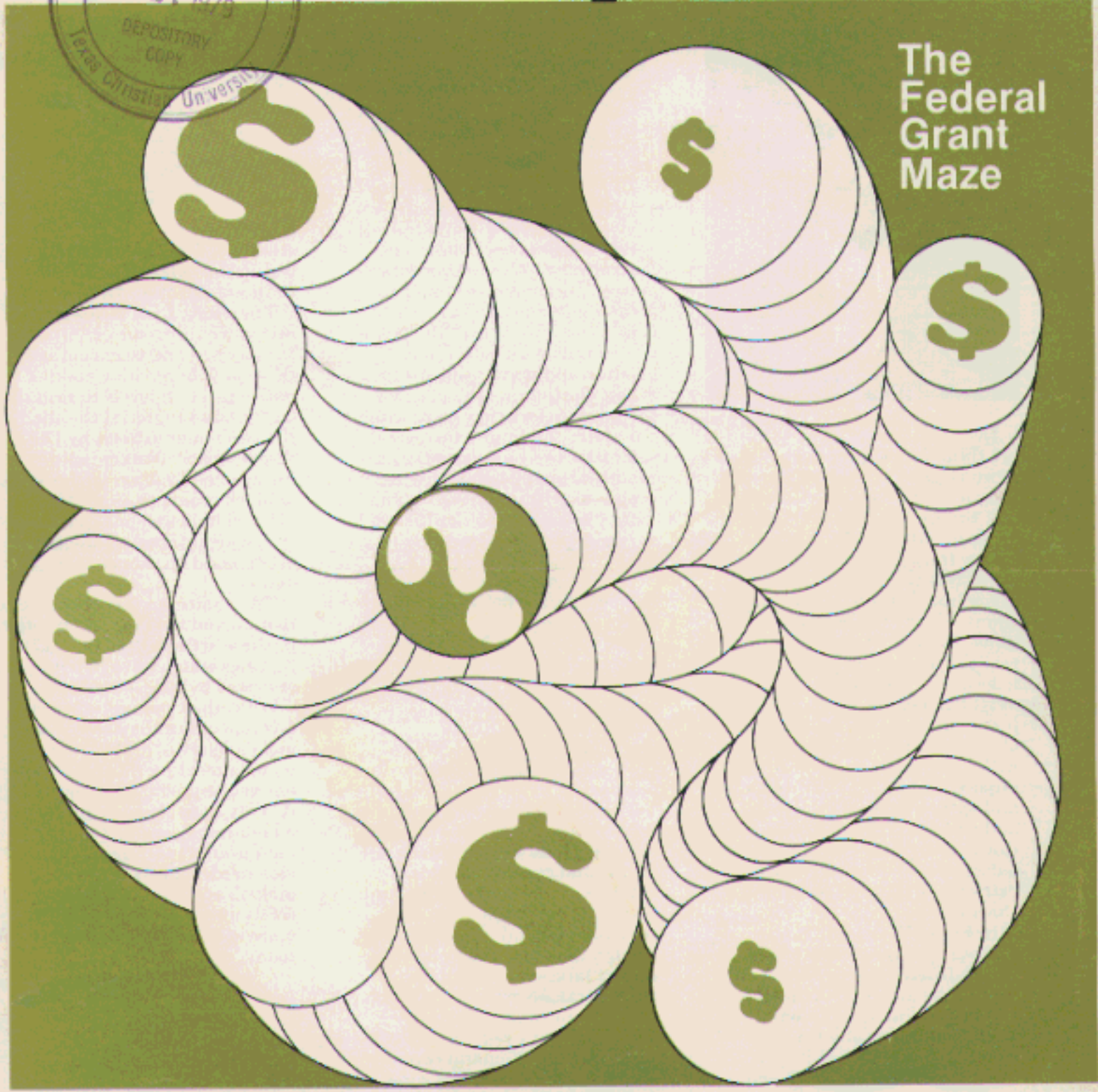


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# Intergovernmental **PERSPECTIVE**



The  
Federal  
Grant  
Maze



# View From The Commission



Dear Reader:

I think it is appropriate that in an issue of *Intergovernmental Perspective* devoted to federal aid, the ACIR has asked a governor to author this piece in "View from the Commission."

For it is those of us on the firing line—in the state capitols, county courthouses, and city halls—who must deal with the realities and ramifications of federal aid. We are the ones who must balance the needs of our jurisdictions with the "carrots" of federal aid; who must deal with the regulations and rules imposed seemingly arbitrarily and without regard for reality; and who must justify to the Congress our use of and need for federal funds—even those from "stringless" general revenue sharing.

In Fiscal Year 1975, South Dakota received nearly \$200 million in federal aid—over 25 percent of the amount raised by our state and local governments combined. Naturally this money is important to us—as it is to other states and localities across the country.

But we, like other states, are looking at ways to improve the system, through providing for greater gubernatorial and state legislative control over the use of those funds with better appropriation and accounting procedures; questioning the need for the funds before they come into our state; and improving oversight over their use once they establish or supplement existing programs within our state. The money is simply too significant to ignore or to be acquiescent about.

I am delighted that the ACIR has "bitten the bullet" and is in the process of taking a hard look at the federal—and state—aid systems and making some tough recommendations for action at both levels. For it is not just a federal responsibility to strengthen the system. We at the state-local levels have to do our part as well.

This issue of *Intergovernmental Perspective*, with its insights into the broad areas of block grants and categorical aids, I think, will go a long way toward clarifying what is a generally confusing federal aid sector. Although these two forms are by far the largest contributors to the federal aid system, they are the most misunderstood, by their initiators, regulators, and implementors. General revenue sharing, the third major component of federal aid, has been

studied far more extensively and is generally clearer to all actors than are the other two.

Therefore, I am pleased to introduce this issue of *Perspective* and to encourage those of you in policy making positions at all levels to read this background material closely. For the two major articles by Drs. Stenberg and Walker report unexpected findings in the areas of block grants and categorical aid and indicate, once again, that conventional wisdom is often based on incomplete evidence.

The chairman has asked me to remind you that the information in these articles does reflect staff findings which have not yet been reviewed by the Commission.

What the Commission decides to recommend in the block grant and categorical grant areas at its next meeting (May 5-6) cannot yet be predicted. However, it is my hope that our recommendations—along with this background material—will provide needed guidance to policy-makers and administrators at all levels who must deal with the maze of federal aid as we know it today.

A handwritten signature in black ink, appearing to read "R. F. Kneip". The signature is written in a cursive style with a large, sweeping flourish at the end.

Richard F. Kneip  
Governor  
State of South Dakota

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# Washington Watch

## **Congressional Budget Office Recommends Advance Funding**

The Congressional Budget Office (CBO) recommended in a recent report that the Congress establish appropriate standards to enable the shifting to a two-year appropriation cycle for various federal programs.

The report fulfills a requirement (Section 502c) of the *Congressional Budget Act of 1974* that the CBO study and make recommendations on the advisability of advancing budget decisions of the Congress by at least one year.

The report deals with three related areas:

□ advance targeting, whereby budget targets are established for one or more years beyond the budget year;

□ advance spending decision-making in which federal funds would be appropriated a year or more prior to disbursement; and,

□ the advisability and feasibility of a two-year appropriations process.

The report concludes that advance targeting would be both feasible and advisable. While not committing the Congress to any specific taxing or spending decisions, it would provide a context for making those decisions with their implications for future years' goals clearly in mind. This would be in contrast to the present approach, which puts heaviest emphasis on first year impact, and which is not illuminated by any congressionally-established overall goals for the years to follow.

The CBO also recommends that the two budget committees formulate, and the Congress adopt, a plan for identifying and voting on advance budget targets, with the eventual goal of annually adopting targets for the budget year and the four following years.

The report concludes that many of the programs now funded by Congress one year at a time could be funded by two-year appropriations. This action would substantially reduce the annual budget preparation workload in the Executive Branch and the very heavy, but routine, paperwork burden on the appropriations committees.

In a 1970 report entitled *Federal Approaches to Aid State and Local Capital Financing*, ACIR concluded that advance funding "stands out as the most promising approach for maximizing the certainty of federal aid flows to states and localities, while minimizing the loss of the President's and the appropriations committees' prerogatives with respect to the allocation of resources, the reordering of priorities and the conduct of economic stabilization policies."

The National Governors' Conference has described the uncertainty of federal funds as the "biggest obstacle to effective intergovernmental program management."

## **Hearings Held, Markup Scheduled for Sunset Legislation**

*The Sunset Act of 1977* (S. 2) was the subject of extensive hearings before the Senate Intergovernmental Relations Subcommittee in late March.

The bill, sponsored by Sen. Edmund Muskie (Maine), Sen. William Roth (Del.) and nearly half the Senate, is essentially the same as S. 2925, the *Government Economy and Spending Reform Act of 1976*, introduced during the last congressional session.

The measure provides a framework for serious evaluation of programs and spending through requiring a "zero-based" review and termination, unless reauthorized, of all federal government budget authorizations and tax expenditure provisions on a five-year cycle.

Basically, the bill requires congressional committees to closely examine programs under their jurisdiction and report on whether they are working as Congress intended; whether the program is duplicative of others; and what impact the program has on the national economy.

Sen. John Glenn (Ohio) described the bill's purpose during the initial day of hearings this way:

"In other words, we are asking that congressional committees assume their oversight function with increased vigor and vitality and with more quantitative stringency. With the exception of programs to which individuals make payments

to the federal government in expectation of later compensation—social security, railroad retirement, civil service retirement, medicare, et cetera—all government programs would have to be reauthorized after stringent review every five years."

The sunset bill terminates all provisions of the laws which authorize budget authority for federal programs. The terminations occur in yearly groups according to budget functional and subfunctional categories. For example, all health programs for the elderly would terminate at the same time regardless of their history, or of the federal department or agency by which they are administered. All budget functions and subfunctions would be grouped together in five annual categories. One category of terminations would take place in September 1979, and an additional category would terminate in each of the following four years. Each provision of law authorizing budget authority or spending programs would terminate again five years after its initial termination.

The bill provides that by October 1 of the year before a program's termination date, certain basic information resulting from a zero-based review of the program would be submitted by the Executive Branch agency to the concerned committees of Congress. The authorizing committees of Congress would review the results of the Executive Branch zero-based review and make recommendations about program continuation, termination, or consolidation.

ACIR Chairman Robert E. Merriam testified before the subcommittee March 30 (see ACIR News). Mark-up of the legislation by the subcommittee is expected to begin in late April. No action has been taken as yet in the House.

## **U.S. Supreme Court Upholds Miss. Tax on Interstate Business**

On March 7, the U.S. Supreme Court upheld the constitutionality of a Mississippi tax on interstate business operating in the state (*Complete Auto Transit Inc. v. Brady*).

The Court held that when such a

tax is fairly apportioned on an interstate activity with a substantial link with the taxing state, it "does not discriminate against interstate commerce."

The taxes in question were sales taxes assessed by the Mississippi State Tax Commission on a Michigan corporation which transports motor vehicles for the General Motors Corporation. The transit company is paid on a contract basis for the vehicles which are shipped to the state by General Motors and then transported to dealers by the transit company. The transit company claimed that its activity was just one part of an interstate movement, and as such, that the state taxes were unconstitutional.

The decision opens a new field of state taxation, as it reverses a 1951 court decision (the so-called *Spector* rule) which voided such state taxes. The *Spector* decision had held that a tax on the "privilege" of engaging in business in a state may not be applied to business which is part of interstate commerce.

In overturning the *Spector* decision, the court noted that "Not only has the philosophy underlying the rule been rejected, but the rule itself has been stripped of any practical significance. . . . Simply put, the *Spector* rule does not address the problems with which the Commerce Clause is concerned."

#### **Sen. Magnuson, Rep. Ashley Introduce Intergovernmental Coordination Act**

The *Intergovernmental Coordination Act of 1977* (S. 892 and H.R. 4406) has been introduced by Sen. Warren Magnuson (Washington) and Rep. Thomas L. Ashley (Ohio). The bills are designed to increase the state and local role in federal planning programs and to strengthen regional planning efforts.

Under the measure, a single area-wide planning agency would be designated to coordinate federally-required regional planning. Area-wide planning agencies consisting of locally-elected officials would be encouraged. These agencies would prepare, and update annually, a coordinated program for the use of federal planning funds. Once approved, planning funds would be

used to develop and implement a comprehensive areawide development plan. Any federal funds having a "regional" impact would have to be consistent with this areawide development plan.

In introducing the bill, Congressman Ashley, said: "The areawide development plan is intended to translate local government goals and objectives for a particular region into a blueprint upon which public services and facilities may be provided feasibly and economically. In turn, this development plan will be the framework that ties together all of the federal programs which require areawide planning."

The bill also strengthens the A-95 review process by affording local officials the opportunity to comment on state plans, required by federal law, if those plans impact upon their localities.

The concepts embodied in the proposed legislation have been supported by the National League of Cities, the U.S. Conference of Mayors, the National Association of Counties, the National Association of Regional Councils, and ACIR.

#### **President Carter Signs Bill To Reorganize Executive Branch**

President Carter has signed into law a measure which will enable him to reorganize the Executive Branch of government.

The law, which was the object of much debate, will allow the President to create, abolish, consolidate, and shift agencies in various departments unless either the Senate or the House rejects the plan within 60 days after submission to Congress.

The new act reestablishes presidential authority to submit executive reorganization plans over the next three years. The President may amend a plan within 30 days of submission, and may withdraw it within 60 days. Congress may not amend a plan.

The President will be required to provide an estimate of savings or increased costs of each plan, as well as an explanation of its potential impact upon management efficiency. Each reorganization plan must be limited to one "logically consis-

tent" subject matter. Also included in the measure is an expression of congressional intent that the President should provide for public involvement in reorganization efforts.

No more than three plans may be considered by Congress at one time. Proposed reorganizations may not merge, abolish, or create entire departments or independent regulatory agencies, or abolish, expand, or extend any statutorily imposed agency functions.

The Senate Governmental Affairs and House Government Operations Committees will have jurisdiction over all reorganization plans.

#### **Carter Budget Increases Federal Aid, Includes Economic Stimulus Package**

The Carter Administration is seeking \$459.4 billion in budget outlays for Fiscal Year 1978, an increase of \$19.4 billion over the amount proposed by the Ford Administration in January.

The Carter budget revisions include both proposed policy changes and reestimates, and involve increases for some programs and decreases for others. The revisions have various forms, although most involve amended or supplemental appropriation requests. Some of the revisions do require new legislative proposals, while others simply represent reestimates based upon more current information and revised economic assumptions. A few of the budget revisions involve rescissions and deferrals.

Almost all of the revisions, except the economic stimulus package proposals, involve the restoration of program cutbacks proposed by the Ford Administration. As such, the Carter budget figures are, on the whole, closer to those needed to maintain current programs at their present levels.

The largest proposed outlay increases over the Ford budget are in the area of temporary grants-in-aid to state and local governments. In fact, \$10.6 billion of the \$19.4 billion increase (55 percent) is for grant-in-aid programs. The increase includes \$8.1 billion for temporary programs to stimulate the economy, and \$2.5 billion in other grant programs.

# State/Local Watch

## U.S. Supreme Court Upholds New York Charter Procedure

In a case which could have implications for future local government restructuring efforts, the United States Supreme Court recently upheld a provision in the New York state constitution which requires a proposed county charter to be approved by a majority of voters both in the city and in non-city parts of the county.

The provision was challenged on the grounds that it violated the one-man, one-vote principle drawn from the equal protection clause of the U.S. Constitution.

On March 7, the Supreme Court ruled that such a dual majority referendum requirement is constitutional. The court said that "restructuring county government in New York is similar in impact to annexation and consolidation and in each case separate voter approval requirements are based on the perception that the real and long-term impact of a restructuring of local government is felt quite differently by the different county constituent units that in a sense compete to provide similar government services."

The decision overturned a federal district court ruling in 1974 which declared the procedure a violation of one-man, one-vote and found a 1972 charter approved by the county as a whole and its cities—but rejected by the non-city residents—valid. The U.S. Supreme Court did not throw out the existing charter; however, further suits have been promised to compel that change.

The significance of the decision does not lie in the actual charter issue, but rather with other local government restructuring questions. New York's dual majority requirement is not the usual procedure for adopting and amending charters. However, such a requirement is more common for consolidation proposals and annexation questions.

## Court Requires Davenport, Iowa To Change Focus of CDBG Spending

A coalition of low-income blacks, Mexican-Americans, and whites in Davenport, Iowa, has won a consent

decree in federal court requiring the city to spend over one-third of its annual community development block grant on projects to benefit the poor.

The coalition challenged the city's plan to spend \$337,000 of its total \$925,000 allocation on parks and tennis courts in North Davenport, the wealthiest section of the city. The original plan called for over half of the city's yearly grant to be spent on commercial development, parks, and recreation.

Karen Krueger, an attorney for the coalition, emphasized the potential nationwide implications of the decree. "Many challenges have been filed on the use of community development money, but few have won a decree specifying expenditures to remedy the complaints."

The City of Davenport agreed to the following five changes in its original budget:

- two housing staff members will be hired to implement a housing program for the poor;
- a full-time "attorney-investigator" position will be created to combat housing discrimination;
- an inner-city development corporation will be created to find ways to expand the use of city land by low- and moderate-income citizens for both housing and business;
- the city will spend \$225,000 to purchase land for multifamily housing and to rehabilitate existing housing; and,
- the city will create a land bank to oversee land which is set aside for the future construction of multifamily housing.

The coalition's attorney stressed that the most important part of the decree is that the federal district court will oversee the agreement to assure that the city follows through on its promises.

## State of the State Messages Reflect New Realities

Better management, fuller accountability, and broader equity were key concerns expressed in 1977 governors' state of the state messages according to a report issued recently by the National Governors' Conference.

The NGC summary, entitled *Making Hard Choices: The Governors' State of the State Messages, 1977*, highlights executive priorities including state-local affairs, criminal justice reform, energy conservation, and executive reorganization.

Very few governors proposed increases in general taxes in 1977. Instead, they indicated support for sunset legislation, zero-based budgeting, and governmental reorganization to promote efficiencies and economies.

Property tax reform was urged in many states with 10 governors recommending some form of property tax relief. Nearly every state budget proposed an increase in the amount of state aid to local governments. At the same time, several governors recommended state-mandated standards for local governments in the areas of land use, taxing power, and assessment practices.

Consumer protection measures continued to have the strong backing of state executives with several emphasizing the need for more stringent regulation of utilities, restructuring of public utility commissions, revision of rate-setting procedures, or provision of some sort of direct financial aid to consumers.

Five governors called for better multi-modal transportation coordination through the creation of state departments of transportation. Nine governors made particular note of energy conservation through support of such new programs as construction standards and building codes which promote energy conservation standards and energy audits for state-financed projects.

## New Jersey Court Leaves Decision on Poor Housing Quota to Legislature

The New Jersey Supreme Court has narrowed its ruling in the 1975 Mount Laurel case to say that the state legislature, not the courts, should draw up statewide municipal quotas for the provision of housing for the poor. The court had ruled in the earlier case that communities with the available space must provide a "fair share" of their area's low- and moderate-income housing.

The Mount Laurel decision set a new precedent but did not answer the troublesome questions of what a regional fair share of housing or what a regional housing burden are.

The new case involves the zoning ordinance of Old Bridge Township. The court said that the task of guaranteeing "adequate and suitable housing for all categories of the population is much more appropriately a legislative and administrative function than a judicial function." Proponents of open housing policies heralded the decision because it expands opportunities for challenging exclusionary municipal zoning ordinances.

The Mount Laurel and Old Bridge decisions seem to contradict recent findings of the United States Supreme Court that municipalities may use zoning to protect the character of their communities. The New Jersey cases, however, were interpretations of the state constitution rather than the U.S. Constitution. The New Jersey court based its rulings on the fact that the state grants zoning powers to municipalities in order to promote the general welfare of the population and that the general welfare of the state requires that housing opportunities be open to all income groups in the population.

#### **Brief Highlights of 1977 State Legislative Developments**

The 1977 state legislative sessions are in full swing, with legislators facing many of the same issues which were before them last year.

The most consistent theme throughout the states this year is, as in 1976, money. Legislators are grappling with balancing already tight budgets and having to choose from alternatives ranging from cutting services to reducing state employment to raising taxes. Yet, legislatures continue to experiment with innovative new programs to the extent that budgetary constraints will allow.

**School Finance.** One of the most perplexing problems facing state judicial and legislative bodies over the last decade has been the inequities which result from reliance on the property tax as the primary

source for funding public education. State courts have nearly always found that such a reliance penalizes schools in poorer neighborhoods, which need resources to upgrade their instruction. The pace with which school finance questions have arisen already in 1977 indicates that the issue will continue to be a hot political one.

On December 30, 1976, the California Supreme Court reaffirmed the 1971 *Serrano v. Priest* decision where it declared that the state's system of financing public schools with local property taxes was unconstitutional. The court ruled that the legislature had failed to cure the unconstitutional features of the state's school financing system and suggested four alternatives: a state-wide property tax, the consolidation of school districts with more equalized assessments, the taxation of commercial and industrial property by the state rather than local governments, or the use of vouchers.

**Michigan** Governor William Milliken has signed a new law to provide additional state aid to school districts experiencing substantially declining enrollments. To be eligible for the increased funding, a district must have a decline of 2 percent or more from the previous year's enrollment and have a state equalized valuation per-pupil which is low enough to qualify for state membership aid.

The Wisconsin Supreme Court has thrown out a state law which required richer school districts to remit some of their tax collections to the state for redistribution to poorer districts. Attorney General Bronson La Follette has decided not to appeal the decision.

**Washington** State's system of financing public schools through a special property tax levy violates the state constitution according to a recent ruling by a county superior judge. The judge gave the legislature until July 1, 1979, to comply with the state constitution's provisions regarding education.

A 21-mill statewide school finance levy has been upheld by the North Dakota Supreme Court.

A senate committee in the Texas

Legislature has passed and sent to the floor a proposed constitutional amendment calling for complete state financing of public schools.

An Ohio legislative study committee has recommended that if the state cannot meet the legislature's equal yield formula for schools enacted in 1974, the legislature should reduce proportionately the minimum requirements for school staffing and salaries. Governor Rhodes' proposed 1978-79 budget calls for only half funding of the equal yield formula by the end of the biennium.

**Other state developments.** A new law in Illinois allows cities to redevelop blighted areas with property tax revenues from the increased value of the improved property without increasing current property taxes . . . Michigan has adopted a state Freedom of Information Act . . . A Kansas district court has ruled for the second time in two years that a finance council consisting of the governor and legislators is unconstitutional under the separation of powers doctrine. The council was designed to handle financial matters during the legislative interim . . . Pennsylvania Governor Milton Shapp has appealed to the state supreme court a commonwealth court's decision upholding the authority of the legislature to appropriate federal funds . . . The Michigan Legislature has adopted a new unit pricing law which requires each item sold in a store to be stamped or labeled with its total price. Governor Milliken has also signed a bill which consolidates all of the state's civil rights laws into one act and expands the protections against discrimination based on age, sex, and marital status. Another measure which has become law in Michigan allows greater interlocal cooperation in the financing and operation of municipally-owned or investor-owned utilities . . . Arkansas and Georgia have become the fifth and sixth states to adopt sunset laws. As of mid-March, similar statutes were near final passage in Oklahoma and had passed one house in Indiana and North Dakota .

# Block Grants: The Middlemen of the Federal Aid System

by Carl W. Stenberg

The federal grant-in-aid has become the cornerstone of contemporary intergovernmental relations. In the last dozen years, dramatic growth has occurred in the number of programs, the amount of funds, and the proportion of state-local expenditures accounted for by federal aid. Accompanying these increases has been a diversification of the types of instruments used to deliver federal dollars.

Prior to 1966, nearly all federal assistance to state and local governments was provided through categorical grants. The *Partnership for Health Act of 1966* was the first chink in the armor of the defenders of this approach to disbursing federal aid. Two years later, the Congress decided to use a block grant to launch the Johnson administration's "war on crime" under the *Omnibus Crime Control and Safe Streets Act*. Although both programs were small relative to total federal and state-local expenditures in the health and crime reduction fields, they proved to be forerunners of change in the structure of the federal assistance system.

During the next few years, major alterations were made in the federal aid "mix." In 1972, general revenue sharing was passed; in 1973 and 1974, three large block grants were enacted; and in 1976, countercyclical assistance was authorized. Despite growing congressional interest in these forms of assistance, categorical grants continued to occupy a predominant—although declining—position. By Fiscal Year 1976, the categorical portion of the \$59.8 billion federal aid pie had decreased from 98 percent a decade earlier to 79 percent, while the block grant share was nine percent and revenue sharing and general support aid accounted for 12 percent.

The changes in the contours of the federal assistance system reflect broad and basic shifts in intergovernmental relations. Generally speaking, the newer instruments are geared toward state and local elected and administrative generalists rather than program specialists. They seek to enhance the discretion and flexibility these officials may exercise in applying such funds to their needs. As such, they constitute a new chapter in the debate over the proper balance between national and subnational power that was initiated in the *Federalist Papers*.

Block grants are commonly a focal point of this debate, since more than the other approaches they reflect the ongoing tension between the forces of centralization and decentralization in the federal system. They are the "middlemen" between categorical aids and general revenue sharing.

In its study of the intergovernmental grant system, the Advisory Commission on Intergovernmental Relations examined four of the five programs commonly viewed as block grants. The results of those studies indicated that block grants are not as well defined structurally or as stable politically as other instruments. They are neither widely understood nor widely accepted. They have emerged through historical accident and the politics of compromise, as well as by deliberate design. And they often rest upon unstated premises, unclear intentions, and untested assumptions.

**What is a Block Grant?**

Any study of block grants is hampered at the



## Contemporary Block Grant Programs<sup>1</sup>

Program	Year of Enactment	Number of Categorical Programs Consolidated	FY 1976 Actual Outlay (in millions)
Partnership for Health	1966	9	\$ 90
Omnibus Crime Control and Safe Streets <sup>2</sup>	1968	0	405
Comprehensive Employment and Training <sup>3</sup>	1973	17	1,358
Housing and Community Development <sup>4</sup>	1974	6 <sup>5</sup>	750
Title XX (Social Services)	1974	0	2,358

<sup>1</sup>Executive Office of the President, Office of Management and Budget, *Special Analyses: Budget of the United States Government Fiscal Year 1978* (Washington, D.C.: U.S. Government Printing Office, 1977).

<sup>2</sup>Excludes Part C discretionary grants and Part E (corrections) formula and discretionary grants.

<sup>3</sup>Excludes public service and emergency employment programs.

<sup>4</sup>Excludes outlays for urban renewal and the phase out of other categorical programs replaced by the block grant.

<sup>5</sup>A seventh program—Section 312 Housing Rehabilitation Loans—was also initially proposed for consolidation.

Source: ACIR staff research.

beginning by a lack of criteria by which this approach may be differentiated from other types of federal assistance. Thus it is understandable that the term "block grant" means different things to different people. It has been used to refer to large, formula-based categoricals like Title I of the *Elementary and Secondary Education Act of 1965*; to consolidations of categorical programs in the maternal and child health, crippled children, library and learning resources, and educational innovation and support areas, among others; and to the Nixon Administration's "special revenue sharing" proposals.

Most observers, however, associate the term with programs that have been established under the *Partnership for Health Act*, the *Omnibus Crime Control and Safe Streets Act*, the *Comprehensive Employment and Training Act of 1973*, the 1974 amendments (Title XX) to the *Social Security Act of 1935*, and the *Housing and Community Development Act of 1974*.

The five programs share in varying degrees these basic design characteristics:

□ federal aid is authorized for a wide range of activities within a broadly defined functional area;

□ recipients have substantial discretion in identifying problems, designing programs to deal with them, and allocating resources;

□ administrative, fiscal reporting, planning, and other federally imposed requirements are kept to the minimum amount necessary to ensure that national goals are being accomplished;

□ federal aid is distributed on the basis of a statutory formula, which has the effect of narrowing federal administrators' discretion and providing a sense of fiscal certainty to recipients; and

□ eligibility provisions are statutorily specified and favor general purpose governmental units as recipients, and elected officials and administrative generalists as decisionmakers.

By combining these traits, then, a **block grant may be defined as a program in which funds are provided chiefly to general purpose governmental units in accordance with a statutory formula for use in a broad functional area largely at the recipient's discretion.**

Although the basic architectural principle, "form follows function," might logically apply to the design of grants-in-aid, in the case of block grants, the original purposes of the program architects were sometimes diluted, distorted, or subsumed during the legislative process. When this occurred, the structure of the block grant was often incompatible with the functions it was supposed to perform.

As a result of these factors, the block grant has been associated with several objectives, some of which are in harmony with the characteristics of this approach while others are in conflict with them. A brief examination of the block grant experience in terms of the major objectives that have been sought by proponents of this instrument—economy and efficiency, decentralization, generalist control, coordination, targeting, innovation, and program enlargements—helps to clarify the nature of the block grant and to align expectations with realities.

### Economy and Efficiency

Block grant supporters often argue that block grants are cheaper, simpler, and more efficient than categorical aids at providing assistance to states and localities to achieve certain national purposes. Claims of savings result from two basic features of the block grant: the authorization of funds to be used in a broadly defined functional area and the assignment of significant managerial roles to recipients. Proponents assume that block grant funds curb the overlap and duplication of more narrowly specified categorical grants and thus lower personnel and administrative costs, reduce paperwork, and accelerate the flow of dollars to problem areas. Increased recipient responsibility—such as the states' review of plans and applications, enforcement of performance standards,

coordination of recipient efforts, and monitoring and evaluation of implementation activities—should lower federal personnel and overhead expenses.

In practice, adoption of the block grant does not automatically assure improved economy and efficiency. Rather, realization of these goals depends on several variables. Five of the most important involve the degree to which:

- the block grant encompasses the bulk of the functional area receiving federal aid;
- states are willing and able to play major roles in grant management;
- existing substate regional planning organizations are “piggybacked” for block grant program purposes;
- recipients have appropriate planning and management machinery already in place, and have some operational experience in the functional areas; and
- governmentwide provisions—such as A-95 review, environmental impact statements, and citizen participation—that impose requirements on recipients separate from those contained in the block grant statute are not burdensome.

The five block grants vary considerably in meeting these criteria. For instance, only the crime control program encompasses the bulk of the functional area aided; the manpower and community development block grants bypass the states; and separate regional bodies are encouraged for health, crime control, and manpower planning. All of the programs, however, are subject to several governmentwide mandates.

Nevertheless, in general, block grants have resulted in some improved economy and efficiency relative to their categorical predecessors—particularly with respect to the federal administering agency. The health, community development, and manpower programs, for example, employ fewer personnel in central and regional offices than before consolidation. The amount of paperwork required of recipients also has been significantly reduced. On the other hand, while the Law Enforcement Assistance Administration, which administers the crime control block grant, has only 800 full-time personnel, there are over 2,200 state criminal justice planning agency staff and about one thousand regional planners, most of whom are paid with federal funds. Hence, while the block grant may decrease federal personnel levels, total administrative costs may not be significantly lowered when the additional staff and organizational machinery required to plan for and manage the program at the state, substate, regional, and local levels are considered. In fact, if reductions are not made in federal staffing and paperwork, total overhead expenditures may exceed those of previous categorical programs.

## Decentralization

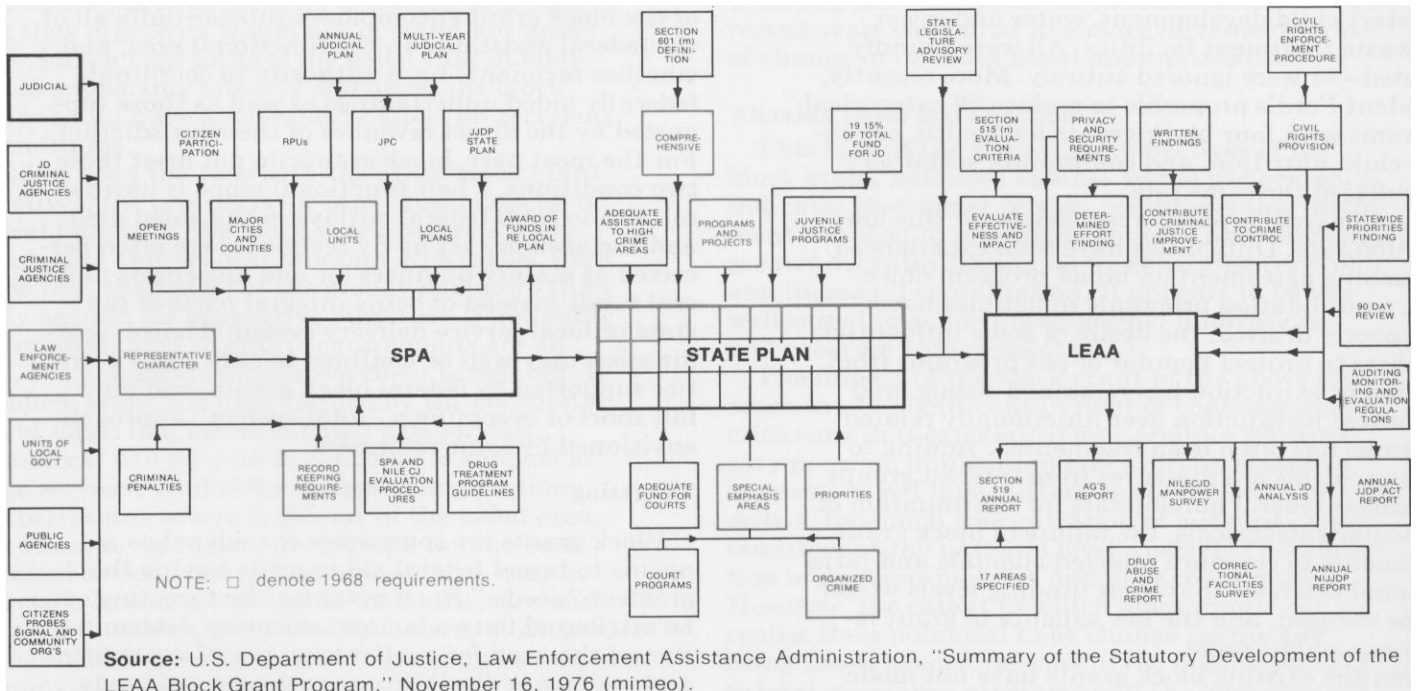
The amount of decentralization of decision-making authority over planning, policy development, program choice, and resource allocation is the key differentiating characteristic between a block grant and a categorical program. One of the basic premises of a block grant is that recipients should have substantial discretion over how funds will be used in their jurisdictions. Accordingly, the federal role is not as intrusive. At a minimum, it might involve promulgating regulations and guidelines, providing technical assistance, reviewing plans, conducting audits, and evaluating performance. Additional responsibilities could include designating recipients and approving plans and applications. On balance, however, most observers agree that recipients should have a good deal of leeway in moving monies around in the broadly defined functional area covered by federal assistance.

While each block grant does give wide discretion to recipients in planning for and allocating funds, the extent of decentralization has been limited by a tendency called “creeping categorization.” Partly due to political pressures, the Congress has added earmarking to activities within the scope of the block grant or has established categoricals around it. Health and crime control are the two best examples of “creeping categorization.” Since 1966, 18 categorical grants have been enacted as separate programs not incorporated within the Partnership for Health block grant. And, between 1970 and 1976, the Congress added new categories to the Safe Streets Act or earmarked block grants for corrections, juvenile justice, and neighborhood crime prevention purposes. The accompanying flow chart illustrates the dramatic increase in statutory requirements in the crime control program.

Congressional categorization at the outset or during renewal deliberations has converted most of the existing block grants into “hybrid” programs and has reduced the amount of recipient flexibility. Discretion is further circumscribed by the relatively small fiscal magnitude of each program and by the presence of governmentwide procedural requirements. Applicants for crime control block grants, for example, must certify their compliance with the provisions of 27 statutes covering a potpourri of subjects, such as animal welfare, historic site preservation, coastal zone management, uniform relocation assistance, clean air, safe drinking water, solid waste disposal and environmental pesticide control. It should also be noted that where the state plays a major administrative role, local governments may perceive no change from previous categorical relationships, except a need to satisfy state rather than federal administrative requirements.

Therefore, while generally block grants decen-

## The Omnibus Crime Control and Safe Streets Act of 1968, as Amended



been successful in five instances, there have been several set-backs. In the 1950s and 1960s, grant mergers were proposed in such areas as public health and welfare, vocational education, libraries, headstart child development, water and sewer, and waste treatment facilities. All were soundly defeated—or were ignored entirely. More recently, President Ford's proposals to replace 59 categorical programs with four block grants for health, education, child nutrition, and community social services suffered the same fate.

The Congress is partly responsible for this low adoption rate. Difficulties have been experienced in reaching agreement on broad program objectives, consolidation proposals sometimes have been poorly drafted, the desire of some influential members to protect popular or pet programs from dilution or extinction has remained strong, and committee jurisdiction over functionally related programs has often been fragmented. Adding to these problems are pressures from interest groups and career federal bureaucrats for continuation of particular categoricals, the failure of block grant proponents to convince affected clientele and jurisdictional interests that their funding levels would not be reduced, and the low salience of grant reform as a public issue.

Even the existing block grants have not made many inroads on the popularity and perseverance of categoricals. In fact, in terms of both dollars and constituent support, most of these programs dim by comparison with related formula and project grants that were untouched by consolidation or were enacted subsequently rather than folded into the block grant.

Proponents of change in the "mix" of federal aid instruments, then, face a double-barreled challenge. First, the consolidation of categoricals itself disturbs several vested interests, primarily at the national level. Second, conversion of a consolidated categorical program into a block grant produces vertical tensions in the intergovernmental system as uncertainties are raised concerning how the basic political question of "who gets what, when, and how" will be answered.

#### Coordination

Unlike categorical aids, which tend to enhance narrow programmatic, professional, or political interests, the block grant covers a broad functional terrain. According to its supporters, the wide range of authorized activities within a single block grant facilitates federal inter- and intra-departmental coordination and enhances the efforts by counterpart agencies to mesh their activities at the state and local levels. In a sense, then, block grants can have a "system building" effect, by providing for the involvement of functionally allied agencies in grant related activities through planning, representation on advisory committees and decision-making bodies, participation in the awarding of

funds, and so forth.

Experience with existing programs shows that the degree of coordination that can be achieved depends on at least two factors: whether the scope of the block grant encompasses substantially all of the federal assistance in the functional area; and whether recipients have authority to coordinate federally aided undertakings as well as those supported by the direct revenues of their jurisdiction. For the most part, block grants do not meet these two conditions. Their functional scope is narrow relative to total federal outlays in the aided area, and the agencies set up by recipients are often perceived as mainly planners for and dispensers of federal funds instead of being integral parts of the state or local service delivery system. Hence, coordination may well be confined to only these activities supported by federal block grants, and may fall short of becoming a "total system" approach envisioned by some reformers.

#### Targeting

Block grants are sometimes considered as a means to target federal aid to units having the greatest "needs." Such potential for targeting can be attributed to two factors: statutory determination of the need for particular types of assistance, and recipients' flexibility over the uses of funds within their jurisdiction.

Targeting funds to "needy" areas is enhanced by the fact that block grants have statutorily specified formulas which seek to "objectively" measure need by using such factors as population, unemployment, housing overcrowding, and poverty data.

"Objectifying" the determination of need, of course, is easier to state than to carry out. It is often difficult to arrive at a consensus on how need should be measured. Even if agreement is reached, accurate and timely data are often unavailable. Moreover, the effectiveness of the need factor in the distribution formula may be reduced as a result of the compromises that are often necessary to gain congressional enactment.

In each of the existing block grants, need is "objectified," but fairly roughly, and usually with a substantial amount of political bargaining conditioning the outcome. Hence, while block grants may target resources better than some categoricals, they are not immune from the diluting effects of the political process or from basic measurement problems.

Not to be overlooked, however, is the fact that the flexibility exercised by recipients facilitates targeting. Within the broad scope of supported activities, they are able to put monies where the problems are instead of where the programs are, as would be the case with categoricals. They also can shift funds from one area to another in accordance with changing conditions.

## Innovation

Another objective sought by some block grant proponents is innovation, in the sense that recipients would use federal funds to launch activities that they otherwise would not or could not undertake. Such a view reflects the belief that in addition to supporting ongoing activities, the block grant should have a stimulative effect on recipient expenditures.

As has been the case with the other block grant objectives, the prospects for innovation depend on several factors. If the block grant covers a traditional state and/or local program area rather than a new one, then most of the money will more than likely be used for supportive purposes. If matching and maintenance of effort requirements are absent, the potential stimulative effect is reduced. If the block grant has been formed by the consolidation of large, old, formula-based categoricals, normally it will be used to continue to support existing services. And if the recipient jurisdiction is experiencing severe problems in the aided area, and direct revenues are inadequate to take basic remedial actions, then little new activity may be expected. In short, because of their structure and the areas in which they have been used, block grants have provided a modest rather than a major impetus to innovative undertakings.

## Program Enlargement

In their initial stages, block grant appropriations are generally higher than the levels of categoricals that were subsumed. The reason is simple: a major lesson learned from the defeat of early consolidation proposals was that prospects for success are enhanced if previous grantees are provided with reasonable certainty that they will not lose federal dollars in the conversion process. Such assurances are carried out through distribution formulas that include prior funding levels and through "hold harmless" provisions designed to gradually wean certain recipients from federal aid.

Yet once initiated, experience with the five programs that embody block grant features indicates that appropriations do not significantly increase. In fact, the reverse may be true. Some proponents seek to use the block grant as a means of budget control, by putting a cap on federal expenditures or slowing their rate of growth. President Ford's Financial Assistance for Health Care Act, for example, would have merged Medicaid with 19 other health programs into a block grant with Fiscal Year 1978 outlays estimated at \$12.3 billion. Yet, Medicaid expenditures alone were estimated to exceed \$10 billion in Fiscal Year 1977, leaving little room for accommodation with the other candidates for consolidation. In the crime control area, partly due to categorization, the Fiscal Year 1978 request for block grant appropriations was slightly less than the Fiscal Year 1971 level of outlays.

Categoricals within block grants, on the other hand, continue to grow. For instance, the categorical titles of the *Comprehensive Employment Training Act* have received substantial increases in recent years compared to a more incremental rate of change in its block grant appropriations.

## Aligning Form and Function

This look at the nature and objectives of the block grant, balanced against actual performance, indicates that under certain conditions this instrument can lead to improved economy and efficiency, greater decentralization, more generalist control, and increased coordination. It appears to be less well suited to achieving targeting, innovation, and program enlargement.

The impact of the block grant in the above four areas can be significant in light of contemporary criticisms that categorical aids produce unnecessary program duplication and overlap, excessive amounts of red tape, distortions of recipient priorities, too much concentration of authority and resources at the national level, specialist domination of decision-making, and poor coordination. However, the extent to which block grants can realize their potential to be change agents and bring about needed reforms in the organization of federal assistance programs and the operations of the intergovernmental delivery system will be conditioned largely by the amounts of available funds.

If the block grant is expected to produce changes in intergovernmental or functional relationships and to show results in tackling the problems it was intended to address, then sufficient monies to generate a "critical mass" need to be made available. In particular, the funding threshold should be substantial relative to direct state and/or local outlays, to total federal expenditures in the area covered, and to the size of functionally related categorical grants. Otherwise, the catalyst effect will not be significant.

The architects of future block grants, then, need to keep in mind these factors in designing program structure and determining fiscal magnitude. In addition to enhancing implementation, this awareness would facilitate the sorting out of the block grant from the other components of the federal assistance system, and in the long run it would contribute to greater stability and satisfaction with this instrument.

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# Categorical Grants: Some Clarifications and Continuing Concerns

by David B. Walker

Despite the advent of general revenue sharing and five block grants, categorical grants still comprise the largest component in the federal aid system (accounting for about 79 percent of the assistance dollars in Fiscal Year 1976). They are the oldest, most controversial, and most misunderstood form of federal aid.

Categorical grants have been in existence for 90 years and are the most pervasive of all forms of federal financial assistance to states and localities. Their earlier growth provided the basic underlying explanation for and prompted the development of the theories of cooperative federalism that emerged in scholarly writings over the past four decades. Yet, categoricals have been a source of intergovernmental conflict since at least the first Wilson Administration, and the tensions they have generated have mounted steadily since the early 1960s.

To better gauge the actual sources of current difficulties stemming from categoricals, it is helpful to sort out the misconceptions that have arisen regarding them. To help chart a new course for categorical reform, the real issues raised by their record over the past decade and a half must be identified and probed. This brief analysis addresses both the matter of myths and the real issues.

## Some Misconceptions

A clarification of 10 major misconceptions regarding federal categorical grants helps to provide a better understanding of the evolution, nature, purposes, and impact of this critical component of federal aid. It underscores the diversity and complexity of this sector, while suggesting that total confusion is not present. It also highlights the degree to which old criticisms are still relevant, while considering recent changes. What then are some of these myths that need to be demolished?

**Myth: There are anywhere from 1,000 to 1,600 categorical grants.**

A basic misconception concerning categoricals is their number. In Fiscal Year 1975, there were 442 funded categorical grants for which state and local governments were eligible. This clearly is far below the 1,000 to 1,600 number frequently cited.

The 442 figure is significant for several reasons: it suggests that this sector is not as cluttered as many have thought; it raises some hope as to the manageability of these programs; it emphasizes that cash grants for state and local governments should be separated from those for higher education (about 100) and that non-funded grants (over 75 older programs and 70 newly authorized ones, frequently with deferred funding) should be excluded from an honest count; and above all, perhaps, it suggests the need for treating the categorical question in terms of reality, not of polemics.

**Myth: There are two types of categorical grants.**

Another common mistake about these grants is that they divide into two types: project and formula-based categoricals. Yet analysis of the 442 suggests that there are four basic types: project, formula-project, formula-apportioned, and open-ended reimbursement grants.

There are 296 project grants for which potential recipients must submit specific applications for each proposed project, with actual awards made by the administering federal agencies on a competitive basis.

Formula-project grants subsume 36 grants for which a specified formula is used to determine the amount available for each state area.

The 106 grants whose funds are allocated by formula among recipients according to factors contained in legislation or regulations promulgated by the cognizant federal agency constitute the formula-based group.

The last category, open-ended reimbursement grants, chiefly includes four programs characterized by a cost-sharing arrangement wherein the federal government commits itself to reimbursing a specified proportion of state-local program costs, thus eliminating "competition" among recipients as well as the need for an allocational formula.

These distinctions among categorical types should not be blurred or ignored. After all, they help sort out the gradations of "competition" among grant recipients; and this, in turn, suggests the range of allocational discretion that federal administrators acquire under different forms of categoricals. They also highlight two very different forms of targeting federal monies: the rifling approach under project grants and the more costly, but more comprehensive, approach of the open-ended categoricals.

Differences in form also sometimes provide a hint as to what the national government's purposes are in enacting the programs. Some open-ended grants suggest a scale of fiscal commitment and an implicit concern with national, rather than state or local, benefits. Formula-apportioned categoricals may reflect attempts to achieve minimum service levels nationwide, to stimulate efforts initially but provide more program support through time, and to make a meaningful federal fiscal contribution. Both formula-apportioned and open-ended grants, by fiscal necessity, focus nationwide on a relatively narrow range of eligible recipients.

Project and formula-project grants present more problems in discerning intent, since the reasons for not using a regular allocational formula may range from the familiar research and demonstration project goals, to having limited funds, to wanting to deal with non-governmental bodies. Understanding the difference among categorical grant types, then, is a necessity for any student of federal assistance since form can make a difference—administratively, fiscally, programatically and in terms of the range of recipients.

**Myth: Recent growth in categoricals has been astronomical.**

A third misconception regarding categoricals is that their growth has been astronomical over the

past decade and a half. While there obviously has been significant growth, it is not in the steady, soaring form depicted by some.

In terms of program numbers, categoricals have increased greatly since 1960, but at an uneven pace. There was a modest increase during the Kennedy years (about 40 new programs), a major expansion during the Johnson period (240 new programs), and a much slower growth during the Nixon-Ford era (about 120). These figures include categoricals of all types—including those for higher education. They also reflect a reduction in the number of earlier categoricals during the past eight years—56 as a consequence of consolidations.

In terms of outlays, the absolute dollar amounts for categoricals increased by more than one and one-half times between 1961 and 1968, rising from \$7 to over \$18 billion. During the subsequent eight years, there was a 150 percent increase, with the total reaching \$45.6 billion in 1976.

But as a proportion of the overall federal assistance package, categoricals declined from 98 percent of the total in 1968, to 79 percent in 1976, to a prospective 72 percent in 1977 and 1978. Moreover, in constant dollar terms—an important factor to ponder in a period of rapid inflation—the real increase was 54 percent in the period 1970-1975, not the 107 percent that the absolute dollar figures suggest.

In short, from various comparative vantage points, categorical growth in the number of programs and dollar outlays since 1960 has been significant, but not as spectacular as some would have us believe. The advent of general revenue sharing, five block grants, and inflation and emergency measures beginning in 1976 (which presumably are temporary) have combined to make the categorical picture of the 1970s much less predictable, more unlikely to advance steadily, and far less spectacular than it was in the 1960s.

**Myth: Categoricals constitute a rigid, near permanent system of intergovernmental fiscal transfers.**

Another erroneous impression about categoricals is the claim by some that they constitute a rigid, near permanent system of intergovernmental fiscal transfers. Several facts about the system indicate at least the partial fallaciousness of this charge when viewed over time.

In the first place, some grants have disappeared or gone unfunded. At least a dozen Depression-related grants were scrapped between 1948 and 1960. Fifty-six were absorbed into block grants or consolidated categoricals between 1966 and 1974; and, as of 1975, at least 75 previously authorized grants were unfunded.

Secondly, the federal categorical system, unlike its state counterparts, has greatly changed in functional focus over time. In 1960, transportation

and social security dominated categorical outlays (making up about four-fifths of the total). Health; education, training, employment, social services; and natural resources and the environment emerged from miniscule proportions of the 1960 package to significant shares of the 1975 one.

Finally, in terms of geographic focus, the aid dollars in 1960 divided 55 percent urban—45 percent non-urban. But in 1975, 70 percent went to metropolitan, 30 percent to non-metropolitan areas. The benefits received by various regions have also fluctuated over time.

In short, change, shifts in program emphasis, and even terminations have characterized the evolution of the categoricals over the past three decades. The pace of change, the degree of responsiveness, and the extent of functional flexibility may be debated; however, the image of an ossified, impervious system is clearly false.

**Myth: Categoricals always expand the power, influence, and discretion of federal middle management grant administrators.**

Another claim is that categoricals expand the power, influence, and discretion of the federal bureaucracy in general and middle management grant administrators in particular. Compared to the block grant and general revenue situations, this is generally, but not wholly, true. Revenue sharing now has some budgeting, accounting, and civil rights procedural strings that potentially could give federal administrators far more leverage over a wider range of recipient jurisdictions than categorical strings have provided. Moreover, block grants tend to acquire certain constraining categorical-like characteristics as they mature.

Aside from these other forms of federal aid, however, how accurate is this charge as it applies to all categoricals? The answer is: It depends on the grant type and grant administrators. In other words, a blanket indictment is unwarranted.

Formula-based and open-ended categoricals clearly assign little or no discretionary authority to administering officials in allocational matters, since their distribution is fixed by Congress either directly in the authorizing legislation or indirectly by citing the factors that administrators must use. In addition, large money programs in either of these categorical areas usually generate congressionally dictated grant management practices and requirements. The Aid for Dependent Children program among the open-ended and the highway program among the formula-based grants are good examples of such congressional dictation.

With project grants, federal administering officials generally have greater discretion. Yet even here, those grants that operate under a rough distributional formula for state areas tend to curb the unfettered allocational authority that generally

prevails in a "pure" project grant situation. In dollar terms, moreover, project grants account for only about one-fourth of all categorical outlays.

Another angle to this issue of middle management discretion is whether the actual administration follows a categorical pattern. Title I of the *Elementary and Secondary Education Act* clearly was intended by Congress to operate as a formula-based categorical program. Yet, during its early years, it might as well have been a block grant, thanks to a combination of factors. These included: the looseness of the statutory definition of "educationally deprived children," the Office of Education's reluctance to provide directions regarding appropriate educational programs for this target group, and the vertical links between and among educational professionals.

To sum up, individual categoricals may or may not maximize federal middle management discretion. The degree of centralization depends on the grant type and sometimes its administrators.

**Myth: The rapid rise in numbers of categoricals during the 1960s led to serious problems of program overlap and duplication.**

A sixth misconception regarding categoricals is the claim that with the rapid rise in their numbers during the 1960s came serious problems of program overlap and duplication. The existence of four water and sewer programs was frequently cited to substantiate the charge, along with the large number of grants in various functional and subfunctional areas. This situation, minus the water and sewer duplication, still exists. But, do several grants in one functional area necessarily indicate aid duplication?

Analysis of the 442 existing categoricals suggests that the answer to this question is far more complicated than casual critics and observers would have us believe. If the sole criterion here is broad functional relatedness, then grant overlap is immense. But other factors must also be considered, including the activity(ies), purposes, recipient units, and clientele of the grants that fall within a subfunctional area.

Take the transportation safety field, for example, with its nine categorical programs. One is a basic highway safety formula grant to the states, chiefly for support of ongoing state efforts. Three are formula grants that address very specific hazards: railroad crossings, roadside obstacles, and high locations. Three are project grants subject to a state allocational constraint: seatbelt law incentives, reduced traffic fatality incentives, and special bridge replacements. And, two are regular project grants: railroad safety and motor vehicle diagnostic inspection demonstrations. Even a casual assessment of these programs suggests that the only possible clear case of identical activity is where one or more of the specialized grants (rail-



road safety excluded, obviously) might in some cases duplicate efforts aided under the basic highway safety grant. What emerges, then, are grants geared to highly specific purposes and activities, with the project incentive and demonstration approaches dominating. The prime recipients in all cases here are the states, a situation that does not usually prevail in most subfunctional grant areas.

The chief problem that arises from this case study (and most of its counterparts) is one of excessive specificity—not the funding of identical or even similar activities. The charge of categorical overlap and duplication, then, is rarely accurate in the sense of two or more programs funding identical efforts. This criticism is accurate if subfunctional areas alone are considered, with no heed paid to the wide range of purposes and projects and frequently of recipients that are involved in categoricals within such areas. Yet, to ignore these traits of these grants is to overlook several of the basic hurdles facing future consolidation proposals.

**Myth: Categoricals uniformly distort the program priorities and skew the budgets of recipient governments.**

Still another claim about categoricals is that they distort the program priorities and skew the budgets of recipient governments. This charge, of course, rests on the assumption that favorable cost sharing arrangements in categorical grants encourage recipient participation in the programs. It is backed up by reference to studies showing that categoricals tend to have a stimulative effect on state-local outlays.

Yet, other factors must be considered to put these findings in better perspective. The increase in the number of categoricals requiring no recipient matching—by more than 70 grants between 1965 and 1975—is one such factor. The uncertain practical impact over time of maintenance of effort requirements for most recipients is another. The extensive use of “soft matches” (in-kind matches, if you will) is yet another. Random evidence that a kind of fungibility emerges in larger jurisdictions which perform a wide range of services and receive intergovernmental fiscal transfers from many grant sources should not be discounted. The finding, by some, that new aid programs tend to have a far more stimulative effect than old ones is also a factor. And, above all perhaps, the political clientele and program preferences of potential individual recipients must be considered, though they are difficult to gauge in aggregate statistical analyses.

Distortions of recipient program and budgetary priorities hinge on whether the grant funds actually have a stimulating effect. This, in turn, seems to depend on a range of factors, including matching, the program area aided, the political climate of recipient jurisdictions, the size of the grant, the degree of initiative required to get the grant funds,

and the level of previous recipient governmental activity in the program area involved.

**Myth: Distributional formulas of categoricals are not fair to certain states and regions, and, according to some, result from premeditated, wholly political actions.**

A recent charge hurled at the categoricals is that their distributional formulas are not fair and, according to some, result from premeditated and wholly political actions. The “facts” regarding categorical allocational factors are more complex than this charge admits.

Analysis of distributional formulas in the 142 categoricals having them in 1975 suggests that a number of different and competing principles have been used to determine the flow of federal categorical dollars and that no clear or widely accepted allocational policy has been developed or used either in the Congress or in the Executive Branch. Generally, existing formulas rely on some measures of recipient need for the particular services aided; yet, these measures are only rough estimates of actual service requirements.

The heavy reliance on a jurisdiction’s total population, or categories thereof, as an index of need highlights the desirability of developing better data, but is not a congressional conspiracy. In addition, allocations in a few fiscally important programs are determined largely by eligible recipient outlays, which tend to benefit high income governments. On the other hand, some grants rely on recipient per capita income as a measure of recipient fiscal capacity, presumably benefiting “poorer” governmental jurisdictions. As a result, neither high nor low income states have benefited consistently from aid outlays.

To complicate matters, most grants rely on two or more of these allocational factors, producing an overall statistical result that shows recipient per capita level of federal grant receipts now being positively (but weakly) related to income, non-urbanization, and small population factors. These rough and somewhat contradictory relationships underscore the diverse effects of allocational (as well as matching) requirements, and again, the absence of a consistent set of distributional principles.

The decisive factors in shaping the allocational component of categoricals appear to be conflicting distributional criteria, frequent use of conflicting factors in the same formula, a large number of grants geared to an ever widening range of purposes, and ad hoc decision making. The charge of unfairness can be raised by various jurisdictions in nearly every region, depending on what equity test is applied. But, the claim that the present distribution is in part a byproduct of a “plot” reflects a failure to understand the political process by which they are devised.

**Myth: There has been a recent change of program emphasis: from encouraging state-local objectives to responding to rational needs.**

Still another misconception about categoricals is that up to the 1960s, nearly all were instituted to assist state or local governments in accomplishing their own program objectives, but since then, categoricals have sought to move state and local governments into new fields in response to changing national needs. Differences, over time, in the degree of federal supervision, program goals, and national purpose are all subsumed under this reading of the categorical chronicle. That there were shifts into new program areas after 1961 is clear. Other facets of this view, however, may be questioned.

“National purpose” as it relates to grant goals has been a perennial concern in grant history. For political and constitutional reasons, more effort appears to have been made in the earlier period to connect a categorical to a clear national purpose or function, like defense. Witness the highway grants (beginning in 1916), the initial *Vocational Rehabilitation Act* (1920), aid to impacted schools (1951), the interstate highway program (1956), and the *National Defense Education Act* (1957). Yet, even in this earlier era, the enactment of measures like the *Maternity Act of 1921*, the *Social Security Act* (1935), and the public housing program (1937)—to cite a few of the more obvious—suggests a loose constructionist interpretation of national purpose, with few efforts to link the programs to functions expressly granted to the national government by the Constitution.

This trend, of course, became the dominant theme of the 1960s and 1970s with a far flung federal aid involvement in matters ranging from fire protection to rat control. National purpose, then, as it relates to grant programs has acquired broader and broader meaning, to the point now that it must be deemed a political, process-related matter—not a substantive, definitional one. Yet, this evolution began long before 1960.

**Myth: Congress is the chief actor, if not the chief villain, in the cast of categorical characters.**

The final misconception—like several of its predecessors—is true in one sense but does not give the entire picture and thus may be misleading. In a formal sense, a categorical grant must be authorized and funded by Congress, hence Congress is the architect of the categorical system. Moreover, many of the traits of this system directly reflect the congressional subcommittee system with its relatively narrow functional base, the heterogeneous coalition character of its parties, the perennial constituency concerns and comparatively narrow program focus of most of its individual members, and the continuing practical and other constraints

on the effective exercising of its oversight role. These and other factors seem to suggest that there is close connection between Congress and categorical grants; yet such a generalization, however valid, tells only part of the story.

Ours is a governmental-political system, after all, with a President, bureaucracies, interest groups (both public and private), states, and a range of substate governmental jurisdictions (special, limited, and general purpose in character). In short, it is polycentric in terms of power centers, freely accessible in terms of communication with these centers, and widely pluralistic in terms of the numerous organized groups that contend for and seek to influence political power and public policies.

Thus, while Congress and categoricals are inextricably linked, categoricals are as much a by-product of the Nation's entire governmental system as they are of specific congressional action. Congress must accept the blame for what is bad and receive the praise for what is good about this dominant form of federal intergovernmental fiscal transfer. But, in a deeper sense, reformers of the categoricals must also contend with other forces in the system—private and public, organized and unorganized, attitudinal and even philosophic—for these, too, are key factors in the categorical system.

#### Additional Clarification

Demolishing some myths and clarifying certain misconceptions regarding categorical grants help to give some idea about the condition of this vast sector of federal assistance. But, a rounded picture does not necessarily emerge from this style of analysis. Moreover, some would contend that the delineation and explanation of various myths tend to convey a more positive perspective than the categorical record really warrants. Yet, ponder these “findings” that flow from this same record:

□ Federal aid programs to the private sector are now about one-quarter the number of those for which states and localities are primarily eligible, highlighting the continuing strength of private sector as against public sector federalism.

□ The large number of unfunded and “to be funded in the future” grants suggests the difficulty of arriving at an accurate categorical count based on a cross-sectional analysis for a single fiscal year; yet, the time and manpower to sustain such an effort on a continuing basis have yet to be found in the entire federal establishment.

□ The various dimensions of recent categorical growth underscore the severe impact of inflation on aid dollars, the emergence of other forms of federal aid, and the uncertainty of federal aid flows in the past seven years.

□ The shifts in categorical program emphasis—especially to the urban and human resources areas

—may reflect responsiveness and flexibility, but they also represent a move into program areas where successes have been hard to come by and evaluation is always difficult.

□ Categoricals may not uniformly expand the discretion of federal administrators, given the varying degrees of competition among categorical types; but of growing concern is the emergence of cross-cutting governmental regulations (i.e., in the environmental, equal opportunity areas) that apply to all forms of categorical as well as to block grants, making the old “no strings,” “few strings,” “many strings” distinctions among general revenue sharing, block grants, and categoricals increasingly less meaningful.

□ The uncertain impact of matching and maintenance of effort requirements along with the diffused results of distributional formulas underscores the difficulties of aggregative analysis and the need to consider specific programs as well as recipient servicing likes and dislikes—no easy assignment, clearly.

□ The finding that national purpose as it relates to categoricals has experienced a long-term deterioration in specific definitional terms confronts us with the bewildering marbled pattern that intergovernmental relations now possesses; with this, of course, comes the recurring cry of who is responsible for what?

□ And finally, to contend that Congress is only one of a number of actors in the categorical chronicle is to confront the reader with its most starkly sobering theme: most of the participants (most administrators, most interest groups, most state and local functional groupings, and most Congressmen) really prefer this grant device to any other and to reform the categoricals is to take on these powerful interests both in and out of Congress.

### Some Real Issues

The recent record of categorical grants clearly raises critical policy questions about their design and use. Some, but not all, have been suggested by discussing the myths and related facts of the system.

Certain issues must be confronted if the categoricals are to constitute a more effective, efficient, equitable component of the current system of federal intergovernmental fiscal transfers. These issues involve 10 key questions:

□ To facilitate congressional choice of categorical grant types and evaluation of individual categorical grants, can the use of different grant types and the purposes of specific programs be clarified?

□ Can some of the program fragmentation that arises from focusing on very narrow activities and very specific clientele groups and from using very diverse potential servicing jurisdictions be curbed through consolidations without inhibiting the categorical's capacity to target, to foster equity,

and to differentiate among widely varying governmental units?

□ Can congressional processes be instituted that assure a probing, periodic reassessment of federal grants in the same functional areas, unless there is heightened awareness of the problems of categoricals and of Congress' responsibility for providing effective oversight in the system?

□ Can multi-year funding arrangements be developed for those grants that aid long-term efforts, without undercutting Congress' new budget control procedures?

□ Can clearly differentiated matching and maintenance of effort programs be developed that reflect varying federal grant goals (stimulation, addition, support, etc.) and that can be effectively implemented?

□ Can better indices of program need be developed for and incorporated into individual categoricals, and can Congress avoid inclusion of conflicting allocational factors in the same grant programs?

□ Can efforts to simplify, standardize, and streamline the development and implementation of grant regulations succeed without heightened congressional (as well as presidential) concern for improving grants administration and/or without several major program consolidations and committee mergers?

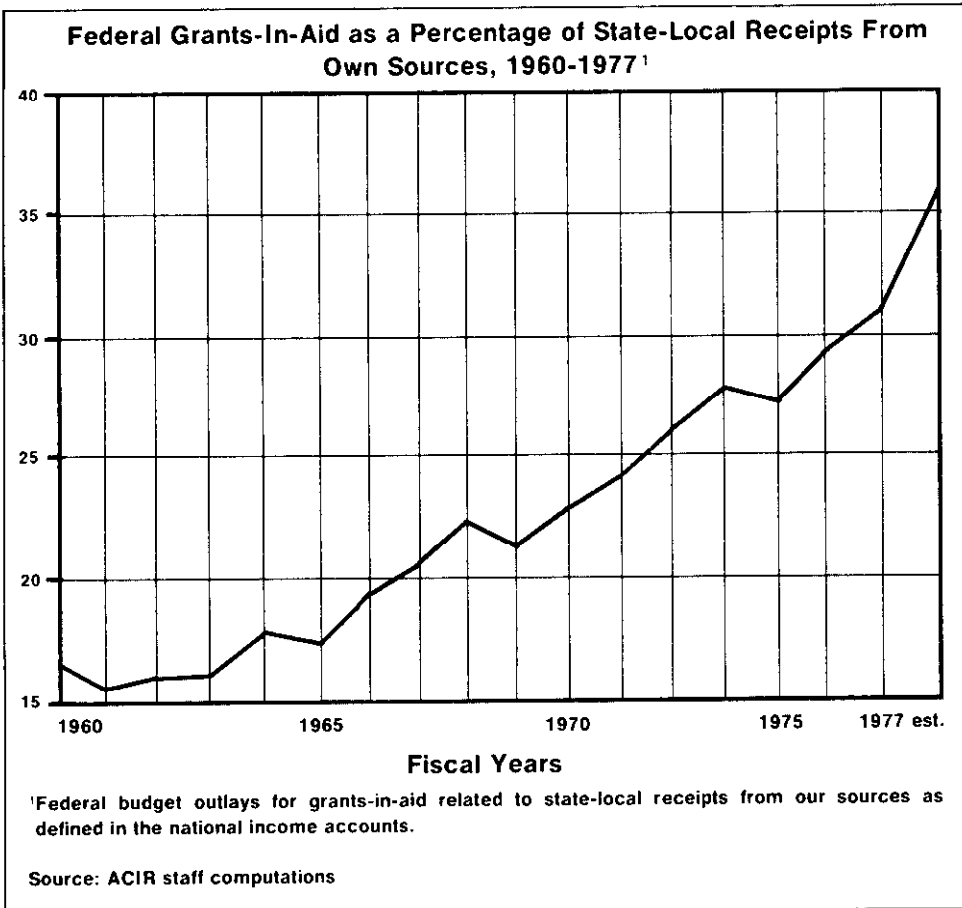
□ In view of the fact that Congress and the Executive Branch already seek to achieve broad cross-cutting national purposes (environmental protection, equal rights, access to equal services, etc.) through 37 types of conditions, to what extent and for what purposes, should grant conditions of this type be improved in the future? When should indirect grant controls be used and when should direct federal laws supersede?

□ Would enactment of legislation authorizing presidential development of grant consolidations subject to congressional veto (comparable to executive reorganization procedure) actually facilitate grant reform and governmental reorganization?

□ Can “national purpose” as it relates to grants-in-aid be given anything other than a political definition (i.e., that which passes Congress and is signed by the President), or can some substantive meaning be developed and applied?

These are 10 questions to which there are no easy answers. But, serious reformers of the categorical system must confront them if real rather than rhetorical improvements are to be achieved.

*David B. Walker is assistant director of the Advisory Commission on Intergovernmental Relations and has overall responsibility for the Commission's study entitled The Intergovernmental Grant System: An Assessment and Proposed Policies.*



**Federal Aid to States, Localities Increases Substantially in FY 1977**

Federal aid to state and local governments will total over \$72.4 billion in Fiscal Year 1977—an increase of 22.6 percent over Fiscal Year 1976 federal aid, according to figures compiled by the ACIR.

The one-year increase is over \$13 billion—greater than the total amount of federal aid to state and local governments in 1966.

The 1977 increase can be attributed to dramatic hikes in five major program areas: countercyclical grants (\$4.4 billion); income security programs (\$2.1 billion); sewage treatment construction (\$2 billion); Medicaid (\$1.7 billion); and community development block grants (\$1.3 billion).

Federal aid has increased ten-fold since 1960. The growth has been somewhat staccato with increases in aid in 1969 and 1974 markedly below increases in other years.

Since the early 1960s, federal aid has been growing at a faster rate than state-local revenue from their own sources. While federal aid increases amounted to 18.7 percent in 1976 and 22.6 in 1977, the increases of state-local receipts from their own sources were 11 and 7.8 percent for the same period. Nevertheless, state-local receipts have increased in the aggregate five-fold since 1960.

Accelerated growth of federal aid can be illustrated by looking at federal aid as a percentage of state-local receipts from their own sources. As indicated by the accompanying graph, federal grants in Fiscal Year 1977 will make up over 35 percent of the total state-local receipts from their own sources. Since 1960, when federal aid was little over 16 percent of state-local receipts, the increases have been consistent. Yet, the jump in 1977, over 4 percent, did reflect the immense increase in aggregate federal aid—over \$13 billion.

**Federal Grants-in-Aid as a Percentage of State-Local Receipts From Own Sources, 1960-1977**  
(Dollar amounts in billions)

Fiscal Year	Federal Grants		State-Local Receipts From Own Sources <sup>1</sup>		Federal Grants as a Percent of State-Local Receipts From Own Sources
	Amount	Percent Increase	Amount	Percent Increase	
1960	\$ 7.0	5.3	\$ 41.6	10.1	16.8
1961	7.1	1.3	44.9	7.9	15.8
1962	7.9	11.0	48.7	8.5	16.2
1963	8.6	9.4	52.2	7.2	16.5
1964	10.1	17.5	56.5	8.2	17.9
1965	10.9	7.5	61.6	9.0	17.7
1966	13.0	18.9	67.0	8.8	19.3
1967	15.2	17.6	73.9	10.3	20.6
1968	18.6	22.0	82.9	12.2	22.4
1969	20.3	8.9	93.9	13.3	21.6
1970	24.0	18.6	105.0	11.8	22.9
1971	28.1	17.0	116.6	11.0	24.1
1972	34.4	22.3	131.6	12.9	26.1
1973	41.8	21.7	146.9	11.6	28.5
1974	43.3	3.5	158.9	8.2	27.2
1975	49.7	14.8	171.4	7.9	29.0
1976	59.0	18.7	190.2	11.0	31.0
1977 Est.	72.4	22.6	205.0	7.8	35.3

<sup>1</sup>As defined in the national income accounts.  
Source: ACIR staff computations.

## ACIR to Meet May 5-6; Six New Members Named

Two major aspects of the Commission's study of the intergovernmental aid system—categorical grants and block grants—will be primary items of consideration at the spring meeting of the ACIR May 5-6 in Washington.

Two articles in this issue of *Perspective* highlight findings of the Commission staff in the areas of block and categorical grants.

Four new members were named to the Commission in March. They are: Rep. Charles Rangel of New York, who replaces Rep. Richard Vander Veen of Michigan; and three new executive members, Treasury Secretary Michael Blumenthal, Commerce Secretary Juanita Kreps, and Office of Management and Budget Director Bert Lance.

Named in April were two new Senate members, Sen. Lawton Chiles (Fla.) and Sen. William Hathaway (Me.) to replace Sen. Edmund Muskie (Me.) and Sen. Ernest Hollings (S.C.).

## ACIR Chairman and Staff Testify Before Congress

Robert E. Merriam, chairman of ACIR, and staff members David B. Walker and Carl W. Stenberg testified before congressional subcommittees in March on sunset legislation and an extension of the *Housing and Community Development Act of 1974*.

In testimony before the Senate Intergovernmental Relations Subcommittee March 30, Chairman Merriam urged passage of S. 2, *The Sunset Act of 1977*, in order to help "weed out inactive, ineffective, and duplicative programs, as well as to identify those that are managerially, programmatically and fiscally sound."

Yet, Merriam cautioned the subcommittee that "great care must be taken in establishing new congressional program oversight procedures, as well as complementary executive branch zero-based budgeting procedures to avoid the paperwork trap."

Merriam also encouraged the subcommittee to include in its sunset legislation provisions to assure that city, county, gubernatorial, and

state legislative representatives are involved in the sunset process, particularly regarding how federal aid programs affect their responsibilities.

Although the ACIR will consider specific recommendations on sunset legislation at its meeting May 5-6, it has long been on record as supporting periodic review of federal aid programs and grant consolidation. Moreover, recent Commission findings in the area of federal aid also underscore what Merriam called "the crying need for periodic and probing congressional oversight of federal aid programs."

In testimony March 2 before the House Subcommittee on Housing and Community Development, David B. Walker, ACIR Assistant Director, and Carl W. Stenberg, Acting Director of Policy Implementation, endorsed the basic community development block grant program while urging Congress to consider several changes recommended by the Commission in its report, *Community Development: The Workings of a Federal-Local Block Grant*.

These improvements fall into four major areas: the functional scope of the program; recipient discretion; federal stewardship; and funding.

## ACIR Updates 1973 Study on Substate Regionalism

ACIR's pioneering work in substate regionalism, published in six volumes in 1973 and 1974 has been updated in a single slim volume to be released in early summer.

The volume, entitled *Regionalism Revisited: Recent Areawide and Local Responses*, describes recent trends in two broad areas: the continuing development of regional councils and other similar areawide bodies, and the related processes of modernizing local governments and shifting functions to and from them.

Among recent developments are:

□ There are currently 45 states with officially delineated statewide systems of substate planning and development districts, compared to 40 in 1972;

□ The number of substate planning and development districts has risen from 488 to 530 over the past five years;

□ The proportion of these sub-

state districts having officially designated and functioning areawide organizations jumped from 56 percent to 95 percent;

□ Almost all of these districts now receive either federal or state financial assistance, or both, and most serve as the A-95 federal aid review and comment clearinghouse;

□ There are now 32 federal programs which encourage or allow regional participation, compared to 24 in 1972.

In its update of local governmental modernization, the Commission found that counties have experienced no numerical growth; municipalities a modest hike; and special districts, a significant expansion. Modest growth continues in local consolidations.

In the area of home rule powers, charters, and local executive leadership, at least half of the states granted greater home rule to their local governments between 1970 and 1975. More and more governments have adopted council-manager, mayor-council or elected chief executive forms; over 90 percent of the municipalities now have one of these forms of organization while 17 percent of the counties do.

Although noting there have been positive steps toward a more coherent and useful regional policy, the Commission report concludes that "what the Nation needs now is concerted action at all levels to apply this approach."

Such action might include:

□ Congressional passage of the proposed *Intergovernmental Coordination Act of 1977* which would establish a unified federal policy with respect to federal programs using substate regions for planning or program administration;

□ An examination by all states of their regional planning, policy-making, and service delivery systems in light of ACIR's recommendations and suggested state legislation;

□ Increased local governmental capacity-building for planning, maintaining, and delivering their services more efficiently, effectively, and equitably; and

□ Improved accessibility, political accountability, and increased technical capacity on the part of areawide units.

# And Briefly: Books

Over the past three months, the ACIR has published seven volumes in its 14-part series entitled *The Intergovernmental Grant System: An Assessment and Proposed Policies*.

This *And Briefly: Books* will review these seven volumes as well as five additional reports published by the Commission.

Except where noted, single copies of these reports can be obtained at no cost by writing the Advisory Commission on Intergovernmental Relations, 726 Jackson Place, N.W., Washington, D.C. 20575.

**Improving Federal Grants Management (A-53).** In this study, ACIR looks at the "middle range" of federal aid reform which attempts to improve the management of the categorical grant system within the executive branch.

Specific management techniques covered are FMC Circulars, OMB Circular A-95, integrated grant administration, and the *Joint Funding Simplification Act*. The role of the executive branch agencies such as Office of Management and Budget, the Domestic Council, and Federal Regional Councils is also discussed.

**Safe Streets Reconsidered: The Block Grant Experience 1968-1975 (A-55).** This first volume in the Commission's two-part study of the Safe Streets block grant program describes the legislative and administrative history of the program, analyzes the planning and funding activities at state, regional, and local levels, and presents the major issues and recommendations for improving the act and its administration.

**Safe Streets Reconsidered: The Block Grant Experience 1968-1975, Part B—Case Studies (A-55a).** This second volume of ACIR's study of the Safe Streets block grant program presents a comparative analysis of case studies in 10 states and individual state reports. The case studies discuss in some depth the various approaches used in planning for distribution of funds, relationships between the states and LEAA, and

impact of the Safe Streets funding. (Copies of this report are limited and thus are *not* available from ACIR.)

**The Partnership for Health Act: Lessons from a Pioneering Block Grant (A-56).** The first federal block grant, the comprehensive public health services formula grant authorized by Section 314(d) of the *Public Health Services Act* is examined in this report.

It includes a detailed view of the legislative history including the *Partnership for Health Amendments of 1967* and a discussion of both the federal and state administration of the block grant.

**Community Development: The Workings of a Federal-Local Block Grant (A-57).** Title I of the *Housing and Community Development Act of 1974*, one of four block grant programs studied by the Commission, is the subject of this report.

This volume summarizes the history of the community development block grant and examines the implementation of CDBG after one year of operation, drawing on initial HUD experience and the assessments of other groups.

Recommendations suggest further coordination, consolidation, discretion, and simplification. In addition, ACIR calls for a greater role by the states and regional planning bodies and for a change in the allocation of funds to treat older cities and small communities more equitably.

**The States and Intergovernmental Aids (A-59).** As part of its study of the intergovernmental grant system, ACIR has also looked at state aid to local governments. This volume examines the growth and change in state aid and analyzes the expenditure impact of state aid, using six states as case studies. It also examines two other roles states play in the intergovernmental aid system: as direct provider of services and as conduit of federal funds "passed through" states to localities.

The report concludes with recommendations concerning allocation, equalization, consolidation and a greater urban focus for state aid. In addition, the Commission recommended legislative appropriation of federal aid and gubernatorial approval before entering, applying or accepting federal grants.

**Federal Grants: Their Effects on State-Local Expenditures, Employment Levels, Wage Rates (A-61).** This volume looks at the impact of the federal aid system on state and local finances and asks whether the form of the grant makes a difference. The answer is yes, and this report describes the various ways this difference is felt.

Using 1972 data, the study also gives a state-by-state breakdown by classification of state fiscal systems and comparisons of these breakdowns with various federal aid formulas and distribution statistics.

**Trends in Metropolitan America (M-108).** In a series of 21 tables, this report gives data on central cities and suburbs for the 85 largest standard metropolitan statistical areas (SMSAs) by such factors as age, race, population, income, employment, retail sales, and taxes.

Some of the major findings are that central cities have declining populations, an increasingly older population, lower per capita income than suburbs, loss of jobs, and a slower growth in retail trade. The report also highlights regional disparities.

**State Actions in 1976 (M-109).** Each year, the ACIR summarizes state constitutional, legislative, and executive actions of the previous year with emphasis on those with strong intergovernmental implications.

Topics covered in the 1976 edition are state and local government modernization, fiscal developments, environment, land use, energy, human services, consumer protection, equal rights, criminal justice, and government accountability.

**Significant Features of Fiscal Federalism, 1976-77 Edition, Vol. II—Revenue and Debt**

(M-110). This volume (along with Vol. III on expenditures which is not yet published) is an updated version of 1973-74 edition of *Federal-State-Local Finances: Significant Features of Fiscal Federalism*.

There are 140 tables summarizing information on federal, state, and local revenue in general, tax burdens, revenue growth, federal and state aid, and state and local debt.

**State Limitations on Local Taxes and Expenditures (A-64).** As part of ACIR's continuing interest in state-local fiscal relations, the Commission has again looked at the question of state limitations on local expenditures and property tax revenues.

In 1962, ACIR supported a policy of local fiscal autonomy by recommending no fiscal shackles on local taxing and spending powers. In 1976, the ACIR qualified this position by recommending the use of limits under certain circumstances and with certain conditions. Two additional recommendations call for full disclosure of tax increase actions and fiscal notes explaining the fiscal impact on local governments of proposed state legislation or administrative regulations.

**Measuring the Fiscal "Blood Pressure" of the States—1964-1975 (M-111).** In order to expand upon the traditional measure of tax burden, the report measures the concept of fiscal stress over a 10-year span of time. In this way, state tax systems are identified not only as having high or low taxes as a percentage of income but also whether taxes are increasing or decreasing relative to their states.

This two-dimensional measure is also calculated using the "representative tax method" to estimate fiscal capacity in order to take into account the taxable base of the mineral rich, property rich, and tourist rich states.

**Partnership Within the States: Local Self-Government in the Federal System.** Temple University, Center for the Study of Federalism and the University of Illinois,

Institute of Government and Public Affairs, 1201 West Nevada Street, Urbana, Illinois 61801.

As part of the bicentennial series *Toward '76*, a conference was held in Chicago on November 19-20, 1975. To assist the participants, three sets of background papers were commissioned on the historical development of state-local relations, the current status of local governments within the federal system, and the future form of local government.

**Municipal Yearbook: 1977.** International City Management Association, 1140 Connecticut Avenue, N.W., Washington, D.C. 20036. \$27.50 (\$26.00 if payment accompanies order).

This annual publication provides an excellent reference source for facts about and trends and developments in American and Canadian cities.

Special articles in the 1977 volume deal with public safety, employment and expenditure practices, city employment and payrolls in 1975, and productivity improvement. The yearbook covers state and federal actions affecting local governments and recent annexations.

**Analyzing Assessment Equity: Techniques for Measuring and Improving the Quality of Property Tax Administration.** International Association of Assessing Officers, 1313 E. 60th Street, Chicago, Illinois 60637. \$14.

As the most visible and largest producer of revenue for local governments, the property tax is a subject of continuing study. The papers in this volume are from a symposium sponsored by the IAAO and the Lincoln Institute of Land Policy on April 26-27, 1976, which examined whether the *ad valorem* property tax is being apportioned according to property values and how to improve the system if it is not.

**Forging America's Future: Strategies for National Growth and Development.** Report of the Advisory Committee on National Growth Policy Processes to the National Commission on Supplies and

Shortages. U.S. Government Printing Office, Washington, D.C. 20402. \$1.90.

As part of the work of the National Commission on Supplies and Shortages, the Advisory Committee on National Growth Policy Processes examined the existing institutions which determine growth and development and recommended new institutions and improved techniques for coordinating federal efforts with state and regional ones.

Among the Committee's recommendations are the creation of a National Growth and Development Commission which would prepare the biennial National Growth Policy Report and the expansion of ACIR to improve analysis of inter-governmental issues.

**The Energy Boom in Southwest Wyoming.** Report of the Federal Interagency Team, June-July, 1976. U.S. Department of Housing and Urban Development, Community Planning and Development. U.S. Government Printing Office, Washington, D.C. 20402.

At the request of Governor Ed Herschler, a HUD-USDA team looked at the impact of growth in southwest Wyoming due to mining and electric plants. After concluding that the housing and municipal services vary throughout the area and that there is little comprehensive regional development planning, the team recommended that the state establish a multi-purpose areawide organization to be responsible for all federal programs requiring areawide planning and for improved methods of information gathering and forecasting.

**Federal Roadblocks to Efficient State Government. Volume 2, Agenda for Intergovernmental Reform.** National Governors' Conference, Hall of the States, 444 North Capitol Street, Washington, D.C. 20001. \$5.

In 1976, the National Governors' Conference published *Federal Roadblocks to Efficient State Government* which gave examples of federal red tape and the effects on state management ability. In this companion volume, NGC gives specific reforms which would improve federal-state relations.

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