and private school choice;
- Charter schools, magnet schools and private management of public schools;
- Programs to combat illiteracy, including family literacy;
- Programs for gifted and talented students;
- Programs to prevent students from dropping out;
- Programs to prevent alcohol, drug abuse, and violence in schools;
- Programs for the acquisition and use of instructional and educational materials which are tied to high academic standards and will be used to improve student achievement as part of an overall education reform program;
- Programs for career exploration and guidance counseling;

Accountability:

Continued Federal funds will be based on increased student achievement through State assessments geared to measure student performance in the State's content standards.

Education Flexibility:

All States would be able to participate in the "ed flex" program allowing States to waive certain Federal education statutory requirements.

National Activities:

- The National Goals and the Goals Panel will be retained as they are currently except the Chairman of the Goals Panel will be a Governor (currently the Members select a Chairperson which may or may not be a Governor);

Programs to be consolidated and repealed: - See attached list.

Opportunity to learn standards and strategies and NESIC will be repealed.

The Gun Free Schools Act will be repealed. (It is still not decided if this will be included in the bill or offered as an amendment)

The Bilingual Education Program and Emergency Immigrant Education Programs would be consolidated into a separate block grant to States based on the number of limited English proficient children in the State. There would be no restrictions on the teaching method to be used to teach children English.

EDUCATION REFORM SUMMARY

- **Consolidates over 50 elementary and secondary education categorical programs at a funding level of $1.5 billion (this represents a 10% reduction in the rate of growth from the FY95 appropriation); Authorization could change if the rescisions bill passes.**

- **Modelled after the Chapter 2 program with 85% of the funds flowing to local school districts;**

- **Program goals would be to continue the State development of academic student content and performance standards and assessment; train teachers to teach to the State standards; allow LEAs to do public and private school choice, charter schools, and private management of public schools, and promote the acquisition and use of technology;**

- **Continued Federal funding would be based on increased student achievement through State assessments geared to measure student performance in the State's content standards;**

- **Opportunity to learn standards and strategies would be repealed;**

- **Private school participation would be retained as under the current Chapter 2 program;**

- **The National Education Goals would remain as under current law as well as the National Education Goals Panel, except a Governor would always be Chairman of that Panel;**

- **The Gun Free Schools Act would be repealed; (This Act requires that schools have a one year expulsion policy for all students bringing a gun to school in order to receive Federal elementary and secondary funds.) May be included in the bill or offered as an amendment.**

- **The Bilingual Education Program and the Emergency Immigration Education Program would be consolidated into a separate block grant to States and sent out based on the number of limited English proficient children in the State. There would be no restrictions on the teaching method to be used to teach children English;**

- **Programs not included: Chapter 1, EvenStart, Migrant Ed, Neglected & Delinquent, IDEA, Impact Act, Indian Ed, HeadStart, OERI, RIF, Arts in Education, etc.**

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Programs to be Consolidated into One Education Reform Block Grant

OLIDATION GRANT	FY '95
2000 - State and local programs	$371.9
2000 - National Programs	21.5
2000 - Parental Assistance	10.0
ative Education Program Strategies Chapter 2 State Grants	347.3
hower Professional Development - State grants	320.3
hower Professional Development - National activities	21.4
ation Technology	40.0
Schools	30.0
er Schools	6.0
for Improvement of Education	36.8
and Drug Free Schools - State grants	457.0
and Drug Free Schools - National programs	25.0
s Gifted and Talented	9.5
Century Learning Centers	0.8
hower Regional Math and Science Education	15.0
otal (FY '95 consolidation grant budget authority)	1,712.5
10 %	171.2
AL	$1,541.3
otal (FY '95 consolidation post rescissions package)	1,568.9
10 %	156.8
AL	$1,412.1

If H.R. 1994 (rescissions bill) passes the Senate and is signed into law, the fiscal year 1995 budget authority for the programs contained in the consolidation grant will decrease from $1.713 billion to $1.569 billion. Also, the budget authority for the programs contained in the repeals section of this bill will decrease from $172.5 million to $54.7 million.

The Labor-HHS-Education Appropriations Subcommittee recently completed their mark-up of the fiscal year 1996 appropriations bill. At this time, the fiscal year 1996 appropriations total for the programs within the consolidation grant would decrease from $1.713 billion to $770.8 million. The budget authority for the programs contained in the repeals section of the bill will decrease from $172.5 million to $5.2 million.

of 14-JUL-1995)

PROGRAMS REPEALED	FY '95
Education Infrastructure	$100.0
Telecommunications demo for Math	2.3
Women's Educational Equity	4.0
Foreign Language Assistance	10.9
Education for Native Hawaiians	12.0
Law related education	5.9
Civic education	4.5
Ellender fellowships	4.2
National Writing Project	3.2
International Education Exchange	3.0
Family and Community Endeavor Schools	11.1
Christa McAullife Fellowships	1.9
Minority Teacher Recruitment	2.5
Ready to Learn	7.0
National Board for Professional Teaching Standard	0.0
Additional Assistance for School Improvement	0.0
Education Finance Incentive Grants	0.0
Innovative Elementary School Transition Projects	0.0
Demonstrations of Innovative Practices	0.0
National Teacher Training Project	0.0
State and Local Programs for School Technology Resources	0.0
Educational Technology Product Development	0.0
Elementary Math and Science Equipment Grants	0.0
Bilingual Education Instructional Materials Development	0.0
Alaska Native Educational Planning, Curriculum Development, Teacher Training, & Recruitment	0.0
Alaska Native Home Based Education for Preschool Children	0.0
Alaska Native Student Enrichment	0.0
Elementary School Counseling Demonstrations	0.0
Smaller Learning Communities	0.0
Model Projects	0.0
Cultural Partnerships for At-Risk Children & Youth	0.0
De Lugo Territorial Education Improvement	0.0
Urban Education Demonstration Grants	0.0
Rural Education Demonstration Grants: Rural School Grants	0.0
Rural Education Demonstration Grants: Higher Education Grants	0.0
Extended Time for Learning and Longer School Year	0.0
General Assistance for the Virgin Islands	0.0
Workers Technology Skill Development Act	0.0
Minority-Focused Civics Education	0.0
School Finance Equity Studies and Demonstrations	0.0
Goals 2000 Community Partnership Program	0.0
Midnight Basketball League Training and Partnership Act	0.0
Teacher Research Dissemination Program (Part D, (j))	0.0
Waste Energy Research Consortium	0.0
TOTAL REPEALS	$172.5

ID:

Washington Post, June 1, 1995, P. 23

David Osborne

A Federal Challenge for Local Ingenuity

In the new Republican Congress, block grants are breaking out all over. And heaven knows, they're superior to narrow categorical grants. But as the time for decisions draws near, it's worth stopping for a moment to ask: Are block grants the best we can do?

There is one simple idea missing from the block grant debate of 1995. It's called accountability for results. In their heat to downsize the federal government, the Republicans may miss the best opportunity in a generation to create a federalism that works.

We all know that the current federal system, with its 550-plus categorical grant programs, is a mess. We also know from every poll on the issue that the public supports devolution of responsibilities to state and local governments.

What we don't know is that block grants are the best solution.

Congress's inability to resist creating new categorical grant programs—they sprout up almost like weeds in a garden—has been a problem since the 1960s. By 1991 Congress funded almost 100 social service grant programs, more than 80 health care grant programs and close to 30 grant programs that dealt with housing or development in poor communities.

Many of these were for absurdly small amounts—$3 million or $4 million nationally. More than half of the Education Department's 90-odd programs were for less than $15 million.

When one department administers so many tiny grant programs, something is wrong. Thousands of public employees, in Washington and in state and local governments, spend countless hours publicizing programs, writing and reviewing grant applications, reporting on how money was spent and auditing. Billions of dollars go to the professionals and bureaucrats who do this, rather than the intended recipients: students, poor people, urban residents and the unemployed.

For 25 years, the knee-jerk response has been the block grant, which consolidates many categorical grant programs into one grant with—at least theoretically—few strings attached.

There is just one problem with this. Block grants are blind to performance. They shower as much money on wasteful, ineffective programs as they do on innovative, cost-effective approaches.

We need a third way: block grants in which state and local governments compete in part based on the results they achieve. This kind of model has become common at the state level. Pennsylvania's highly regarded Ben Franklin Partnership, for instance, invented what it calls "challenge grants" to fund local economic development centers.

The concept is simple, and Congress would be wise to adopt it. Consider the idea of a community development challenge grant, administered by the Department of Housing and Urban Development. Under this approach, the federal government would establish broad guidelines, objectives and performance measures. State and/or local governments would then compete for challenge grants based on three criteria:

"Block grants are blind to performance."

- **Need:** This could be determined by a community's unemployment rate, poverty rate and median income.
- **Quality of strategy:** Does the proposed strategy leverage private sector involvement? Does it empower communities to solve more of their own problems? Does it encourage competition and choice? Does it measure and reward results?
- **Results:** The federal government would measure the number of jobs created, changes in the poverty and unemployment rates, job placement rates, private investment leveraged, changes in indicators of family health, incidence of graft or corruption and so on.

The higher a government ranked on these criteria, the more funding it would receive. Eventually, only two criteria would be necessary: need and results. Until data on results build up, however, HUD could use quality criteria to drive state and local governments toward strategies that have proven more effective than traditional service delivery by public bureaucracies.

This approach would cause states and localities to attack the problems federal programs are designed to solve, without dictating the approaches they use. It would tap state and local ingenuity without abandoning federal responsibility.

By setting goals, measuring outcomes and rewarding success, challenge grants would push lower levels of governments to come up with strategies that worked. Local entities could focus on their own areas of greatest need and craft their own initiatives, without micromanagement from above. They could not, however, continue to collect their full grants without producing results.

more...

A FEDERAL CHALLENGE, continued...

The Clinton administration is already testing a version of this model through its "Oregon Option"—a performance-based contract between the state and several federal departments, first proposed last year by the Alliance for Redesigning Government. HUD Secretary Henry Cisneros has also proposed three performance-based block grants. Yet few Republicans in Congress are listening.

The Republicans' impulse to hand money to the states regardless of their performance is particularly ironic given the public's intense demand for more efficient and effective government. Remember, this is federal money, raised through federal taxes to attack national problems that state and local governments will never solve on their own.

It is easy to wax poetic about the virtues of state government. But as the author of a book on the subject, "Laboratories of Democracy," I feel compelled to inject some reality.

State and local romantics often forget one fact: States, cities and counties must compete to keep their taxes low, lest they drive businesses and wealthy residents away. This is why no state has ever made a sustained investment in combating poverty or creating a viable training system. It is also why no state save Hawaii—separated by thousands of miles of ocean from its neighbors—has ever funded universal health insurance.

It is equally ironic that Congress wants to give block grants only to the states. The fact that current proposals ignore local governments is perhaps the most obvious sign of how little thinking their authors have done.

Again, a dose of reality: The typical state bureaucracy performs a little better than the typical federal bureaucracy—but not much. Most of the real improvement in performance over the past two decades has come at the local level. In addition, most public services are provided by local governments, not state governments. And the level of government Americans trust most is—you guessed it—local government.

If Congress wants to make government work better and cost less, it will control its jerking knee and craft challenge grants aimed at both state and local governments. If it simply wants to make the federal government smaller, it will create block grants for the states. The choice will be revealing.

The writer is chairman of the nonprofit Alliance for Redesigning Government, managing partner of a consulting firm and co-author of "Reinventing Government."

Programs to be Consolidated into One Education Reform Block Grant

Consolidations	
Goals 2000 (including national programs & parents as teachers)	403.4
Innovative Education Program Strategies Chapter 2 State Grants	347.3
Eisenhower Professional Development	320.3
Education Technology	40.0
Star Schools	30.0
Charter Schools	6.0
Fund for Improvement of Education	36.8
Safe and Drug Free Schools	482.0
Javits Gifted and Talented	9.5
21st Century Learning Centers	0.8
Eisenhower Regional Math and Science Education	15.0
Subtotal (fiscal year 1995 budget authority for consilidation)	1,691.1
Less 10 %	169.1
Total	1,522.0

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Repeals	
Education Infrastructure	100.0
Telecommunications demo for Math	2.3
Women's Educational Equity	4.0
Foreign Language Assistance	10.9
Education for Native Hawaiians	12.0
Law related education	5.9
Civic education	4.5
Ellender fellowships	4.2
National Writing Project	3.2
International Education Exchange	3.0
Family and Community Endeavor Schools	11.1
Christa McAullife Fellowships	1.9
Minority Teacher Recruitment	2.5
Ready to Learn	7.0
National Board for Professional Teaching Standard	0.0
Additional Assistance for School Improvement	0.0
Education Finance Incentive Grants	0.0
Innovative Elementary School Transition Projects	0.0
Demonstrations of Innovative Practices	0.0
National Teacher Training Project	0.0
State and Local Programs for School Technology Resources	0.0
Educational Technology Product Development	0.0
Elementary Math and Science Equipment Grants	0.0
Bilingual Education Instructional Materials Development	0.0
Alaska Native Educational Planning, Curriculum Development, Teacher Training, & Recruitment	0.0
Alaska Native Home Based Education for Preschool Children	0.0
Alaska Native Student Enrichment	0.0
Elementary School Counseling Demonstrations	0.0
Smaller Learning Communities	0.0
Model Projects	0.0
Cultural Partnerships for At-Risk Children & Youth	0.0
De Lugo Territorial Education Improvement	0.0
Urban Education Demonstration Grants	0.0

Rural Education Demonstration Grants: Rural School Grants	0.0
Rural Education Demonstration Grants: Higher Education Grants	0.0
Extended Time for Learning and Longer School Year	0.0
General Assistance for the Virgin Islands	0.0
Workers Technology Skill Development Act	0.0
Minority-Focused Civics Education	0.0
School Finance Equity Studies and Demonstrations	0.0
Goals 2000 Community Partnership Program	0.0
Midnight Basketball League Training and Partnership Act	0.0
Teacher Research Dissemination Program (Part D, (j))	0.0
Waste Energy Research Consortium	0.0
Total repeals	172.5

(as of 06-26-95)

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Equity

Private School Choice

Nat Leadership

revenue sharing

Consistency

MC
Trish

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Gene

Mark up - July 19 - Subcommittee
- Aug 3 - full committee

intend to tie into IDEA
-force Senate to deal with
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systemic reform block grant

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- model-based plan

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Fax
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Outline of Education Reform Block Grant

Purpose: The purpose of this block grant is to consolidate over 50 elementary and secondary education categorical programs into a single consolidated grant in order to provide States maximum flexibility to achieve systemic education reform by increasing student achievement to help all students raise their achievement levels and meet the National Education Goals in order to become productive and successful members of society .

One Federal Requirement:

- Require States to set curriculum content and pupil performance standards of their choice and develop or adopt assessments tied to these standards. States would have to demonstrate that they are making progress toward achieving the standards they develop and would be measured by how well students in their States are performing based on the State standards.

Federal Formula:

- Based on total school age population including students in public and private schools (current Chapter 2 formula).
- Send 85 percent to local school districts (Chapter 2 currently sends 85 percent down to local level)

Within State Formula Options:

- Use current chapter 2 formula which is based on total school- age population of students in public and private schools with schools that have children living in areas of high concentrations of low income families, children from low income families and children living in sparsely populated areas receiving more funds.

Private School Participation:

Retain current law in Chapter 2 so that private schools can receive these funds.

State level activities:

Of the 15% retained at the State level, funds may be used for: (a separate pot could be held as a Governor's pot to do innovative education reform activities as well as the DARE program)

- Supervision of funds to school districts;
- Planning, supervision and processing of State funds;

•Monitoring and evaluation of education reform activities at the local level;

•Technical assistance to local school districts in implementing education reforms to increase student achievement;

•Statewide education reform activities, including public and private school choice;

•Drug Abuse Resistance Education (DARE) programs.

State Improvement Plan: --

States would be required to submit to the Secretary of Education a State improvement plan which outlines the improvements in elementary and secondary education the State plans to make. Such plan would include:

•Strategies for meeting the National Education Goals by improving teaching and learning and student mastery of basic and advanced skills in the State's core content areas (such as English, math, reading, etc);

•A process for developing or adopting State content standards and State student performance standards and assessments aligned with the State content standards;

•A process for establishing specific benchmarks of improved student performance and of progress in implementing the State improvement plan with timelines established so that student performance in the State can be measured.

Secretarial Review and Approval - The Secretary would review the plan to ensure that the State had met the plan's requirements and only disapprove the plan if the State had not met these requirements.

Pre-existing State Plans - The State would be allowed to submit a pre-existing State improvement plan if it meets the requirements in this State improvement plan. (Most States have already had to do the above things in order to receive Goals 2000 funds)

Uses of Funds at the Local Level:

- State student performance and content standards and assessments;
- Professional development to teach to the State standards and increase student achievement;
- Educational technology related to the implementation of school-based reform, including acquisition of technology and

teacher training to use technology;

- Public and private school choice;
- Charter schools, magnet schools and private management of public schools;
- Programs to combat illiteracy, including family literacy;
- Programs for gifted and talented students;
- Programs to prevent students from dropping out;
- Programs to prevent alcohol, drug abuse, and violence in schools;
- Programs for the acquisition and use of instructional and educational materials which are tied to high academic standards and will be used to improve student achievement as part of an overall education reform program;
- Programs for career exploration and guidance counseling;

Accountability:

Continued Federal funds will be based on increased student achievement through State assessments geared to measure student performance in the State's content standards.

Education Flexibility:

All States would be able to participate in the "ed flex" program allowing States to waive certain Federal education statutory requirements.

National Activities:

- The National Goals and the Goals Panel will be retained as they are currently except the Chairman of the Goals Panel will be a Governor (currently the Members select a Chairperson which may or may not be a Governor);

Programs to be consolidated and repealed: - See attached list.

Opportunity to learn standards and strategies and NESIC will be repealed.

The Gun Free Schools Act will be repealed.

Looking at providing more flexibility in the Bilingual Education Program such as no restrictions on the teaching method to be used to teach children English.

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Total repeals	**172.5**

(as of 06-26-95)

MIKE COHEN

SEP- 8-95 FRI 17:06

COUNCIL OF CHIEF STATE SCHOOL OFFICERS

One Massachusetts Avenue, NW, Suite 700, Washington, DC 20001-1431 • 202/408-5505 • FAX 202/408-8072
Resource Center on Educational Equity
State Education Assessment Center

Office of Federal-State Relations
Council of Chief State School Officers
One Massachusetts Avenue, N.W., Suite 700
Washington, D.C. 20001-1431
Telephone: (202) 336-7009
Fax: (202) 408-8072

FACSIMILE TRANSMITTAL SHEET

Attention: Susan Frost
From: Carnie Hayes
Company: USED
Date: 9/8/95
Facsimile: 401-3095
Pages: 11 **(including cover)**

Message:

As per your request, following is the group letter on the Education Reform Consolidation Grant. (NCSL may also sign on to the letter.)

September 7, 1995 DRAFT

Dear Member of the House Economic & Educational Opportunities Committee:

We appreciate the opportunity to review and comment on the draft of the Education Reform Consolidation Grant. The members of the associations listed below believe that there is a national interest in having the federal government serve as a partner in supporting school improvement. We want to assist the Committee in pursuing educational opportunities that benefit children and the community by enhancing the quality of public schools.

Our organizations support Congressional efforts to streamline, deregulate, and increase the effectiveness of federal support for elementary and secondary education, so long as the federal role in addressing the needs of special populations and targeted purposes is not diminished. These efforts must build on the work states and localities are now doing on the basis of major changes in federal legislation last year. States and local communities are in the midst of implementing key new provisions for program integration, flexibility, and efficacy that were enacted with the Improving America's Schools Act and Goals 2000. These include provisions for administrative consolidation through single applications and expanded waiver opportunities, as well as "superflex" demonstrations. Coupled with these opportunities for increased flexibility are statutory mechanisms for states' and localities' use in planning and implementing enhanced accountability, through high standards and expectations for all students and new assessments to measure progress. States and localities are already doing what the proposed draft contemplates. We urge you not to undermine the progress.

We urge the Committee to adopt only those measures which will build on the progress that has been made and to avoid actions which might require or encourage states and localities to "go back to the drawing board" or reverse their efforts toward greater flexibility and accountability. Given these concerns, we raise the following major issue questions about the provisions of the proposed draft. Your response would be helpful both to our understanding of the legislation as well as our effort to be of assistance in its development.

We welcome the opportunity to meet with you to discuss these issues.

Sincerely,
(possible sign-ons)
American Association of School Administrators - yes
American Federation of Teachers
American Vocational Association
Council for Exceptional Children
Council of Chief State School Officers
National Association of Elementary School Principals

National Association of Secondary School Principals
National Association of State Boards of Education - yes
National Association of State Directors of Special Education - yes
National Education Association
National PTA
National School Boards Association

Program Operation

1. The Education Reform Consolidation Grant is proposed to simplify, streamline and deregulate federal funds to support state and locally driven innovation and improvement through consolidation. However, the bill:

a. Explicitly assigns to the governor policy and administrative functions, which under each state's law or constitution are the responsibility of the "state education agency" (SEA). These functions include development and implementation of state standards and assessments, administration of grants to localities, requests for federal assistance, responsibility for implementing education reform, and financial audits; and

b. Omits any reference to the legally authorized "state education agency" to which each state law or constitution assigns responsibility for K-12 education. The bill provides instead for "the state" to administer 92.5% of the block grant.

Why is the bill proposing a federally imposed dual administrative structure for states? Why is it superseding state law? What evidence is there that such a change will improve student performance?

If the terms "governor" and "state" are used throughout the bill without any reference to the SEA, what entity, official, or agency is meant by the term "state?"

In states in which legal authority for education is vested in the state educational agency rather than in the governor, is the state ineligible for these funds or will the SEA be permitted to fulfill those requirements of the bill?

2. This block grant will be administered primarily by the governor, but all other federal education funds and administrative authority, such as Title I, Impact Aid, and IDEA, flow through the state educational agency.

How do you envision the coordination of funds and requirements under this block grant with state and local resources and reforms, and with other federal funds and requirements?

Is it the Committee's intent to provide each state with an incentive to create a new and duplicative state entity?

If dual responsibility between the governor and the SEA is envisioned, how will states and districts avoid the development of more bureaucracy and additional administrative costs, while increasing flexibility and coordination of education services at the state and local level?

3. The bill would assign to the National Education Goals Panel the authority to review and approve state applications and plans. In assigning the authority to the National Education Goals Panel, the bill is designating another entity to duplicate review processes already in place in the U.S. Department of Education.

How will the Panel's integrity as the independent source of evaluating how states are progressing toward the National Education Goals be maintained if it assumes responsibility for administering the block grant and awarding the grants?

4. The National Education Goals Panel (NEGP), in reviewing and approving each state's content and student performance standards and assessments, takes on a new role of federal administrative agency.

This function is completely contrary to the NEGP's role as a "non-federal" but "national" independent entity to monitor progress on the national goals.

How can the NEGP, comprised of state governors and legislatures, review and approve state plans from their own states without a conflict of interest? This is particularly important with respect to the fact that if a state is turned down other states receive its reallocated funds.

Why should the U.S. Department of Education not review and approve state applications as it does with other federal programs?

Program Effectiveness

1. Under this bill, the governors would develop their states' content and student performance standards and assessments, and make grants for charter schools; private school choice programs; and other initiatives.

These functions, by state law, are now the responsibility of state education agencies. Is it the intention in this bill to establish duplicate services in each state-- one federally funded and the other state funded?

2. States and school districts are developing and implementing state content and student performance standards and assessments under Goals 2000 and Title I of the IASA. The bill does not require the governor to coordinate the standards and assessments developed under this Act with the standards and assessments required under Title I or other state reform plans.

Why does this bill create a separate process and make no provision for consistency with the state's Title I plan and application and Goals 2000 plan?

What assistance is offered to local districts implementing different standards and assessments?

3. There is no provision in the bill requiring the governor to collaborate with local education providers, parents, teachers, principals, local boards or other members of the local community.

In that case, how will the block grant foster locally initiated reform?

4. In the community involvement provisions, why is "especially business" emphasized? Should not there be an equal focus on the role of parents, teachers, principals, and local school boards?

Program Flexibility

1. The draft allows the Secretary to approve waivers of civil rights laws, large portions of the Individuals with Disabilities Education Act, the Rehabilitation Act and the Americans with Disabilities Act if the applicant will continue to meet the "underlying purposes" of the Acts to be waived.

Why would this bill include waivers for IDEA, ADA, the Rehabilitation Act if these Acts are not included in the Education Reform Consolidation Grant?

Which provisions of IDEA, ADA, Rehabilitation Act, maintenance of effort, and parental involvement requirements are covered under the phrase "underlying purposes?" For example, would parental involvement requirements be subject to waiver?

2. What is the relationship between the approval of state plans by the National Education Goals Panel and the approval of waiver requests by the Secretary?

3. May a nonpublic or charter school request a waiver from the Secretary, and if so, what would be the process and requirements?

Accountability

The draft of the bill states that accountability provisions are "to be supplied."

1. How will the states be held accountable to assure that the federal dollars were used for the purposes delineated in the block grant?

2. May a state use these funds to supplant other state dollars for education? Must states maintain educational reform efforts?

3. How will a state or district be held accountable if the standards and assessments, by which student progress is measured, differ under this bill and Title I of ESEA?

4. How will the provisions of the block grant ensure that it is not a revenue-sharing mechanism?

5. Will private schools and charter schools be subject to the same accountability requirements as public schools (i.e., standards, assessments, reporting, data collection, audits)?

Participation of nonpublic schools

1. The draft allows nonpublic schools and students in nonpublic schools to benefits from the block grant. Under current federal laws, students in nonpublic schools can be served under federal programs but federal funds do not flow directly to private schools.

What is the intended effect of direct federal subsidies to private schools?

2. The bill does not contain a definition for the term "private school" or "magnet school."

Is it intended that the provisions for such schools be consistent with state laws? In addition, may governors use the 7.5% of retained state funds to fully fund private school voucher program, or charter schools even if the state legislature, state board of education, local authority, or referendum has rejected such initiatives?

Does the term "private school" include parochial schools, schools affiliated with religious institutions, and home schools?

Is the term "magnet school" meant to be defined the same as in the Elementary and Secondary Education Act?

Do the private schools that benefit from the block grant funds have to adhere to the same federal, state and local laws, including health and safety, civil rights laws, curriculum requirements, teacher certification requirements and admissions requirements, as public schools?

3. The governor must use 85% of the state's grant to fund LEAs and charter schools. The definition of a charter school in ESEA differs from the definition in this bill; specifically, the ESEA definition prohibits a charter school from being affiliated with a religious institution.

Is this an intentional difference between the definition of charter schools under ESEA and in this block grant? If the charter schools are public schools, as defined in the bill, and are therefore under the supervision of a LEA, why can they apply as independent agencies for block grant funds?

Does the Education Reform Consolidation Grant's definition of a charter school include home schools?

The bill confuses the authority for granting school charters. In Massachusetts, for example, there is an independent agency that has authority to grant charters. In other states, state law provides local boards with authority to grant charters. Some state laws allow an entity that is denied a charter from a local agency to appeal the matter to the state board of education.

If state law only allows a local or state board to approve a request for a local charter school, does the governor have authority under this block grant to act as the chartering agency or to approve and fund a charter school when a request is denied by the local or state board?

If state law defines a charter school and establishes the authority for approving a request for a charter differently from the definition and the administrative provisions in this bill, which would prevail?

Funding and Authorization of Appropriation levels

1. This block grant drives less than $700 million (under the House-passed appropriations for fiscal year 1996) to 50 states and nearly 15,000 school districts.

How will you ensure that these funds will not be so diluted that there will be too few dollars for discernable results and genuine accountability?

2. How will the bill assure that states distribute funds to school districts in an equitable manner that allows them to meet the needs of economically disadvantaged children?

3. The bill places private and public schools on equal footing to receive grants. Would private and public schools receive the same proportion of funds or could private schools potentially receive more than public schools?

4. The bill does not include an authorization for appropriations for the first or succeeding years of this new grant program.

What is the authorization of appropriations level for the first and succeeding years? Will the Committee recommend an increase, a freeze, or a reduction of appropriations over the five-year period of this authorization?