

THE CHALLENGE OF BLOCK GRANTS: STATES IMPLEMENT CSBG

Social Policy SERIES No.4

A Status Report and Analysis
Of The Issues States Face In
Implementing The Community
Services Block Grant

February, 1982

EXECUTIVE SUMMARY

ilsg INSTITUTE FOR LOCAL SELF GOVERNMENT
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P R E F A C E

This special executive summary was prepared for the round of public interest group conferences in Washington, D.C., in February of 1982. It contains a summary of the Institute for Local Self Government's research and analyses of the status of one of the nine block grants: The Community Services Block Grant.

This summary and the publication to follow should be of interest to both the generalist policy-maker and administrator concerned with human services, as well as by the specialist in Community Services.

The results of our nation-wide survey of CSBG implementation are presented together with a description of the critical policy issues to be determined by the States now that they have lead responsibility for so much of the nation's human service programming. The book offers a historical critique of the categorical approach characteristic of the Federal human service system and offers guidance to both state and local policy-makers seeking to strengthen the newly emerging state and local human services system.

The completed publication is expected to be available in early March, 1982.

Institute for Local Self Government
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ILSG SOCIAL POLICY SERIES

This study represents the second in a series of Institute publications and conferences on the key social policy issues of the 1980's.

With the Reagan Administration's move to take the federal government out of social programs and human services and turn these responsibilities over to the states, the states now face the challenge of developing their own social policies and human service delivery systems - with the flexibility block grants and deregulation promise, but with reduced federal social program funding.

The issue, then, for state and local government is how to create an adequate human services system with fewer resources.

The first conference/report in the Institute Social Policy Series examines local attempts to coordinate welfare and employment programs - in order to achieve welfare and administrative savings as well as improve services to clients. Program coordination, specifically around welfare and employment, represents one local approach to the issues of the 1980's. The February conference, Deciding the Future of California's Welfare/Employment System, was designed to encourage state actions which will support the efforts already begun locally. Readers will be interested in its findings which call for state support for a "Local Determination Approach" along many of the same lines we have described in the following pages.

This second report in the Institute Social Policy Series, "The Challenge of Block Grants: States Implement CSBG", explores some of the issues states face in redeveloping their social policies and human services system in the current cutback environment. We examine in some detail the experiences of the 50 states in implementing the Community Services Block Grant (CSBG). The survey shows that this block grant, perhaps the most flexible of the nine blocks, provides useful lessons for those responsible for any of the new Reagan programs. The book demonstrates the need for states and local governments to develop broad social policies, set priorities, involve citizens and develop a coherent allocation system for the dramatically diminished resources now available. It further suggests a broad range of human service roles for the public sector (in addition to service provider) and ways local community action agencies covered by the act can contribute to an overall human service strategy.

In an accompanying report, The Community Action Approach to Human Services, we describe in greater detail the results of a total of 17 local CAA evaluations which the Institute conducted between 1978 and 1981. The evaluations look primarily at the effectiveness of these agencies - now significantly altered since the 1960's "anti-poverty program days" - at mobilizing resources, defining problems and developing appropriate program responses.

The evaluations show that the experiences, capabilities and strategies of these agencies represent a resource that should not be overlooked in state and local efforts to deal with the current human services crisis.

The third in our Social Policy Series is an Institute conference/report on the question of how to involve the private sector in supporting the financing or delivery of social services. Our research looks specifically at the nature of private sector involvement in a range of employment programs ongoing in California. Why does the private sector participate, through what mechanism, and with what results? Further, we hope to provide some careful analysis of "the private sector" in an effort to develop a range of incentives and strategies for public agencies to use in targeting the private employers they wish to involve in their employment programs.

The Institute's Social Policy Series addresses the key issues raised by the new Block Grant Federalism and social program cutbacks. Program integration and private sector participation represent two strategies to deal with funding cutbacks. The implementation of the Community Services Block Grant raises the issues states will face in developing their own social policies and human services delivery system.

ACKNOWLEDGEMENTS

The Institute would like to express particular appreciation to several people who were instrumental in designing and producing this publication.

Kathy Humphrey, ILSG Project Director, deserves credit for conceptualizing and designing the key elements of the research and the book. Jim Masters, Human Services Programs and Systems, did a yeoman's job - in a very short time - of putting out the questionnaires, sheparding them back for review and for tabulating, and presenting the findings. His organizing of the case study effort and his contributions to the portions on Community Action programs and effectiveness were also invaluable. Andy Eber, of Menkin-Lucero and Associates, wrote the complete first draft, making coherent a wide range of materials; the survey, case studies, evaluation data and other miscellaneous documents.

Don Will, of the ILSG Staff, in addition to performing an important portion of the research, did a thorough job of editing and preparing the book for publication. He and Edward Schoenberger, ILSG Deputy Director, prepared the Executive Summary. Field research was done by Larry Lillis, John McCausland, Tom Holt, and Deborah Douglas.

Manuscript typing was done by Samuel Stebbins and Julie Goodman, with final typing done by Jerrel Johnson of the ILSG Staff.

Finally, Kathy Humphrey deserves major credit for designing this, as well as other pieces in the Social Policy Series. Patricia Bert Frost created the charts and directed the production effort. Edward Schoenberger of ILSG provided overall staff direction for this and other ILSG projects.

The book was supported in part by the United States Department of Health and Human Services, Office of Community Services, Region IX. We would also like to express our appreciation to representatives of the various public interest groups for their support and encouragement: The National Governor's Association, the National Association of Counties, the National League of Cities, the International City Management Association, the United States Conference of Mayors, the National Conference of State Legislatures, the National Community Action Foundation, the National State Economic Opportunity Association, and the National Community Action Executive Directors Association. Naturally, none of these organizations are responsible for any of our conclusions or errors.

Arthur G. Will
Executive Director
Institute for Local Self Government
February 19, 1982

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CHAPTER ONE

THE CHALLENGE OF THE REAGAN BUDGET
AND THE
FUTURE OF HUMAN SERVICES

CHAPTER I: THE CHALLENGE OF THE REAGAN BUDGET
AND THE FUTURE OF HUMAN SERVICES

These are truly revolutionary times. Historians will refer to the Reagan Administration's New Federalism as a turning point in the development of U.S. social policy comparable to FDR's New Deal and Johnson's War on Poverty. Reagan is, in essence, taking the federal government out of the key social policy role it has had since the 1930's. No longer will the federal government design the social services or redistribute the nation's opportunities and resources. The responsibility for developing social policy and delivering human services is being turned over to the states.

THE SURVEY

How will the states respond? The question rests at the center of this report. Our research focus is the Community Services Block Grant, one of nine human service block grants established by the Omnibus Budget Reconciliation Act of 1981. A survey of thirty states reveals the variety of approaches to CSBG implementation that are being taken.

The survey of state implementation of this particular block grant is instructive for two reasons: One, it illustrates the issues which states must address as they begin to implement the Community Services Block Grant to replace the earlier federal program. Two, the issues involved in this effort are the same for all of the block grants. The CSBG implementation experience offers broader lessons to the development of state social policy and human services systems.

THE REPORT

This report attempts both to spell out the broader issues for states and to share the eighteen year experience with both a local determination approach and a categorical approach to human services.

States can profit from this information in two ways: One, by learning what other states are doing with the Community Services Block Grant. Two, the lessons of this block grant, particularly because of its unique orientation to local community decision-making, are particularly applicable to the broad range of policy issues brought on by all the block grants.

It is our hope that this publication will assist states to avoid the mistakes of the old federal system and to utilize the lessons of the Community Services Program to strengthen the State and local human services system. Will states continue to operate a system of categorical programs, or will they develop systems for relying upon local entities

to identify needs and solutions, an approach for which the Community Action Programs can offer many insights and lessons?

FOCUS ON FLEXIBILITY

There is disagreement and confusion in the current discourse around President Reagan's New Federalism. The Administration argues that consolidating programs into block grants gives states the opportunity to reconceptualize and restructure the delivery of these services and that a new system can be created to deliver services at less cost--therefore the federal funding cutbacks. States argue that this restructuring will result in severe cutbacks in services and that they are being set up to take the blame and deal with citizen anger over service reductions.

Some states are keeping existing systems in place, spreading the cuts across all programs. Other states are beginning to think about new ways to redefine and restructure human services.

We have not, in this report, addressed the cutbacks side of President Reagan's New Federalism. States are well aware, however, that recent cutbacks combined with a sagging economy will increase the needs of citizens--needs that will be met by state and local governments, if at all. We focus, instead, on the issues and opportunities for states in restructuring a human services system.

The questions states must decide--for the CSBG and human services in general--can be summarized as follows:

1. WHO WILL DEFINE THE GOALS AND PURPOSES OF HUMAN SERVICES PROGRAMS?
2. WHO WILL SET STANDARDS AND MONITOR PROGRAMS?
3. WHO WILL DESIGN THE STRATEGIES/PROGRAMS TO ADDRESS HUMAN SERVICE NEEDS?
4. WHO WILL DELIVER THE SERVICES AND PROGRAMS?
5. WHO WILL FUND THESE PROGRAMS?

TWO HUMAN SERVICES APPROACHES

The roles of the state, counties, and community based organizations in a restructured human service system must be defined. This report describes two human services approaches: The Categorical Approach and The Local Determination Approach.¹

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1. These are described in detail in Chapters 4 and 5 below. See the charts on pp. ____ and ____.

In the Categorical Approach, the federal government sets the goals and purposes of human services, designs the programs, administers, monitors and funds them. State and local governments and other entities deliver the service "packages."

The Local Determination Approach involves the federal government establishing broad goals and purposes, but not requiring any proscribed program priority, service design or allocation of funds. Rather, the local approach provides for a local planning process that includes citizens in planning and decision-making along with public and private sector representatives. This process leads to the identification of priority needs/problems, designation of strategies to meet these needs, and the delivery of services.

The programs of the Community Services Administration represent a local determination approach. The federal government established the broad goals and mission (assisting low-income people to overcome the obstacles to self-sufficiency) and a local planning process (designed to assess needs, define strategies to meet these needs and to carry them out) to be conducted by public and private sector representatives in conjunction with the low-income representatives. Core funding was provided by the federal government but CAAs mobilized additional resources (average ratio of 3-4 dollars for every federal CSA dollar).

OVERVIEW OF THE REPORT

The five issues of restructuring a human service system - defining the purpose and goals, setting standards and monitoring the system, developing strategies and programs, delivering services, and funding - are explored throughout each chapter of this report. These issues are the framework for understanding the current human services picture, reviewing the options for change and restructuring state human services systems.

Chapter 2 discusses state implementation of the Community Services Block Grant in terms of the five issues. The goals of state CSBG programs, the standards for accountability, the design of strategies to implement the CSBG, agencies that will deliver services, and sources of funds for the programs must all be determined.

Chapter 3 looks at how thirty states are addressing the five issues of human service restructuring in implementing the CSBG. In view of the importance of this data to policy makers, the complete detailed results of the Institute survey of state CSBG implementation has been included.

Chapter 4 is an analysis and critique of the federal categorical approach to human services. Understanding how the human service system developed is important to state and local policy makers for two reasons: to help them in making an informed decision between the categorical approach and other approaches to human services; and to show the need

for the restructuring of a system that has developed erratically and that makes policies, funds and delivers services through a variety of agencies and levels of government.

Chapter 5 looks at the second approach to human services, the Local Determination Approach. This approach provides for greater local decision-making. Community Action Agencies are taken as an example. The way in which Community Action Agencies address the five issues of human service systems is described. The discussion focuses on the CAA mission of assisting low-income communities to achieve self-sufficiency - setting policy and strategies with community involvement, and using a variety of roles and methods to deliver services to the community.

For a state to restructure its human service system, it must rethink each of the five issues discussed throughout the report. Chapter 6 lays out the specific decisions states must make with respect to the five basic issues and outlines steps they can take to promote greater local capacity.

METHODOLOGY OF THE REPORT

The analysis and conclusions of this report are based on a three-fold research method:

1. Survey of States: Survey forms were mailed to four contacts in each state; the Community Services Block Grant Designee (as identified by the Department of Health and Human Services), the State Economic Opportunity Office Director (if different from the CSBG Designee), the Community Action Agency State Association President or Director, and the State Association of Counties. Questions were on the areas of state planning for CSBG implementation, respondents' perceptions of the trends and outcomes of CSBG planning process, and perceptions of greatest problems and opportunities in CSBG implementation. The results of the survey, taken from the thirty states that answered, are presented in Chapter 3 of the report.
2. Case Studies: Knowledgeable individuals in various regions obtained telephone or personal interviews with key political "insiders" to gain a more subjective sense of the situation in each state. The results are presented in an appendix of the report (not included in this Executive Summary).
3. Review and Analysis of Community Action Agency Evaluations: The Institute has conducted 17 evaluations of CAAs in Region IX during the last four years. In addition, a wealth of other impact evaluations and assessments conducted in recent years were used to derive information about the roles and activities CAAs could undertake in a block grant system, as well as analysis of the effectiveness of local design of programs. In addition, the Institute's research team has a long record of practical experience spanning the last twenty years of human services - in Community Action Agencies, the federal, state and local government.

THE COMMUNITY SERVICES BLOCK GRANT

The Community Services Block Grant, the focus of this report, is in many ways typical of the block grant program. It contains the funds, at a reduced level, formerly administered by the Community Services Administration. The funds were designated, from 1964 to 1981, to about 900 community action agencies around the country.

Now these funds are sent as a block grant to states. States can fund the community action agencies, or local government, or other private non-profit agencies, or any combination of those. States can pass the CSBG on to local agencies with restrictions on the types of programs it is to fund, or not - as long as it is used to fund activities within the very broad category of community services.

The Community Services Block Grant provides funds to states for community based program that offer health, nutrition, housing and employment-related services to improve the standard of living of low-income persons. Major purposes of the block grant include:

- addressing the causes of poverty in communities within each state;
- providing activities to assist low-income citizens in employment, education, housing, and emergency assistance;
- encouraging self-sufficiency, community involvement, effective use of related poverty programs and the involvement of the private sector in these efforts.

Former categorical programs consolidated into this block grant include:

- Community Action local discretionary funds;
- Senior Opportunities and Services;
- Community Food and Nutrition;
- Energy Conservation;
- Training, Evaluation and Technical Assistance.

The amount of each grant is allotted to states on the basis of the percentage of funds received for community services in fiscal year 1981. In 1982, states must allocate at least 90% of the funds to existing community action agencies. In 1983, states can allocate the grant to local government, community action agencies, community based organizations, farm worker organizations, etc.

CHAPTER TWO

THE CRITICAL ISSUES:

POLICY, ACCOUNTABILITY, DESIGN, DELIVERY, AND FUNDING

CHAPTER 2: THE CRITICAL ISSUES

The success of any service system depends upon five critical decisions. These decisions involve determining the system's mission and goals, setting standards and accountability requirements, designing strategies, and allocating funding resources. In the evolution of Human Service programs in the American federal system, concern has emerged with respect to who makes these decisions. At what level - federal, state or local - should goals be set, programs designed, etc?

Now that the federal government is drastically limiting its role in the Human Services System, the states have the opportunity to reassess the roles state, local, community, and private volunteer agencies play in the entire system. This report will focus on the five questions:

1. Who will define the goals and purposes of human services programs?
2. Who will set standards and monitor programs?
3. Who will design the strategies/programs to address human service needs?
4. Who will deliver the services and programs?
5. Who will fund these programs?

In other words, what will be the role of the state, counties, cities, and community based organizations in the state's human service system?

The implementation of the Community Services Block Grant can be seen as the creation of a human services system. As we will see in Chapter 3, the answers states give to the CSBG implementation decisions are the beginnings of the development of new state human service systems. Chapter 3 shows the variation in the state systems starting to form.

The decisions states are making in implementing the CSBG and changing human service systems are outlined below:

1. MISSION, GOALS, AND PURPOSES OF THE CSBG:

Who will define the goals and purposes of human services programs?

- a. Will states maintain the Community Action mission: to target resources through local planning, at the barriers keeping low income people from being self-sufficient?
- b. What process is being used and who is involved in the state's plan for implementing the Community Services Block Grant, and how does it relate to other human services block grant decision making?
- c. How will CSBG funds be allocated - will they be targeted to poverty areas or spread equally across the state?

2. SETTING STANDARDS AND MONITORING

Who will set standards and monitor programs to keep them accountable?

- a. Will states make certain planning requirements for local recipients of CSBG funds?
- b. Will states require low-income participation in the local planning process?
- c. Will states attach any administrative and fiscal requirements to CSBG funds? Will program evaluations be required?

3. STRATEGIES AND PROGRAM DEVELOPMENT

Who will design the strategies/programs to address human service needs?

- a. Will states define the programs and activities or let local entities determine local priorities and design appropriate strategies/programs?

4. SERVICE DELIVERY

Who will deliver the services and programs?

- a. Which entities will states designate to receive CSBG funds - counties, cities, CAA's, or other community-based organizations?
- b. What will states' designation criteria be?

5. FUNDING RESOURCES

Who will fund these programs?

- a. Will states transfer funds to the CSBG program?
- b. Will limits be placed - at the state and/or local level - on administrative costs?
- c. Will the local mobilization of additional resources - from private sector and government sources - be encouraged or required?

How the various states address these questions in implementing the Community Services Block Grant is discussed in Chapter 3.

CHAPTER THREE

IMPLEMENTING CSBG:
FINDINGS FROM THIRTY STATES

CHAPTER 3: IMPLEMENTING THE COMMUNITY SERVICES BLOCK GRANT -
FINDINGS FROM THIRTY STATES

In order to understand how these issues were being addressed, the Institute for Local Self Government conducted a survey among thirty of the fifty states. The results of the survey are attached to this Executive Summary. The Institute's survey shows the following:

1. MISSION

By and large, it appears that the local character of Community Action Agencies is being retained. Survey respondents indicate that: 1) states are continuing to fund either existing CAA's or some other local delivery agent; and 2) they are not setting program priorities or mandating particular services at the local level.

While local decision-making tools remain intact, the early state planning efforts are not systematically involving representatives of the poor (although this may be as much a reflection of the rapidity of the change-over to the blocks as anything else).

With respect to the role of CSBG planning progress and its relationship to other blocks, most states are not linking their implementation work across the blocks. Most implementation work is proceeding independently of one another. CSBG implementation is not part of an overall effort to develop a more comprehensive state human services system.

Finally, there seems to be a definite trend favoring a policy of distributing CSBG funds throughout the state rather than pinpointing the money in the most needy areas; although a few states plan to incorporate numbers of low-income people in the allocation formula.

2. SETTING STANDARDS AND MONITORING

Requirements for administration and reporting requirements are still up in the air - depending mainly on how much oversight/administration states will be able to do on the limited funds they have and how they come to view CSBG in the light of their overall Human Services Approach.

By and large, the states are not (at least not yet) changing the requirements for local planning from the concepts of the recently developed Community Services Grants Program Management System (GPMS). Approximately half the states reporting plan to use some form of GPMS. The other half have not yet decided. Overall, the reliance upon a broad local planning process is still in place although as states move into the second year, unforeseen changes may occur.

States cited their greatest problems in planning and administering the CSBG - the late start the federal government gave them, the funding reductions accompanying the block grants, the problem the continuing resolution has created of not being able to determine how much money there is to spend, the federal government's lack of guidance to states in preparing block grant plans, and the difficulty and complexity of the block grant plan itself.

With regard to citizen participation, no state has gone beyond what is already in the regulations. The loosening of the old federal requirements, and the lack of explicit state policy make the commitment to continue this involvement a function of the city, county, or CAA responsibility.

3. STRATEGY AND PROGRAM DEVELOPMENT

As noted above, the general trend is not to impose priority services or mandated programs. Thus, as things currently stand, most localities receiving CSBG funds will be able to make local determinations of needs and activities.

4. SERVICE DELIVERY

By and large, the vast majority of the responding states indicated they would be designating CAA's to deliver services. Even in places where counties may receive the funds, CAA's appear to have a good chance to administer the programs.

5. FUNDING

Overall, there is no indication that states are planning to provide general fund revenues to offset cuts in community service programs. There is also very little moving around of money among the blocks. The only transfer of note is occurring in one-third of the responding states moving money from the Low-Income Energy Assistance Program to other blocks.

The major finding with respect to administrative costs is a general perception that the 5% of CSBG funds allowed for state administration costs will not be adequate.

The early indication that States are not making large scale changes in the pattern of human service delivery suggests the need for an exploration of both the defects of the old categorical system and the alternatives available. Chapter 4 discusses the evolution of the Categorical System.

CHART 3A

STATE ACTIONS IMPLEMENTING THE CSBG

AS OF JANUARY 15, 1982

(See Appendix 1, Page 31 to 56 for detailed summary of questionnaire results.)

30 STATES IN OUR SAMPLE	P L A N N I N G P R O C E S S I N F Y 8 2				
	- - - PRIMARY PARTICIPANTS IN - - -			Held or will hold hearings on FY 82 plans	FY 82 Planning for CSBG & Other blocks together
	A. WITHIN EXEC BRANCH	B. FY 82 PLANNING EXEC BRANCH & CAA's	C. EXEC BRANCH CAA's COUNTIES OTHERS		
TOTAL N AND %	11 = 37%	12 = 40%	7 = 23%	17 = 57%	16 = 53%
Alabama			X	X	
Alaska	X				LIEAP/SS/MCH
Arizona		X		X	LIEAP/SS
Arkansas	X			X	LIEAP/SS/AGING
Connecticut		X			
Florida		X			
Idaho		X			
Indiana		X			
Iowa		X		X	
Kentucky	X			X	LIEAP/SS
Louisiana	X			X	
Maine			X	X	LIEAP
Maryland	X			X	
Michigan		X			LIEAP/CDBG
Mississippi			X	X	LIEAP/SS/MCH
Missouri	X				LIEAP/HEAP
Montana	X			X	LIEAP/SS
Nebraska	X				LIEAP/SS
Nevada	X			X	SS/CDBG
New Hampshire		X		X	LIEAP/SS
New Jersey	X				
North Dakota		X			
Oregon		X		X	
Pennsylvania			X	X	LIEAP
South Dakota	X				LIEAP/SS
Utah			X		
Vermont		X		X	
Washington			X	X	LIEAP
Wisconsin			X	X	LIEAP/SS/MCH
Wyoming		X			

STATE ACTIONS IMPLEMENTING THE CSBG

AS OF JANUARY 15, 1982

30 STATES IN OUR SAMPLE	TRENDS OR OUTCOMES OF PLANNING					
	May change FY 82 allocation method	May change FY 83 allocation method	Will not impose program priorities	Will change adminis. systems A=minor=6=20% B=major=8=27%	Other jurisdiction want to be local CSBG sponsor	Will continue to use CAA's as prime sponsors in FY 83
TOTAL N and %	7 = 21%	13 = 43%	22 = 73%		21 = 70%	22 = 73%
Alabama		X	X		X	X
Alaska			X		X	
Arizona		X	X	A		X
Arkansas	X	X(FURTHER)			X	X
Connecticut			X	A	X	X
Florida		X	X		X	
Idaho		X	X		X	X
Indiana			X	B		X
Iowa			X			
Kentucky		X				X
Louisiana						
Maine	X	X(FURTHER)	X		X	X
Maryland			X			X
Michigan				A		X
Mississippi			X		X	X
Missouri				B	X	X
Montana		X	X	A	X	
Nebraska		X	X	A	X	X
Nevada	X	X(FURTHER)	X	B	X	
New Hampshire			X		X	X
New Jersey		X	X		X	X
North Dakota			X	A	X	
Oregon			X	B		X
Pennsylvania				B	X	
South Dakota	X		X		X	X
Utah	X	X(FURTHER)		B	X	X
Vermont	X		X			X
Washington	X		X	B	X	X
Wisconsin			X		X	X
Wyoming		X		B	X	X

CHAPTER FOUR:

THE CATEGORICAL APPROACH:
AN HISTORICAL CRITIQUE

CHAPTER 4: THE CATEGORICAL APPROACH - AN HISTORICAL CRITIQUE

The President's block grant program is a response to the past fifty (New Deal) or twenty (New Frontier/Great Society) years of social programs. This vast array of social programs was based on three assumptions:

1. That the problems of poverty and social distress were distributed throughout the country - making them a national concern.
2. That these problems were beyond the scope and capacity of state and local governments.
3. That the federal government, with its capacity to assemble resources and brainpower, was needed to solve these national problems.

Consequently, a series of programs were established at the national level with the following characteristics: (See Chart 4A)

1. Federal control over the programs, centralized human services decision making, and administration in Washington.
2. The programs provided narrowly focused services targeted to specific needs and problems.
3. State and local governments were frequently by-passed in favor of creating a multiplicity of independent service providers at the local level.
4. Through federal requirements, citizens - especially low-income community members - were involved in human services through a variety of advisory and policy making bodies.

As this system expanded from 1.5 billion dollars in 1963 to 30 billion dollars in 1980, with a corresponding increase in numbers of programs and service providers, concern emerged about a number of serious defects:

1. That federal control created unwieldy, rigid programs overly dependent upon Washington for money, guidance, and stability.
2. That categorical programs, while needed, undermined local efforts to treat and respond to community wide priorities and issues.
3. The wide variety of public, private and community based agencies offered a fragmented system unresponsive to the needs of the whole individual.
4. The multiplicity of advisory groups and independent agencies undermined and eroded local government accountability.

CHART 4A

THE CATEGORICAL APPROACH

HUMAN SERVICE DECISION	WHO	HOW	WHAT
POLICY SETTING	FEDERAL	Congressional legislation	Sets program goals, defines target groups, provides funding and identifies federal agency to develop implementing regulations.
ACCOUNTABILITY	FEDERAL	Federal Agency Development of Regulations	Sets forth reporting requirements, performance measures, and procedural regulations.
PROGRAM DESIGN	FEDERAL	Legislation and Regulations	Designs programs and implementing procedures.
DELIVERY	LOCAL	City, County or Community/ Private Voluntary Agency	Delivers Services/Programs.
FUNDING	FEDERAL	Federal Appropriations and Allocation Criteria - Some State and Local Match	Allocates funds to states and localities.

5. The burgeoning cost of these programs was costing the taxpayer and the economy more than they could afford.

The New Federalism of President Nixon was an attempt to alleviate these problems. It would:

1. Decentralize some of the major priority and program design decisions to state and local government.
2. Combine many of the federal categorical programs into larger block grants.
3. Spur services integration efforts for more rational, coordinated service outlets for the client.
4. Loosen citizen participation requirements in favor of general purpose government accountability.
5. Significantly cut social program funding.

The twin cornerstones of New Federalism were General and Special Revenue Sharing. General Revenue Sharing involved distribution of federal tax dollars to state and local governments, on a formula basis. Only very broad guidelines were attached to the use of these funds. Blocks of former categorical programs were grouped together under the heading of General Revenue Sharing and Special (employment, community development, social services, etc.) Block Grants.

Nixon's New Federalism ended by expanding and complicating human services. While the block grant approach greatly expanded the role state and local government took in policy making, planning, and provision of human services, federal agencies and Congress were unwilling to relinquish control over many federally funded human services. The human service system took on its present shape of being partly categorical, partly locally determined, with a vast range of policy makers and service providers.

As President Reagan indicated in his State of the Union Address, and as the block grant process and our interviews reveal; the current New Federalism goes far beyond the Nixon Program. In addition to drastically cutting support for human services, it seeks to remove the federal government from Human Service Programs wherever possible by providing for almost complete state control of Human Service planning, policy making, funding, and administration. The New Federalism of the 1980's is an attempt to:

1. Drastically limit spending for federal social programs.
2. Shift Human Service responsibility to the state and local level.
3. Promote better focusing of existing resources.
4. Improve coordination and linkages among programs and services.

The issue that remains as the states move ahead with block grants: Will they retain the old categorical approach? Or will they move to create a local determination approach that builds upon the lessons and problems of the categorical system? The local determination approach is described in Chapter 5.

CHAPTER FIVE

THE LOCAL DETERMINATION APPROACH:
THE EXAMPLE OF COMMUNITY ACTION AGENCIES

CHAPTER 5: THE LOCAL DETERMINATION APPROACH -
THE EXAMPLE OF COMMUNITY ACTION AGENCIES

The Community Services Block Grant Programs have always reflected the Local Determination Approach to human services. The heart of the program has been a local decision making process which determined the programs and a strong emphasis upon local citizen involvement. While many have looked upon its more controversial aspects - stemming from emphases on low income involvement and advocacy - at the core of this program is a more complete model of the local determination approach than any other federal program with the exception of General Revenue Sharing.

In Community Action Programs (as illustrated in Chart 5A) the federal government states the broad policy and goals for the programs; and provides for a planning process for determining the actual substance and strategy of the program activities. The actual design and delivery of the local program mix are set in each community.

COMMUNITY ACTION APPROACH: MAJOR CHARACTERISTICS

The major characteristics of Community Action Programs¹ are:

Goal and Purpose: CAAs mission is to assist low-income residents of particular communities achieve self-sufficiency through a variety of strategies utilizing citizen participation.

Standards of Accountability: CAAs meet the reporting and accountability requirements of many administering agencies at the federal, state and local levels.

Strategy/Program Design: CAAs have flexibility to set priorities, make strategies, and design programs to meet needs in the community. A policy making board with low income, public, and private sector representatives, sets priorities and targets needs. Substantial community involvement goes into the design and implementation of strategies and programs to address needs. (See Chart 5C)

Service Delivery: CAAs use a variety of roles to focus on institutional change, coordinating services, and direct services.

Funding: CAAs use federal local initiative funds for core services, and mobilize additional federal and other resources for specific services.

CAA'S PERFORMANCE AND THE FIVE HUMAN SERVICES ISSUES

1. POLICY AND GOAL SETTING

By and large community action agencies have adhered to the major goal of the Community Services Act - to assist low

¹There are six standards of effectiveness toward which all CAA activities were to be directed. See Chart 5B.

CHART 5A

THE LOCAL DETERMINATION APPROACH
Community Services: An Example

HUMAN SERVICE DECISION	WHO	HOW	WHAT
POLICY SETTING	FEDERAL	1964 Economic Opportunity Act and Later Amendments	Enhance the self-sufficiency of low income people.
ACCOUNTABILITY	FEDERAL/ LOCAL	Regulations	Requirements for low-income public, private sector board membership, needs assessment, priority setting and work plan development (i.e., a prescribed planning process)
PROGRAM DESIGN	LOCAL	Community Action Agencies in Conjunction with City/Council and Others	CAAs have developed a range of programs & activities including several National Emphasis Programs such as Head Start, Low Income Energy, as well as developed non-service strategies to meet locally determined needs.
DELIVERY	LOCAL	Community Action Agency or Designated Entity	932 public and private Community Action Agencies and their delegate agencies have operated, managed and delivered a range of services.
FUNDING	FEDERAL/ OTHER	Federal grants (CSA and others) plus State Grants, Local and Private Resources	CSA provided seed money to CAAs upon which they mobilized additional federal, state and local resources.

income individuals and communities to overcome the problems of poverty. Within the scope of that broad mission many agencies have established a variety of program goals to achieve the broader ideas. Some emphasize economic development, some do effective planning, some advocacy, some emphasize direct delivery of services. Many CAAs work very well with the existing state and local services delivery system and could serve in the effort to make it more effective. Some CAAs, however, for a variety of reasons - some beyond their control - are more isolated and have not developed effective ties to cities, counties, and other agencies. All CAAs have been required by the federal government to undergo a local planning process to establish priorities and strategies each year.

2. ACCOUNTABILITY

CAAs operate within fairly strict fiscal, personnel, property inventory, and other management requirements. The programs have been subject to regular monitoring, audits and evaluation processes.

3. PROGRAM DESIGN

The capacity to put together effective programs is the critical element of the program. Four of its key standards are:

- A. Planning - CAAs have been moderately successful at performing comprehensive planning since they have broader leeway to set priorities and programs. Federal guidelines have encouraged this function in recent years although federal policy and follow through in this area has been uneven.
- B. Coordination - Our evaluations show that where CAAs are well connected politically coordination between the CAA and local governments is likely to be effective; and lead to service and administrative improvements.
- C. Developing Innovative Programs - The evaluations determined that the most significant efforts of CAAs in the area of innovation are in the areas of economic development, self-help, and housing.
- D. Community Involvement - By and large most CAAs are considered products of and vehicles for the involvement of low income people; although the perception of that role is not always as universal as one might expect. A series of interviews in Southern states shows that only four out of ten policy makers and clients felt the low-income had a high-impact on CAA decisions. But most officials, when asked to seek low income representation will turn to CAA board members and staffs.

CHART 5B
THE SIX STANDARDS OF EFFECTIVENESS
FOR COMMUNITY ACTION

- | | |
|---------------|---|
| Standard I: | Strengthening community capabilities and coordination (of poverty related programs) so as to insure that available assistance related to the elimination of poverty can be more responsive to local needs and conditions. |
| Standard II: | Better organization of services related to needs of the poor. |
| Standard III: | Maximum feasible participation of poor in government and implementation of programs designed to serve the poor. |
| Standard IV: | Broadened resource base of programs directed to the elimination of poverty so as to include all elements of the community able to influence the quality and quantity of services to the poor. |
| Standard V: | Greater use of new types of services and innovative approaches in attacking the causes of poverty, so as to develop increasingly effective methods of analyzing available resources. |
| Standard VI: | Maximum employment opportunity for residents of target areas. |

4. SERVICE DELIVERY¹

It is estimated that Community Action Agencies deliver more than 197 different types of programs, at least one third of them devoted to Basic Needs (e.g., food, clothing, shelter, household goods, and transportation). Others include employment, housing, health and childcare programs. A great many CAAs also sub-contract to other organizations thereby coordinating and strengthening the web of human service delivery in the community. It should be noted, however, that those CAAs which delegated all of their programs were deemed ineffective.

In addition CAAs have come to play a great many roles - in addition to service delivery. Many serve as planners for other agencies. They articulate needs for existing services; facilitate changes in programs elsewhere; serve as catalysts for new programs and community self-improvement efforts; and provide technical assistance to community and other groups. Some CAA's, however, have concentrated on certain service delivery roles and have not focused on these non-service roles and approaches.

5. FUNDING

Many CAAs have established a variety of programs outside those funded by their basic grant. In fact CAAs' budgets have averaged at least three additional dollars for every Community Services dollar received. For some agencies, this ratio is as high as nine or ten to one.

At the same time, the additional dollars received are generally from other federal programs. Their use of private sector resources has been limited.

THE FUTURE OF COMMUNITY ACTION AGENCIES

The analysis of evaluation data demonstrates that CAAs can provide significant contributions in the following ways:

Goals and Purposes: CAAs-through public sector representatives on their boards of directors or through their position as a public agency - have proven skills at working within the context of a local government human services system. They are equally effective at using block grant type funds to set local goals and policies.

Standards of Accountability: CAAs have shown themselves able to meet the reporting requirements of human service funders at every level of government.

¹There are a wide variety of approaches that can be pursued in addition to services delivery. Charts 5C and 5D highlight those that can be pursued by both general purpose government and by community action agencies.

CHART 5C

APPROACHES TO SOCIAL ISSUES AND PROBLEMS

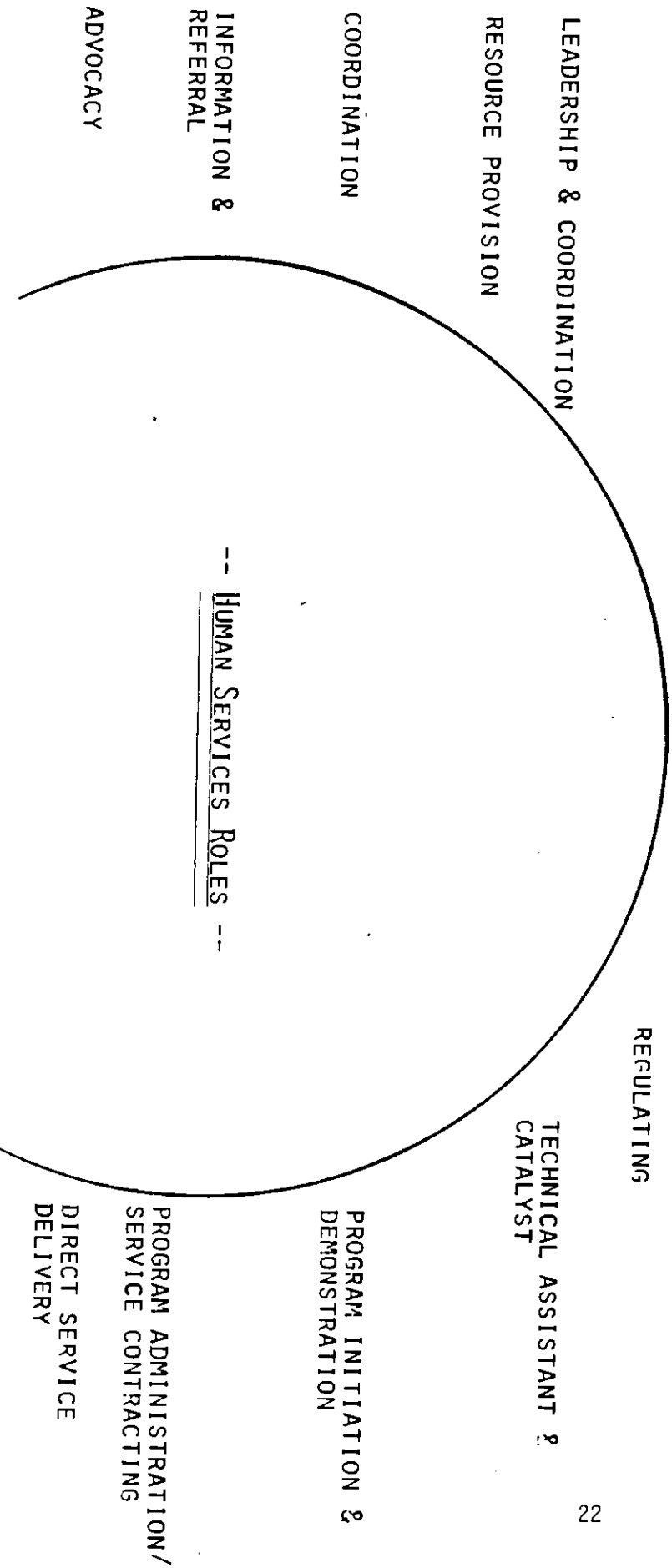


CHART 5D

ROLES FOR COMMUNITY ACTION AGENCIES

<u>PLANNING</u>	CAAs do comprehensive human service planning, strengthen relationships with local government through planning, and assess needs in the community.
<u>PROGRAM DEVELOPMENT</u>	CAAs design and develop strategies and programs, mobilize resources for programs, design innovative approaches to problems.
<u>SERVICE PROVISION</u>	CAAs deliver about 200 separate kinds of programs.
<u>COORDINATION</u>	CAAs have forged strong links with local government, community based organizations, and the private voluntary sector to facilitate the coordinated delivery of human services.
<u>ADVOCACY</u>	CAAs work to change public and private policies to make them more sensitive to the needs of the poor.
<u>TECHNICAL ASSISTANCE</u>	CAAs assist other agencies and individuals with grants writing, program delivery, etc.
<u>FACILITATION</u>	CAAs can facilitate individuals and community organizations in achieving their goals.
<u>COMMUNITY ORGANIZATION</u>	CAAs involve low income people on a variety of decision making and advisory bodies.
<u>EMPLOYERS</u>	CAA staff is hired from the low income community, and many staff members are recruited and employed by other agencies.

Strategy and Program Design: CAAs have an integrated approach to strategy and program design - designing strategies with community input based on community needs, that use a variety of roles and service approaches.

Service Delivery: CAAs run effective programs in the areas of employment, economic development, education, consumer affairs, housing, emergency assistance, nutrition, and information and referral to other agencies.

CAAs use the non service approaches of coordination, program demonstration, advocacy, organizational liaison, among and disseminating need information, and facilitating programs to sensitize existing services and the policies of other agencies to the needs of low income people.

CAAs can also serve and link other agencies to populations emerging as groups in need of assistance - refugees, Hispanics, seniors.

Funding: Most CAAs have leveraged CSA funding at a ratio of three or four dollars to one CSA dollar, some as high as nine or ten to one. Some CAAs have also proved successful in mobilizing private sector resources.

The two approaches - categorical and local - together with the actual implementation experiences described above should be useful to states as they review and reorganize their human services decision making systems in preparation for the block grants. Chapter Six presents a framework for such an effort.

CHAPTER SIX

RESTRUCTURING THE STATE HUMAN SERVICES SYSTEM:
A NEW OPPORTUNITY FOR STATE AND LOCAL RELATIONS

CHAPTER 6: RESTRUCTURING THE STATE HUMAN SERVICES SYSTEM

The previous chapters described the difficulties inherent in the Federal Categorical System and the emergence over the years of a new pattern of federal, state and local roles which we have deemed the Local Determination Approach. Dissatisfaction with the categorical approaches have culminated in the Omnibus Reconciliation Act and the President's recently enunciated New Federalism proposals. All this points to a dramatically enlarged and central role for state governments. This is an equally dramatic opportunity for states to reshape the human services system.

RESTRUCTURING THE HUMAN SERVICES SYSTEM

Reforming and restructuring the human services system will take both a well defined process, and a specific and conscious commitment from both state and local officials. Key policy leaders - the Governor, state legislators, local government, and community organizations - need to work together over time to devise a new, more comprehensive process for addressing human service decisions at the state level.

The five issues of human service systems discussed throughout this report can be used as a framework for discussion on restructuring the state human services system, and the immediate block grant implementation issues states confront every day. The following section provides some guidelines for states around the five issues of restructuring a human service system. Some guidance is also given around each issue for states that wish to involve local government in the whole range of human service decisionmaking - from policy through service delivery.

The five major human services questions can be addressed from a variety of standpoints:

1. Policy Setting - Given the federal turnover of major direction and policy setting functions to the state, states will undoubtedly wish to maintain the broad direction-setting responsibility for human services, health and employment concerns. The state can determine the process for establishing these directions, deciding to what extent local government and community experience and insight will be utilized in the decisions of the legislature, Governor's office and state agencies.

THE STATE CAN DECIDE AT WHAT LEVEL AND
WITH WHOSE INPUT THE BASIC HUMAN
SERVICES POLICY MAY BE MADE.

To facilitate a local determination approach, states can articulate broad human services mission and goals through a systematic planning process. Local government and agencies can then set specific priorities and policies for services.

CHART 6A
T H E T W O C H O I C E S

	FEDERAL	STATE	LOCAL GOVERNMENT	COMMUNITY/ PRIVATE VOLUNTARY
THE CATEGORICAL SYSTEM	<p>Passes Block Grant Legislation Few Regulations</p>	<p>Sets Broad Goals Sets Priorities Designs Programs Monitors/Evaluates</p>	<p>Deliver Services</p>	<p>Deliver Services</p>
THE LOCAL DETERMINATION APPROACH	<p>Passes Block Grant Legislation Few Regulations</p>	<p>Sets Broad Goals Sets Minimum Standards Monitors/Evaluates</p>	<p>Sets Priorities Designs Programs Delivers Services</p>	<p>Deliver Services</p>

2. Standards of Accountability - The administration of program funds can be directed at several goals. It can be focused narrowly to ensure basic fiscal and program integrity or it can be utilized broadly as an instrument of program influence and management control. It may be utilized to enforce civil rights regulations, to ensure an adequate decision making planning process and/or to allocate funds and set service strategies. States will wish to carefully tailor accountability measures to the particular level of involvement they wish to maintain; whether in goals, final accountability, program design and delivery issues, etc.

THROUGH THE LEVEL AND SCOPE OF ITS ADMINISTRATIVE REQUIREMENTS, THE STATE CAN DETERMINE THE LATITUDE GIVEN TO LOCAL GOVERNMENTS AND AGENCIES TO SET PRIORITIES AND DESIGN PROGRAMS.

To facilitate a local determination approach, program accountability standards, guidelines, and regulations should ensure fiscal and technical accountability. They should be designed to assist and facilitate the capacity for local program design and delivery.

3. Strategy and Program Design - This function is at the heart of a program's success. The process by which needs are defined, solutions assessed and strategies determined is the key to the success of any endeavor. It can be done at the federal, state, or local level.

The design of human service programs should be based upon the needs and circumstances of the community, as well as the wide range of regulatory, organizational, and other innovative strategies that can be brought to bear on the needs. A human service system should promote a program design and selection process with sufficient flexibility to tailor different service methods to the needs of different communities.

THE STATE CAN DECIDE AT WHAT ORGANIZATIONAL LEVEL, FROM WHAT RANGE OF PROGRAM STRATEGIES, WITH WHAT DEGREE OF FLEXIBILITY THE PROCESS OF DESIGNING PROGRAMS AND SETTING PRIORITIES CAN TAKE PLACE.

To facilitate a local determination approach, states can design a human services system in which program design, role selection and strategy development take place on the local level.

4. Service Delivery - The number and range of experienced service providers is immense. Cities, counties, state agencies, community organizations, and private voluntary agencies are all potential human service providers. A human service system should have criteria and a process for selecting service providers. As in any system, selection should be based on the agency's track record,

efficiency, flexibility, capacity to achieve human service goals, systems for accountability, ability to use service and non-service strategies, and ability to coordinate with and compliment other delivery, administrative, and policy entities.

THE STATE CAN RESHAPE AND REORGANIZE THE CRITERIA AND PATTERN OF SERVICE DELIVERY AND ACTION ENTITIES WITHIN THE STATE.

To facilitate a local determination approach, local selection of service providers should be an integral element of the system. Agencies should be chosen that can integrate/coordinate services and deliver services that meet policies and priorities of the system.

5. Funding - The state confronts a vast array of agencies to fund as well as a limited supply of funding sources at the state and local levels in both the public and private sectors.

Funding is being drastically reduced in the public sector. There is indication of potential support from the private voluntary and corporate sectors. Overall, the state must develop strategies for maximizing the existing resources by both limiting administrative costs and pinpointing key priority areas for action and services.

The pressure on the state and local governments to meet the needs of those affected by the federal cutbacks will be tremendous. The involvement of private sector representatives in the decision making process - at both the state and local levels should help focus the issues and gain their support. To the degree that the federal programs permit flexibility and shifting among programs, the state's funding process should reflect the capacity to set priorities among broad program areas and to establish coordinated strategies between them.

THE STATE HAS THE CAPACITY TO RESHAPE THE PATTERN OF FUNDING BY ALTERING DISTRIBUTION FORMULAS, BALANCING FUNDING AMONG ITS OWN AGENCIES, LOCAL GOVERNMENTS, COMMUNITY BASED AND PRIVATE VOLUNTARY AGENCIES, AND PROMOTING COST SAVING AND RESOURCE MOBILIZING STRATEGIES WITHIN THE SYSTEM.

To facilitate a local government approach states should ensure adequate service level funding, encourage local resource mobilization in its allocation processes and facilitate the creation of broad public, community and private sector participation in local (and state) priority and policy setting processes.

In conclusion, the experiences of local governments with the earlier block grants as well as the lessons of the community action programs

suggest that a useful model for the state is illustrated by Chart 6A, The Local Determination Approach. It provides, in essence, that:

GOALS AND PURPOSES:	Federal and state set broad goals.
ACCOUNTABILITY:	Federal and state set minimum standards and planning processes.
DESIGN:	Local determination of program priorities, roles and strategies.
DELIVERY:	Utilization of local government and community organizations.
FUNDING:	Federal/state funding; public, private and community resource mobilization efforts.

APPENDIX 1

IMPLEMENTING THE COMMUNITY SERVICES BLOCK GRANT -
FINDINGS FROM 30 STATES

IMPLEMENTING THE COMMUNITY SERVICES BLOCK GRANT -
FINDINGS FROM 30 STATES

In an attempt to understand how states have adopted the Community Services Block Grant, and to identify issues and problems related to this transfer of responsibility, the Institute for Local Self Government commissioned a survey of the states. The survey was conducted through a questionnaire, designed to gather information on how the CSBG is being administered in the 50 states.

This chapter contains the general findings of survey responses from 30 states, organized into the following categories:

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SURVEY METHODOLOGY

Issues to be addressed in the survey were identified with assistance from staff of several organizations, such as the National Association of State Economic Opportunity Offices, National Association of Counties, U.S. Conference of Mayors, and National Community Action Foundation. The survey was carried out by James I. Masters, Human Services Programs and Systems, Arlington, Virginia.

The questionnaire was mailed to four officials in all 50 states:

1. Community Services Block Grant Designee (as identified by HHS).
2. State Economic Opportunity Office Director (if different from CSBG Designee).
3. Community Action Agency State Association President or Director.
4. State Association of Counties.

Follow-up calls were made to ensure that at least 30 states responded. The findings in this chapter are based on the returns from those states, and represent a good cross-section of the national trends. In addition to describing general trends we wanted to capture the full range and unique examples of CSBG implementation. In those states, questionnaires were also sent to legislative leaders identified by the National Conference of State Legislators as being responsible for human services legislation. Officials from various cities in these 18 states were called.

Because many state legislatures were just convening when the survey was mailed (January, 1982), a supplemental report describing what the legislatures did in those states will be prepared in the Spring of 1982.

Our findings have been, for the most part, analyzed in terms of:

1. One or more premises of New Federalism related to that subject.
2. The situation existing in recent years in community action programs.
3. Salient issues related to that aspect of the CSBG implementation.

4. Developments to date as reported by our respondents.
5. Conclusions we drew from the survey results.

It should be noted that the status of planning for CSBG implementation varies considerably from state to state. In some states it is finished, in others it has not yet started. In some states it is under way, but moving slowly; in others, changing day to day. In some states the process is very systematic, logical and focused on program principles; in others, very ad hoc, and focused on politics. In some states it is being done by itself; in others, in conjunction with other social programs. In summary, things are moving fast, and in a lot of different directions.

At the raucous January, 1982 State Fair of block grant implementation, we think we have caught the greased pig, but a greased pig does not stay captured forever. This survey, then, is a snapshot of the status and trends in a rapidly changing situation.

A: PLANNING THE IMPLEMENTATION OF THE CSBG

A/1. Who is involved and how is the process operating?

Premise of the New Federalism:

Planning for social program operations is more appropriately carried out by state and local government officials than by federal officials or by nonpublic agencies.

Previous Situation:

Under the Economic Opportunity Act, the federal Community Services Administration established rules and procedures for community action program operation, and had general oversight and monitoring responsibility for the program. Rules were established in accordance with Office of Management and Budget standards and procedures, and published in the Federal Register. CSA also established general criteria describing how CAAs should plan programs. General requirements were not, however, developed specifying programs a CAA would or would not operate.

Program priorities on expenditure of CSA funds were set either by the U.S. Congress through "national emphasis" programs such as Head Start, or by the local CAA as a result of a community based planning process in which the CAA worked with a large number of public and private agencies and community groups to identify local needs.

In most states, either specific enabling legislation for the CSBG is not required, or it was obtained prior to FY-82 through an umbrella bill authorizing the Governor to accept and operate any block grant Congress might create. As a result, in most states the governor has the lead responsibility for planning and implementing the CSBG for

FY-82. (A couple of notable exceptions are Florida and Texas, where the legislatures have insisted that they act first.)

Block Grant Issues

The methods that Governors use to plan and implement the CSBG are interesting for several reasons:

- Selected tactics and processes are a barometer of how the governors see their role in terms of accountability to their constituency under New Federalism. Who they choose to invite to participate in planning for implementation has implications for both FY-82 and future years.
- The extent to which governors incorporate the principles of community action, such as broad-based planning with involvement of low-income people, is one measure of how they feel about those principles.
- The extent to which they seek to modify the existing program may be reflected in the process or content they propose.

Developments to Date:

In fourteen of the thirty states reporting, planning for CSBG implementation was considered as part of the routine operations of state agencies. In the other 16 states, regular agency planning operations were supplemented with task forces or special committees that met on several occasions to draft the state plan. Based on an analysis of reports from those thirty states about who was involved--and who had the authority--three styles of planning emerged.

- The first style involved planning as a closely held operation, involving a few highly placed officials and representatives of the Governor. This is the case in eleven of the thirty states: Maryland, New Jersey, Montana, Arkansas, Kentucky, South Dakota, Nevada, Missouri, Nebraska, Alaska and Louisiana. Service providers were consulted in some cases and a few states held a hearing at which the public could testify; basically, planning was an in-house operation, led by the Governor, the State Planning Director, or Social Service Director.
- The second style featured a relationship between the Governor's office and the service provider agencies, i.e., the CAAs. This usually involved a more formalized task force structure, led by either the State Economic Opportunity Office Director, or their supervisor--often a Community Affairs or Human Resource Director. Twelve states utilizing this style included: Michigan, Indiana, Connecticut, Florida, New Hampshire, Vermont, Iowa, Idaho, Wyoming, North Dakota, Oregon and Arizona.

- The third approach involved city and/or county governments or public interest groups and the CAAs in planning. Seven states adopting this style were Washington, Alabama, Maine, Utah, Mississippi, Pennsylvania and Wisconsin. Washington state deserves special mention for carrying out a planning process for all block grants that provided opportunities for participation from providers, public interest groups and recipients of services. It appears to be the only state that systematically sought out and involved recipients of service in implementation planning.

Conclusions:

Executive Branch planning has, so far, been a fairly low-key operation with a few executive branch officials taking the responsibility for drafting the plan. Many states have held a one-day hearing (usually on all block grants), but opportunity for widespread participation by cities, counties and citizens has emerged in less than one third of the states.

A/2. Public Hearings on the Draft CSBG Plan; FY-82 and FY-83.

Premise of New Federalism:

State governments should be free to use whatever public hearing methods they feel appropriate for FY-82.

Previous Situations:

Federal regulations, no longer in effect, required extensive community participation and public hearings on proposed programs at the CAA level. There was no federal requirement for a public hearing on a state Community Services Plan because there was no state plan as such.

Block Grant Issues:

Section 1742(c) of the Omnibus Reconciliation Act requires that the State obtain public comment on the plan. The Act also requires a state legislative hearing on "the proposed use and distribution of funds." Secretary Schweicker felt that other provisions of the Act exempted states from these requirements for FY-82, and the implementing regulations so state. Apart from the public comment and legislative hearing requirements, there are no other federal specifications on how states shall plan and implement the CSBG.

Developments to Date:

For the FY-82 plan, thirteen of the thirty states held no hearings, but four of these thirteen did provide for an opportunity for written

public comment on the draft plan.

Seventeen states did hold hearings. In most cases, the hearings were sponsored by the legislatures, and were one-day events covering all the block grants. Of the seventeen that did hold hearings of some sort, four--Mississippi, Arizona, Alabama and Louisiana--held hearings at more than a single location.

For FY-83, almost all states report they will have some kind of public hearing. Twenty states intend to satisfy the hearing requirement through their regular legislative process. Five of those states--Nebraska, Idaho, Wisconsin, New Hampshire and Nevada--will hold hearings sponsored by the Executive Branch in addition to those sponsored by the legislature. Three states--Mississippi, New Hampshire and Wisconsin--have made definite plans to hold hearings in more than one location for the convenience of the public.

Conclusions:

So far, most governors have no plans for public hearings other than review of proposed expenditures of CSBG funds by the state legislature. Where hearings are planned, only a few states intend to hold them in more than one location.

A/3. Requirement for Enabling Legislation for States to Operate CSBG

Premise of New Federalism:

A hearing conducted by the legislature on the proposed uses and distribution of funds is all that the federal government will require for FY-83. There is no requirement for FY-82.

Previous Situation:

There was no federal requirement for state level hearings on community action programs. The public hearing on program and funding decisions were all done at the local level, by CAAs.

Block Grant Issues:

States report great uneasiness about the absence of more explicit guidance from the federal government about what standards if any will be used to judge the acceptability of the hearing process and the process of public comment.

Developments to Date:

Twenty-five of the thirty respondents report no additional legislation is necessary to implement CSBG. In the majority of these states, the legislatures took an action in the Spring or early Fall

CSBG Funding Formula

Fiscal Year 1982 COMMUNITY SERVICES BLOCK GRANTS

States	Allotment (1)	25% -		5% Admin. Expenses for States Declining	Amounts Available for 1st Qtr. Grants (4)	Allotment - Excluding Column (3) and Amounts for Indians (5)
		States Accepting 14% - States Declining (2)				
Alabama	\$ 4,269,055	\$ 1,067,264		\$ 4,903	\$ 1,067,264	\$ 4,242,826
Alaska	700,375	98,052			93,149	665,356
American Samoa	151,875	37,969			37,969	151,875
Arizona	1,980,445	495,111			495,111	1,628,411
Arkansas	2,954,505	738,626			738,626	2,954,505
California	20,373,370	2,852,272	142,614		2,709,658	19,354,701
Colorado	1,948,120	372,737		13,637	259,100	1,850,714
Connecticut	2,801,500	392,210		19,610	372,600	2,661,425
Delaware	562,500	140,625			140,625	560,471
Dist. of Col.	3,902,705	975,676			975,676	3,902,705
Florida	6,482,240	907,513	45,376		862,137	6,158,128
Georgia	6,027,535	843,855	42,192		801,663	5,726,158
Guam	129,375	32,344			32,344	129,375
Hawaii	935,270	233,818			233,818	935,270
Idaho	599,090	149,772			149,772	588,145
Illinois	10,912,920	2,728,230			2,728,230	10,912,920
Indiana	3,381,195	845,299			845,299	3,381,195
Iowa	2,512,730	628,183			628,183	2,510,446
Kansas	1,894,245	473,561			473,561	1,890,155
Kentucky	3,810,040	952,510			952,510	3,810,040
Louisiana	5,383,190	1,345,798			1,345,798	5,360,812
Maine	1,221,585	305,471			305,471	1,218,450
Maryland	3,081,650	431,431	21,572		409,859	2,927,567
Massachusetts	5,725,835	1,431,459			1,431,459	5,719,557
Michigan	8,604,915	2,151,229			2,151,229	8,590,416
Minnesota	2,745,470	686,368			686,368	2,720,190
Mississippi	3,693,670	923,417			923,417	3,887,502
Missouri	6,428,365	1,607,091			1,607,091	6,428,365
Montana	853,985	116,758	5,838		110,920	792,286
Nebraska	1,586,080	396,520			396,520	1,576,746
Nevada	562,500	140,625			140,625	544,119
New Hampshire	622,795	87,191	4,360		82,831	591,855
New Jersey	6,361,360	1,590,390			1,590,390	6,342,329
New Mexico	1,491,260	208,776	10,439		198,337	1,416,697
New York	19,890,650	2,784,691	139,235		2,645,456	18,896,117
North Carolina	6,158,990	1,539,748			1,539,748	6,049,428
North Dakota	562,500	140,625			140,625	523,277
No. Mariana Islands	61,875	15,469			15,469	61,875
Ohio	8,595,340	2,223,960			2,223,960	8,595,336
Oklahoma	2,952,350	738,087			738,087	2,250,340
Oregon	1,861,920	465,480			465,480	1,855,065
Pennsylvania	9,833,265	2,458,316			2,458,316	9,833,265
Puerto Rico	9,719,050	2,429,762			2,429,762	9,719,050
Rhode Island	1,283,543	323,250			323,250	1,283,543
South Carolina	3,557,905	889,476			889,476	3,555,108
South Dakota	562,500	140,625			140,625	480,516
Tennessee	4,575,065	1,143,766			1,143,766	4,575,065
Texas	10,977,370	1,536,860	76,543		1,460,317	10,445,891
Trust Terr. Pacific Is.	627,750	156,938			156,938	627,750
Utah	905,100	226,275			226,275	879,761
Vermont	562,500	140,625			140,625	562,500
Virgin Islands	154,125	38,531			38,531	154,125
Virginia	3,394,125	475,177	23,758		451,419	3,224,419
Washington	2,792,880	698,220			698,220	2,754,330
West Virginia	2,398,930	563,350	18,192		545,958	2,468,985
Wisconsin	2,827,360	706,340			706,340	2,803,415
Wyoming	562,500	140,625			140,625	559,925
Section 681(b)	5,000,000	1,250,000				5,000,000
TOTAL	\$225,000,000	\$47,315,347	5568,569		\$45,496,778	\$219,951,916

of 1981 that authorized the Governor to receive and spend FY-82 funds for all or most of the block grants. Then the legislature adjourned. Subsequently, the federal government passed the CSBG legislation and wrote the new regulations. The transfer to the states was done at a time when most legislatures could not be involved.

Most state legislatures convening in the Spring of 1982 will be focusing on the FY-83 budget issues, on reapportionment, and on possible tax increases. Unlike the U.S. Congress, most state legislatures do not have the time or resources to write detailed program rules and to embody them in legislation. In the area of block grant legislation, the legislatures are looking primarily at allocation criteria, and leaving program content issues to the governors.

The effect of the rapid handoff of program responsibility from the federal government to the states after most legislatures had stopped working on FY-82 issues; the extraordinarily difficult issues the legislators face in their next sessions; and the nature of state legislatures themselves, diminish the opportunities for legislatures to plan and implement the block grants for FY-82, and leaves this responsibility largely to the executive branch.

A report now in preparation by the Advisory Commission on Intergovernmental Relations lists which states made changes, as of December 15, 1981, in the authority of the governor (7 states) or the legislatures itself (15) as a result of the creation of block grants. This report will illustrate that some restructuring is taking place.

Several legislatures, in passing their one or two page law authorizing the governors to receive and administer FY-82 funds, did so with the caveat that they may want to exercise greater authority over FY-83 expenditures.

Five states do require a state statute for FY-82. Interestingly enough, four of those five did not initially opt into the CSBG. They are Wyoming, New Hampshire, Montana and Maryland. Although they are not part of our sample, this is also true in Texas and California.

In seven other states, CAAs are seeking legislative protection or relief from either an uncertain relationship with the Executive Branch, or from a challenge from counties. Those states are: South Dakota, Arkansas, Florida, Wisconsin, New Jersey, Pennsylvania and Kentucky.

In most states, the legislatures are not as yet playing a significant role in FY-82 block grant planning or implementation. In a

small number of states, however, they will basically set the direction for the program. In another small number of states, they will determine the outcome of disagreements among service providers (CAAs), counties, and the executive branches.

Conclusions:

Both governors and legislatures are taking a cautious approach to soliciting public comment and sponsoring hearings. Most are holding only one hearing in one location.

The huge majority of legislatures are not playing a large role in FY-82 block grant planning.

As of the date of this report (January, 1982), most legislatures have just convened, so it is not yet possible to determine how large a role they want to exercise. A supplement to this report will be prepared in the late Spring of 1982 and will describe legislative activity in eighteen states.

A/4. Coordinated Planning for Block Grants

Premise of New Federalism:

Increased flexibility is needed at the state level to give states the opportunity to more effectively integrate and coordinate social program operations. This flexibility will lead to greater effectiveness and lower cost of operations.

Previous Situation:

Almost all of the 57 categorical programs included in the block grants had unique planning requirements and funding cycles, so most programs were planning apart from the others. For community action programs, all local initiative funded programs are planned for simultaneously by the CAA. Some special emphasis programs funded by CSA, such as food programs, were planned on a separate cycle. Other programs operated by CAAs, but funded by different state and federal agencies--such as manpower programs, energy programs and housing programs--had their own planning requirements and application submission cycles. Section 675 (c) 8 of the CSBG requires states to coordinate planning between the CSBG and the energy crisis intervention programs which states have the option of operating under their Low Income Energy Assistance Program (LIEAPG).

Block Grant Issues:

The block grants created last year provide additional opportunities for states or service providers to plan for several programs at once.

Developments to Date:

Of the thirty states reporting, fourteen indicate that they plan for each block grant separately. This appears to be as much a function of assigning the lead responsibility for different blocks to different agencies or even individuals within agencies, as any conscious policy decision.

Sixteen of the thirty states are planning for LIEAPG and CSBG together. In many of these states, CAAs administer a substantial portion of the LIEAPG. Of those sixteen, eleven states have also mixed planning for the Social Services Block Grant (Title XX) with the other two. And, of those eleven, eight have assigned additional block grant planning to the same planning unit or person.

The link between Social Services planning and CSBG planning is significant in that in eight of those eleven states, either the Executive Branch or the counties are considering having counties as recipients of CSBG funds. Those eight are: Wisconsin, Montana, Arkansas, South Dakota, Mississippi, New Hampshire, Nebraska and Alaska.

Conclusions:

So far, most states have not utilized the opportunity to plan for several programs at once. In most states planning is being done by the same state agencies, in the same fashion, as in previous years. In a few states, planning for several blocks together is linked to a move to shift CSBG funds to counties.

B. TRENDS AND OUTCOMES OF THE STATE PLANNING PROCESSES

B/1. Fiscal Issues

B/1/a. Use of State Funds to Replace Reductions in Federal Funds

Premise of New Federalism:

States should use their funds to support locally desirable programs, or to replace reduction in federal funding.

Previous Situation:

The 20% federal-matching requirement on local initiative funds administered by community action agencies was most often satisfied through locally-generated contributions of space, volunteer time, and supplies and from the cash contributions of local fund raising efforts, local governments or United Ways. At the state level, the 50% matching requirement for State Economic Opportunity Office funding was ended in 1981.

There were virtually no previous federal incentives or requirements for states to put cash into the community action program, but several states--Florida, Illinois and Michigan--do appropriate state funds for use in funding community action programs.

Developments to Date:

States that already use their own funds in community action programs are not considering an increase in these expenditures. States that do not now allocate funds to community action programs are not planning to do so.

The only states reporting plans to replace reductions in federal funds under any of the block grants were Maryland, which will supplement aging programs and alcoholism programs; and Montana, which appropriated \$4.9 million to the Social Service Block Grant and to the Medicaid Program.

Conclusions:

Whatever the reasons, states are not replacing federal reductions in the CSBG in particular or in block grants in general with state funds.

B/1/b. Transfer of Funds among Block Grants

Premise of New Federalism:

States should have flexibility for transferring funds among social programs.

Previous Situation:

Under categorical programs, it was generally not possible to transfer funds among programs, no matter which jurisdiction administered them. Most of the block grants provide broad discretion for transferring funds among programs within the same block beginning in FY-83.

Congress also provided for transfer of funds between various block grants for FY-82, although it is unclear why transfers are permitted between some blocks and not others. Congress provided that 5% of CSBG funds could be transferred to other blocks, and allowed for transfer of funds into CSBG from several other blocks.

Developments to Date:

Eighteen states do not plan to transfer funds out of CSBG. They are: Arizona, South Dakota, North Dakota, Utah, Nebraska, Wyoming, Alaska, Maine, Iowa, New Hampshire, Alabama, Wisconsin, Pennsylvania, Missouri, New Jersey, Connecticut and Montana.

Three states plan to transfer funds from CSBG to other programs. Kentucky and Arkansas will each transfer 5% to Aging programs. Nevada will transfer \$48,700 to Aging, Head Start, and the Energy Crisis Intervention Program.

One state, Washington, plans to transfer funds into CSBG from the Low-Income Energy Assistance Block Grant. They will apportion 10% of LIEAP into CSBG, Social Services, and Maternal and Child Health blocks.

LIEAP is being tapped for transfers other than into CSBG. Oregon, Arkansas, Montana, and Missouri intend to transfer 10% of LIEAP funds to other (unspecified) blocks. Florida plans to allocate 10% to Social Services; Wisconsin, \$2.28 million to Social Services; Vermont, \$400,000 to Social Services; and Nebraska, an unspecified amount into Social Services. Idaho will transfer 7% into Maternal and Child Health. Washington plans to transfer LIEAP funds to Social Services and Maternal and Child Health blocks, in addition to the CSBG transfer. In all, 10 states or 33% of our sample report plans to transfer LIEAP funds to other blocks.

States reporting plans to use LIEAP for weatherization include North Dakota, Utah, Kentucky, Alabama, Wisconsin, Florida and Arkansas. Other states are considering this, too.

Conclusions:

There is little transfer of funds between blocks. The only block experiencing any substantial movement is LIEAP, from which about one-third of states are transferring funds to other block grants.

B/1/c. FY-82 Allocation Criteria

Premise of New Federalism:

States should allocate funds based on state perceptions of need.

Previous Situation:

The U.S. Congress allocated most anti-poverty funds to states based on a formula that was weighted heavily toward the numbers of low-income people (federal definition) within each state. They established state minimum expenditure levels for local initiative funds. The federal bureaucracy, as a rule of thumb, carried the same allocation criteria down to the sub-state level. By the late 1960's, the federal agency had responded to the problem of not having sufficient resources to launch visible anti-poverty programs in every county by concentrating in geographic areas with the highest percentages or concentrations of low-income people. Community Action Agencies were opened in about

two-thirds of the nation's 3,141 counties. About 86% of the nation's low-income population resides in these counties.

Funding levels were, however, heavily influenced by factors such as (a) the ability of a CAA to launch the program quickly, especially in those years when Congress was very late in appropriating funds; (b) status of the CAA in terms of eligibility to receive funds - Board composition, approved fiscal and personnel policies, audit performance, etc.; and (c) competition among CAAs in terms of their proposals as judged by federal program standards.

Congress also targeted some programs, particularly national emphasis programs having to do with youth, in such a way that a large share of the funds went to urban areas.

The federal establishment had settled into a pattern in the past decade of pro-rata, incremental changes in the previous year's funding level.

The funding pattern is different in every state. In many places, the allocations are perceived as having been done fairly, so no change is desired. In others, the risks of opening the issue up for debate are seen as being too great. In some states, rural CAAs have long felt that large cities (Chicago, New York City, Detroit, St. Louis, Miami/Dade County) were receiving a disproportionate share of the funds. Although many of the national emphasis programs targeted to cities have now been abolished or sharply curtailed, the feeling of inequity continues to exist. Jurisdictions that felt left out of the program, and rural CAAs that felt they did not receive a fair share of funds, are both interested, for very different reasons, in changing allocation criteria. This is especially true in states only partially covered by CAAs.

For FY-82, the CSBG requires states to use 90% of their state allocation to fund existing community action agencies and certain other limited-purpose agencies. The method by which states allocate the funds among those eligible entities is left to the discretion of state officials.

Developments to Date:

Fully two-thirds of the states report that they will do straight pro-rata reductions for existing programs in FY-82.

Seven states are planning to do something other than pro-rata reductions. They are:

Utah: A base funding level, with the remainder apportioned on the percent of low-income people.

Maine: Percentage of local initiative funds, combined with geographic factors.

Vermont: Base funding level, with the remainder apportioned according to the percent of low-income people.

Washington: \$100,000 minimum, with the remainder apportioned according to the percent of low-income people. Two percent will be awarded competitively.

Nevada: 75% allocated on a pro-rata basis. 25% on a competitive basis.

Arkansas: 70% based on previous funding levels, 20% on percentage of low-income people, 10% on performance factors.

South Dakota: A formula with five elements--numbers of elderly; low-income families; low-income persons; population; and size of the geographic area. (The Governor reportedly communicated to three of the CAAs in the state they would not receive FY-82 funds.)

Two states, Alaska and Louisiana, report they have made no decision as yet.

Conclusions:

In FY-82, most states are doing pro-rata reductions from the FY-81 funding level. A few are using new allocation formulas that are based primarily on demographic data.

B/1/d. FY-83 Allocation Criteria Changes

Developments to Date:

For FY-83, Arkansas, Maine, Nevada and Utah are considering further changes from their existing (FY-82) allocation criteria, and nine other states are also considering changes:

Percent of Low-Income Population: Nebraska will use this criterion.

Performance Factors: Both Maine and Arkansas will rely primarily on performance.

Total Population: Montana and Arizona will use a formula in which total population is the major element.

Open Bidding: Idaho, Maine, and Nevada report they will establish open competitive bidding procedures. New Jersey will give priority to existing CAAs. It is not yet known whether they will expand bidding privileges to un-capped areas.

Spread to All Counties: Wyoming, Kentucky, Alabama, Florida and Utah are planning to spread funds throughout the state, although the

allocation criteria and identification of who will be eligible applicants have not yet been given final approval.

Conclusion:

About one-half of the states are already planning some change for the FY-83 allocation criteria.

B/1/e. Targeting Funds by Program

Premise of New Federalism:

States should set whatever program priorities they think desirable.

Previous Situation:

Congress appropriated funds for various programs through the Economic Opportunity Act in two ways. The "National Emphasis Programs," such as Head Start and Legal Services, followed the traditional model of categorical programs with detailed federal regulations about client eligibility, program objectives and eligible activities.

The "Local Initiative Funds" were, however, provided to community action agencies with few strings attached. The federal government did have numerous fiscal, personnel, and property standards governing how funds should be managed, but relatively few requirements about what types of programs the funds would be spent on. Those decisions were based on a needs assessment, developed as part of a community-based planning process operated by the CAA.

The CAA Board, consisting of local public officials, private and business interests, and representatives of low-income people, selected the types of programs the CAA would operate. The Board set program objectives and determined eligible activities and recipients. This program was, in effect, a type of block grant in a categorical program container, with authority over most decisions vested at the local level.

Developments to Date:

More than two-thirds of the states report they do not intend to impose any program priorities on how eligible entities use CSBG funds in FY-83. The states that do report plans to develop mandatory program priorities are described below. In most of these states, the exact percentages of funds to be spent for particular programs have not yet been determined.

Pennsylvania: Emphasis on economic development and manpower.

Missouri: Child abuse prevention and job finding clubs must be included with other programs.

Louisiana: All CAAs must be involved in manpower programs.

Kentucky: May require some program priorities. Not sure yet.

Arkansas: This state plans to require that 30% of funds be spent for economic development, 10% for housing, and 10% for manpower programs.

Conclusions:

Most states intend to leave the selection of programs up to the local entity that administers the funds.

B/1/f. Impact of the Reagan Administration Budget Cuts

Block Grant Issues:

The actual date at which the impact of the budget cuts will be felt depends upon the CAAs Program Year End Date, and on how the former federal regional officials approved use of unexpended funds (carry-over balances).

Impacts will also be felt according to whether the state is providing 12 months of funding off of the existing program year end dates, or is changing all PYEs to the same month.

Developments to Date:

Community Action Agencies historically were funded for a twelve-month period, called a program year. The Program Year End Dates (PYEs) of the 900 CAAs were distributed across the 12 calendar months, so that in any given month about 80 CAAs had to have their refunding applications processed. The program year concept was instituted for two reasons. First, it provided for a more even flow of paperwork and refunding applications through the relatively small federal funding machinery (OEO, then CSA). Secondly, it permitted CAAs to utilize all the funds granted from any particular appropriation, as they did not have to automatically return the cash at the end of the federal fiscal year (September 30th).

Almost all states, for FY-82, are doing a straight pro-rata reduction from the CAAs FY-81 funding level, and refunding CAAs for 12 months. So, if the state's FY-82 allocation is 'x' percent lower than FY-81, the amount the CAA receives from the state is also 'x' percent lower. The impact of the cut is felt in the month in which the CAA's new program year starts. So, it is possible for one CAA to operate throughout most of FY-82 at the FY-81 funding level, while a neighboring CAA might experience reduced funding much sooner because their program year started much earlier--as early as October 1, 1981.

Federal officials in the now-abolished Community Services Administration authorized some CAAs to continue using unexpended FY-81 past their regular Program Year End Dates. This created an ambiguous situation for CAAs in several states, particularly the states that had not adopted the CSBG, about whether or not the CAA's established program year end date had been extended or not. The issue is significant, because if the program year end dates had been changed, then the use of these funds would continue to be counted against the FY-81 funding level. If, however, the federal officials were leaving the old PYEs in place and authorizing expenditure of these funds as part of a new program year, then the new federal agency, the Office of Community Services, might attempt to deduct these FY-81 funds from the FY-82 state allocation. (CAAs in the affected states, notably California, are arguing that this action, if taken, would constitute impoundment of a portion of their FY-82 state allocation.)

For states that have not yet adopted CSBG, the selection of a policy for expenditure of FY-82 funds is also a major factor affecting when the impact of the cuts will be felt. A few states are shifting the PYEs of all CAAs to coincide with the end of the federal fiscal year, September 30th. In these states, because they are not providing a full twelve months' worth of funding to every CAA, funding can occur at a higher monthly rate. CAAs in those states do not have to take the full cut this fiscal year. The full effect of the reductions in federal funding will not be felt until FY-83. Some states were worried that they might be penalized for this "windfall" created by the method they use to start the block grant program, but Maryland's State Human Resources Secretary received assurances from HHS that there would be no penalty.

The average reduction in total CSA funding for most CAAs will be about 15-17%, and the additional reduction in local initiative funding will be about 8% to 11%. As they shift to their FY-82 appropriation level, virtually all CAAs are laying off staff. Perhaps because of the reduction in federal requirements for program administration, most CAAs are laying off administrative personnel first, with Deputy Directors for administration and planners among the first to go. The elimination of the federal requirements on Equal Opportunity Employment reduced the responsibility of EEO Officers and many of their positions were abolished. Programs being reduced are Affirmative Action, Summer Youth, Transportation, and Community Food and Nutrition programs.

A few CAAs are requesting money from the States. Most are requesting that local governments provide them with some additional funds. This is meeting with little success since state and local governments are also experiencing reductions in operating funds. CAAs are also increasing their efforts to obtain funds from the United Way, through other local fundraising efforts, and through increased use of volunteers (the Mid-Iowa Community Action Agency in Marshalltown, Iowa has had spectacular success in generating local resources).

B/2. Simplification of Administrative Systems

B/2/a. Changes in Requirements for Planning Programs at the Local Level

Premise of New Federalism:

The federal government imposes too many standards, procedures and forms. The states, if left to themselves, will pare away the unneeded requirements.

Previous Situation:

Two of the more unique features of the mission given to CAAs by the Economic Opportunity Act were (a) focusing attention on the institutional or systemic causes of poverty, and (b) maximum feasible participation of low-income people in the analysis of problems and in the development of solutions. Local decision making, with the tripartite CAA Board guiding the process, is at the heart of community action.

Many CAAs had developed their own planning systems to accomplish the mission described in the Economic Opportunity Act. The federal CSA had developed a new Grant Program Management System which further emphasizes community based planning.

Block Grant Issues:

Have States changed the planning requirements in ways to reduce or eliminate the CAAs' previous mission? What federally developed or approved administrative systems have been replaced with other requirements? What are the changes in the cost of administering the CSBG from the state and federal levels?

Developments to Date:

Of twenty-nine states reporting, the following trends are present:

- Eight states will retain existing planning requirements
- Two states will let CAAs determine their own planning requirements
- Six states intend to use the basic system but make some modifications
- Five states have taken no position as yet
- Eight states will not use the existing planning process

The eight states that will not use the planning process are: Utah, Oregon, Wyoming, Missouri, Washington, Indiana, Pennsylvania and Nevada. There does not appear to be any particular relationship between

this group and the states where there was a closely held planning process, or the states where service providers are seeking protective legislation.

Conclusions:

The reasons for changing the planning requirements in some states do not appear to be an identifiable effort to change the CAA Mission. New state regulations may or may not, however, require an analysis of the causes of poverty, or encourage the development of programs to reduce those causes.

B/2/b. Changes in Requirements for Fiscal, Personnel and Property Management

Developments to Date:

The situation in regard to fiscal, personnel, and property management systems is similar. States usually have taken the same position on the administrative requirements in these three areas as they took on the planning requirements. Some will continue to use the federal systems, others are modifying these systems, and the remainder are abandoning the federal requirements entirely.

The responses on these three management systems were:

- 10 - Keep the federal system
- 5 - Some modifications
- 1 - CAA option
- 5 - No position yet
- 8 - Shift off of federal systems

Conclusions:

Most states are leaving existing systems in place, at least for this year, but have not yet communicated to program administrators which systems will continue to be used, and which will be replaced.

B/2/c. Federal/State Administrative and Overhead Costs

Premise of New Federalism:

Block grants mean that less money need be spent on administrative overhead by supervising agencies.

The Existing Situation:

The approximate amounts of funds spent administering money appropriated through the Community Services Administration at the federal and state levels is shown in the table below (in millions).

	<u>FY-81</u>	<u>FY-82</u>
Federal Agency (CSA/OCS)	40	8.5 estimated
State Agencies (SE00s)	<u>3.75</u>	<u>17.4</u> (5% of total in opt-in states)
Total Administrative Costs	43.75	19.5
Total Funds Supervised (in millions)	586	348
Administrative Costs as a % of Program Funds	7.47%	5.60%

Developments to Date:

"Not much sense in requiring people to do things unless you can provide technical assistance and enforcement."

Many states are paying for planning/implementation of CSBG using funds from other state agencies. The absolute amount of money spent for program administration has been reduced. The types and amounts of monitoring and technical assistance that states will provide cannot yet be determined, although one state, Idaho, cited insufficient funds as the reason for not requiring that CAAs continue to meet federal OMB circular standards.

Conclusion:

5% limit on administration may or may not be sufficient to do an adequate job--it is perceived not to be.

B/3. Who Are the Likely Recipients/Administrators of the Funds for FY-83?

Premise of New Federalism:

The states should decide who will sponsor/operate social service programs.

Previous Situation:

The federal government did not have sufficient funds to start community action programs in every county. Although 86% of the nation's low-income people live in the areas that are covered by CAAs, only about 2,200 of the nation's 3,141 counties are covered by CAAs, or "capped."

Within the areas that are capped, most funds were allotted to CAAs, based primarily on the numbers of low-income people in their area. Within the CAA world, however, there has always been resentment by rural programs over what they felt was a disproportionate share of federal funds going to urban areas.

The U.S. Conference of Mayors published a report on "The FY-82 Budget and the Cities" on November 20, 1981. They said:

"Many cities expressed strong doubts that their needs would receive the same attention from their states as they have from Washington. One major reason for this apprehension is a widespread belief that states will disproportionately cut the share of funds going to urban areas in order to provide coverage of some kind in every part of the state. In Washington State, for instance, the Human Services Department is anxious to maintain a basic level of services everywhere in the state. Reduced overall funding means that areas like Seattle will receive less funding than in the past so that rural areas can receive some service at all. Needs-based allocation of funds, the cities believe, will not be adopted by states. Rather, the effort will be to try to please every possible constituency, particularly the strong rural-suburban contingents which dominate many state legislatures."

Block Grant Issue:

Should CSBG funds continue to be targeted to serve low-income people, or should these funds be spread to serve the general population?

Developments to Date:

The concern expressed by the mayors was well-founded. This tendency to spread money into all areas of the state appears to be what is happening to CSBG funds. Of the thirty states in our sample, twenty-one report efforts by counties and other potentially eligible entities to have funds allocated directly to them. Sixteen of the twenty-one are counties only. In Montana, for example, the legislature passed a law transferring all \$1.2 million in funds to the 56 counties for FY-83, through a formula that relies primarily on total population in each county. About half of those fifty-six counties will receive less than \$10,000 each. In five of the twenty-one cases, municipalities or other community organizations are also attempting to establish their right to an allocation of CSBG funds.

State legislatures are expected to make the final decision on this issue in ten of the twenty-one states, with executive branch decisions, in some cases through an open competitive bidding process, determining the outcome in the other eleven.

Regardless of the outcome of the efforts of other units to become the administrators of CSBG funds, 22 of the 28 states responding plan to continue to use CAAs as prime sponsors of other publically funded social programs. Six states report they have either made no decision or are not planning to use CAAs as prime sponsors.

Conclusions:

There is a high probability that in some states CSBG funds will be spread from the areas now covered by CAA programs into all counties. This will be a major issue in states that now have substantial areas "uncapped," such as Florida, Wisconsin, Illinois, Kansas, Nebraska, Alaska, Alabama, Idaho and North Dakota. An increase in the number of administering agencies could occur in those states. The movement to use general population instead of low-income population as the criterion for resource allocations will dramatically dilute the impact of the funds. CAAs appear to be establishing themselves as providers of a variety of services. Even in states where counties are making a bid to administer CSBG funds, CAAs appear to have a good chance of continuing to administer other programs.

C. PROBLEMS IN IMPLEMENTING THE CSBG

Premise of New Federalism:

"Our belief is that state and local governments are ready for a rapid start-up on block grants." (James F. Kelly, Deputy Associate Director of OMB for Intergovernmental Affairs)

Developments to Date:

Whatever their differences in approach or basic orientation to the New Federalism, there was near unanimity among our respondents on the problems that states faced in implementing the new legislation.

The most often cited reason, listed by 28 of our sample of 30, was the late start they got because of the delay in action by the federal government.

The next largest problem cited by 26 states was the massive reductions in funding, which forced most states to focus first on the budget issues rather than the opportunities the new federalism provided.

The third reason, cited by 24 states, was the cash flow problems, and the difficulty in determining and obtaining their share under the continuing resolutions.

Tied for fourth place, with 14 responses each, were difficulties in preparing the state for CSBG administration, and the lack of guidance

on policy/property/fiscal management from the federal government. The federal agency that existed to answer questions about community services funding was abolished on September 30, 1981, leaving a policy vacuum that is just now being filled by the new Office of Community Services.

The weighted responses are listed below, in order of decreasing importance:

a. Late start by Congress/Administration	1.78
b. Cash flow delays	2.28
c. Reduction in the amount of funding	2.30
d. Insufficient or constantly changing federal guidance	3.00
e. Preparing the State's administrative and political systems	3.35

D. THE GREATEST PROBLEMS AND OPPORTUNITIES AS PERCEIVED BY RESPONDENTS

This section has a selection of comments from three open-ended questions included in the survey.

1. What do you think is the most important issue in implementing the Community Services Block Grant?
2. What do you see as the biggest opportunity?
3. What do you see as the biggest problem?

As was the case in responses to other questions, in the great majority of cases the fact that we received responses from more than one interest within the state did not produce strikingly divergent opinion (exceptions: Arkansas, North Dakota, South Dakota). While there was sometimes a difference in the amount of information respondents had - because of their varying degrees of involvement in the implementation process - there was little difference in perception on the subjects where they did offer answers.

This section provides a sense of the range and flavor of the responses.

1. What do you think is the most important issue?
 - Vermont: Maintaining the State's commitment to address the problems of Vermont's low-income population.
 - Montana: The relationship between the counties and the existing multi-county CAAs.
 - Utah: The retention of the tripartite administering boards and low-income participation.

- Idaho: Determining an equitable process for distribution of diminished funds among newly-eligible entities.
- Wisconsin: To preserve the impact of these on low-income populations.
- Maryland: Whether priority should be given to existing CAAs or funding should be spread to reach all counties.
- Nevada: Service providers will be accountable to the state for use of resources.
- South Dakota: A systematic and open line of communication between the State agency responsible for the Community Services Block Grant and each individual CAA.
- Florida: Ensuring that the concept and focus of Community Action remains alive while preventing the funds from becoming a supplement to already existing county welfare or social services departments.
- Nebraska: Will the states actually commit themselves to the intent of the law in helping low-income people?
- Arizona: Determining priorities given the dramatic cuts in the program.
- Connecticut: Survival of the Community Action network.
- Michigan: From a federal perspective, it appears that the administration feels that the "war on poverty" has been won, and therefore CSBG will continue to be targeted for elimination or reduced to such a degree as to be inconsequential to meet its legislated mandates. For the state and anti-poverty programs, this uncertainty makes it extremely difficult to plan.
- Mississippi: The amount of the budget cuts.

2. What do you see as the biggest opportunity?

- Vermont: Consolidation and coordination of programs and services designed for the low-income community, i.e., daycare, Head Start, weatherization, employment training.
- Nevada: Opportunity for Nevada to identify priorities for use of available resources.
- Michigan: A state, albeit with less resources, will be able to structure programs that address particular needs of the state

with more flexibility in regards to establishing or using service techniques and systems it feels appropriate.

- Oregon: Bringing the CAP's and state government closer together on a more cooperative basis.
- Nebraska: The CAAs which do survive under "New Federalism" should be much stronger than before.
- North Dakota: No real opportunity exists, only survival exists.
- Montana: The opportunity for counties to "buy in" to effective coordination of services for the poor.
- Florida: The flexibility of using the funds to target locally perceived needs, and the opportunity to expand services statewide.

3. What do you see as the biggest problem?

- Michigan: Greatly reduced federal resources to the states while shifting greater responsibilities to deal with national problems affecting poor people, especially in the midwest and northeast states where unemployment is high and home energy costs are escalating.
- Maryland: Cuts in funding reducing basic grants for small CAAs serving rural communities below viability to operate.
- Vermont: Insufficient funding.
- Nebraska: States may have a tendency to use these funds to replace other funds which have been reduced in non-related areas.
- Utah: The tendency of local governments is to target the funds totally into services and not on the causes of poverty.
- South Dakota: Insufficient funding levels and unnecessary misunderstandings because of an insufficient flow of communication.
- Connecticut: Disastrous decrease in funding.
- Montana: How to keep services available to eligible populations throughout the state.
- Pennsylvania: The major problem appears to be the uncertainty at the state level about how to respond to the block grant con-

cept in ways which maximize local flexibility. There is a danger that local flexibility will be lost because the state is uncertain about how to cope with the concept of increased decision-making authority at the county level.

- Arizona: The uncertainty of future program funding.
- Alaska: Block grants are a radical approach to social welfare planning, and very little time was available for CSBG planning purposes to insure an orderly transition from categorical aid to block grants.
- Mississippi: The budget cuts.
- Nevada: Insufficient funds.
- Arkansas: Reduction of very legitimate services due to cutbacks since chances of state or local governments filling the increased gaps are relatively non-existent at this time.
- New Jersey: Lack of information regarding our allocation. This has caused us to give small grants to the CAAs. A 46% cut in funds has caused turmoil in area of services.
- Florida: Uncertainty of funding.

APPENDIX 2

ABOUT THE INSTITUTE FOR LOCAL SELF GOVERNMENT

INSTITUTE FOR LOCAL SELF GOVERNMENT

The Institute for Local Self Government (ILSG) is a tax-exempt, non-profit research and education corporation in California, founded in 1955. As the research and training adjunct to the League of California Cities (LCC) and the County Supervisors' Association of California (CSAC), the Institute has long conducted research and training programs on topics of common concern to local general government. Broad-based and flexible, the programs have drawn from academic theory while remaining attuned to the practical requirements of day-to-day public administration. Institute reports have been marked by an objectivity unfettered by concern for acceptance or fear of disagreement.

The Institute's consistent pragmatism derives largely from the experience of its management and staff. The Institute's Board of Directors is composed of skilled decision-makers in city and county government and the private sector. Its professional staff consists of persons holding graduate degrees in political science, law, education and public administration who have previously served as local government officials.

The Institute's research efforts have been both privately and publicly funded. Parties committed to the public interest and welfare, including such private foundations as the Stern Fund, Ford Foundation, Sears-Roebuck Foundation, and Lilly Endowment, Inc., have endorsed the ability of the Institute by their grants of financial assistance. State and federal agencies seeking to distribute their services more efficiently and effectively through the vehicle of local government have enlisted the Institute's proven implementation.

Over the past several years, the Institute for Local Self Government has conducted a number of studies and published reports on public policy issues of common concern to the local general governments of California. Its reports are reviewed in national publications on public administration and are distributed both nationally and internationally. (See attached publications list.)

Since June 1978, this Institute, in its almost daily contact with public administrators, has become increasingly aware of an emerging trend in local government -- the need to maintain services to meet the demands of its citizenry while coping with a static or shrinking revenue base. Local governments are responding to the public's demands for managing with less by focusing their efforts on improving service delivery productivity. In California, the momentum generated from passage of Proposition 13 and 4 will profoundly affect how government will operate throughout the next generation and the Institute will participate with local administrators to meet the challenges resulting from these events.

A major change in recent emphasis is the activity of the Institute in fostering and encouraging the development of workable public/private collaborative programs to attack problems facing local government. This effort will bring local public officials and business leaders together in a variety of mechanisms to implement changes in city and county administration to meet the demands of the current fiscal environment. The Institute will seek to provide an acceptable middle ground where both sectors can participate on an equal basis and make maximum use of the substantial resources available to provide solutions to current and future problems.

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- Medical/Dental Self-Funding Handbook (\$45.00)
(Second Edition, 1982. A Practical Manual for Implementing a Self-Funded Employee Benefits Program)
- Expanding the Local Government Role in Housing (\$5.00)
(Second Edition, 1982. A Catalogue of Alternative Mechanisms for Local Governments' Use in Housing Finance for Low and Moderate Income Households)
- Public-Private Sector Relationships: An Annotated Bibliography (\$4.00)
(Resources, references and case study literature on public and private sector relationships)
- Public Safety Delivery Systems Reports (\$2.00 each/All 6 Reports - \$10.00)
 - No. 1 A Public Safety Employees Contractual System
(An Alternative to Traditional Pension Programs and to Tenure-Inducing Retirement)
 - No. 2 Municipal Fire Insurance
(An Alternative to Private Fire Indemnity at Public Expense in Fire Prevention and Suppression)
 - No. 3 Public Safety Inspection Consolidation
(An Alternative to Divided Responsibility for Total Fire Protection)
 - No. 4 A Tale of Two Cities
(Master Planning, an Alternative to the Common Practice of Incremental Decisionmaking)
 - No. 5 Civilians in Public Safety Services
(An Alternative to Traditional Public Safety Service Provided Exclusively by Sworn or Uniformed Personnel)
 - No. 6 Alarm Systems Management
(An Alternative to Limited or Qualified Response to False Alarms)
- Public Workers' Compensation Series (\$5.00 each)
 - Equity Eroded
(The Disintegration of Workers' Compensation Policies)
 - Managing Workers' Compensation
(To Control and Reduce Public Agency Workers' Compensation Costs)
- Public Agency Liability (\$7.00)
(The Law and the Risks: Management, Avoidance and Transfer)
- How To Take Over Your Local Government
(A Practical "Do it Yourself" Political Science Manual for Local Government Candidates)

