

Information Bulletin #2

Block Grants and Education

Recently, there has been much discussion about block grants, mostly due to the “Contract with America” which helped to give the Republican Party control of the U.S. House of Representatives and Senate for the first time in 40 years, but also partly due to President Clinton’s campaign to streamline government. When politicians speak of “block grants,” they mean taking several separate programs that have similar purposes and combining them into one large program with one set of requirements. Block grants have features, such as increased flexibility, that are viewed as desirable by state and local officials administering Federal programs, but there is also a downside with creating block grants, most notably reduced Federal funding.

What Happened in the Past?

Block grants are not new. This approach to Federal assistance has been tried before, especially during the early 1970s and again in the early 1980s. The concept of block granting is appealing because of the prospect of simplifying Federal programs and giving more responsibility to state and local governments for the day-to-day administration of the programs.

Education programs have been a part of past block grant efforts. During the Nixon Administration, several programs in the Elementary and Secondary Education Act and National Defense Education Act were combined into two block grants, one concerning library resources and the other concerning innovative education projects. The most recent Federal education block grant, and the one with which most educators are familiar, is the Chapter 2 block grant created during the Reagan Administration.

In 1981, more than 40 smaller education programs with a total appropriation of \$600,846,000 were combined to become Chapter 2 of the Education Consolidation and Improvement Act. As is true with most block grants, the total amount of funding for the Chapter 2 program was reduced upon its creation on the theory that one large program needed fewer dollars because of greater program flexibility. Therefore, in the first year of the program, Chapter 2 received an appropriation of \$470,400,000 which was a cut of over \$130,000,000 from the total appropriation for the original programs.

Following its creation, the Chapter 2 block grant saw its funding decrease further by 52% from fiscal year 1982 to fiscal year 1995, adjusting for inflation. Several other block grants that were also created in the early 1980s in fields other than education provide additional evidence of how block grants may ultimately result in reduced Federal assistance. From 1982 to 1995, adjusting for inflation, the Community Services Block Grant appropriation was reduced by 49%, the Title XX Social Services Block Grant appropriation was cut by 28%, and the Preventive Health Block Grant received 7% less, according to the Children’s Defense Fund.

Federal programs have tended to be created for a specific purpose and specific activities, not for the general support of institutions, which is a state and local responsibility. Because of this specificity, Congress can see the results of these programs over time. As with the other block grants, Chapter 2 with its very broad parameters, was

often unable to secure funding increases because the Congress could not easily see if specific purposes had been achieved, even though the program is quite popular among school administrators and state education officials. So the lesson that may be learned from the Chapter 2 program and other block grant programs is that while program flexibility may be increased, block grants may lead, in the long run, to reduced Federal aid. Furthermore, with nearly everyone in agreement on the need to reduce the national debt, block grants may be created today specifically because they can result in reduced Federal spending.

What Will the Contract with America Mean?

The increased emphasis on the use of block grants may have special significance for education. While the leadership of the new Congress has not yet announced a proposal for Federal education block grants, the Republicans' Contract with America does contain a child nutrition block grant proposal as part of the Contract's Personal Responsibility Act. Under this proposal, the School Lunch and Breakfast programs would be combined into a block grant with other nutrition programs, including the Special Supplemental Food Program for Women, Infants, and Children (WIC) and the Food Stamp program. The "Entitlement nature" of the school lunch and breakfast programs would be eliminated, which means that funding for the programs would no longer grow automatically with and increase in the number of meals served to children. The block grant's appropriation would be capped at a certain amount and sent to the states, and governors would then choose how to spend this money.

The block grants which may result from implementing the Contract may be created not only because of a philosophical bias in favor of a smaller Federal government, but also because the Contract promises tax cuts for individuals and corporations totaling a loss in Federal revenue of \$200 billion over five years. Other Federal programs will have to be cut or reconfigured to find these funds, and therefore, as 1995 progresses, additional block grants may be proposed in education.

Several members of Congress have already indicated that they plan to create a block grant of several Federal job training programs, including the Perkins Vocational and Applied Technology Education Act and the Job Training Partnership Act. While a job training block grant is not a part of the Contract with America, it, too, may become a reality as a means of reducing Federal spending and increasing state and local flexibility.

Alternatives to Block Grants

Program Consolidations

As a means of simplifying Federal aid, President Clinton, in his new budget, proposes several major program consolidations. In education he advocates the termination of certain programs and the consolidation of others into larger programs. Similar to block grants, program consolidations and terminations are also attempts to reduce the number of programs and to limit Federal spending. However, program consolidations differ from block grants in that the uses of funds are not as broad as block grants, and specific activities are required. Thus, the uses of funds under such a consolidation are more focused but are not as flexible as they are under a block grant.

For example, President Clinton has proposed consolidating into two programs 12 programs under the Perkins Vocational and Applied Technology Education Act. Under this consolidation proposal, there would be a state grant program to carry out state and local reforms begun under the School-to-Work program, and a national program that would support research and development. According to the Clinton budget plan, the consolidated program would not result in fewer Federal dollars.

Waivers

The U.S. Department of Education has 240 separate programs under its jurisdiction, among the largest number of programs administered by a Federal agency, even though it has the smallest number of employees of all the Cabinet agencies. Consequently, the Clinton Administration has proposed) as did the Bush Administration) another approach to simplify Federal education aid: waivers. The Goals 2000L Educate America Act and the revised Elementary and Secondary Education Act (ESEA) both give the Secretary of Education broad Authority to grant waivers from Federal requirements, and to allow the combining of education programs and consolidated applications. Although not as broad as block grants, these authorities will bring added flexibility to Federal education programs.

Conclusion

Educators need to be alert to determine whether the reasoning behind creating a block grant is based on a legitimate desire to create a more efficient Federal government while retaining a commitment to Federal education programs, or if the reasoning is based on desire to cut taxes or to increase spending in other areas of the Federal budget. Educators also need to weigh the possible loss of Federal aid with the increased flexibility they will gain under the block grant. Lastly, program consolidations and simplifications must be weighed as an alternative to block grants.

Basic Questions on Block Grants

As the debate continues on block grants, there are several questions which should be asked to determine if a block grant proposal has merit:

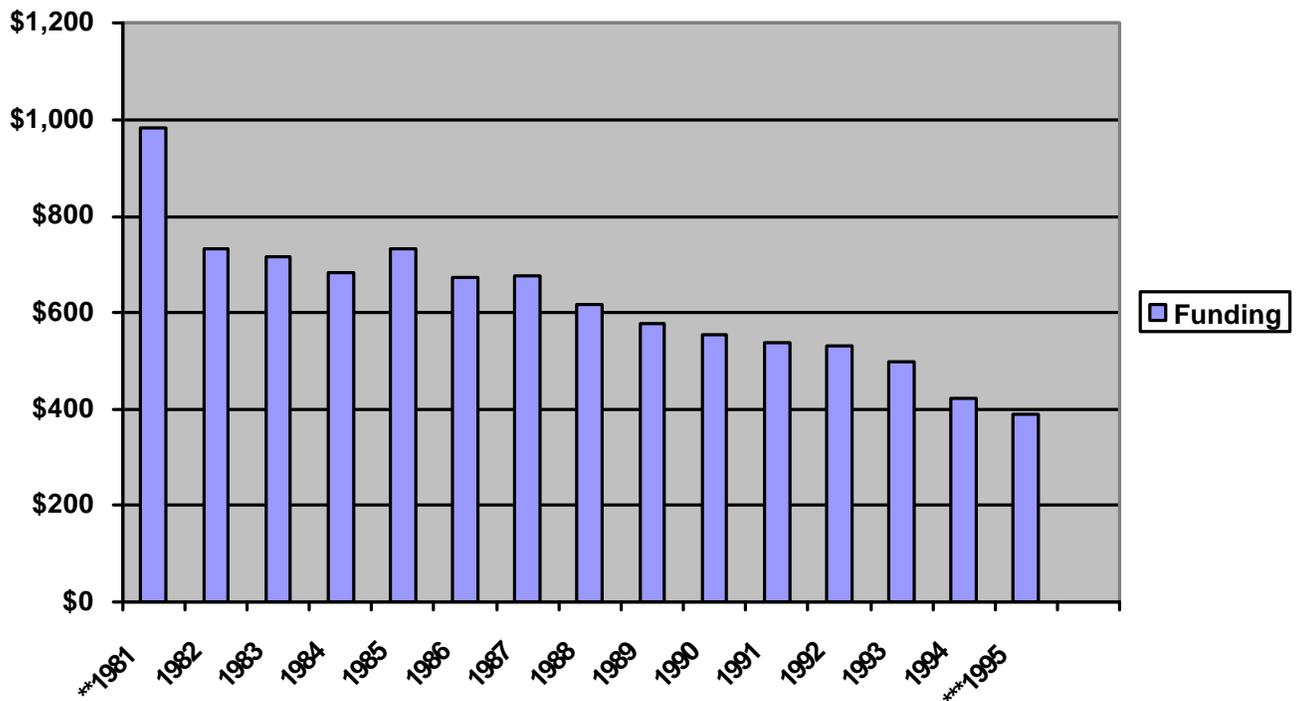
- Will either block grants or program consolidations help children learn better?
- What is the purpose of the block grant – an educational one: to increase student achievement; or and administrative one: to reduce paperwork burden – or is the purpose to cut back funding to find revenues to finance some other priority?
- Is the block grant a means of phasing out Federal aid for education or will the aggregate level of funding of the individual programs be maintained?
- Will the block grant be so structured that the funds will flow to the local level where they will help children?
- What will the states be able to do under a block grant program that they are unable to do now? Will the block grant ensure that the intended beneficiaries of the current programs receive services?
- Instead of block grants, can the objectives of simplifying programs, reducing expenditures, and allowing for flexibility be accomplished by terminations and

consolidations of programs and expanded authority for waiving Federal rules and regulations?

Funding History of Chapter 2 (in inflation-adjusted dollars) FY 1981 to FY 1995

Source: Congressional Research Service

Millions of \$*



Fiscal Year

FY 1981**	\$984,000,000
FY 1982	\$743,000,000
FY 1983	\$715,000,000
FY 1984	\$683,000,000
FY 1985	\$732,000,000
FY 1986	\$673,000,000
FY 1987	\$675,000,000
FY 1988	\$617,000,000
FY 1989	\$577,000,000
FY 1990	\$553,000,000
FY 1991	\$538,000,000
FY 1992	\$530,000,000
FY 1993	\$499,000,000
FY 1994	\$421,000,000
FY 1995**	\$390,000,000

***dollars adjusted to reflect fiscal year 1995 dollar value**

****reflects total appropriation for antecedent programs**

*****reflects the appropriation for renamed Chapter 2 program (Innovative Education Program Strategies) and related programs**