

# Notebook

# CFR

Conference for  
Federal Studies

ISSN 0194-2840

Summer 1979  
Volume 9, Number 3

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### WORKSHOP ON COVENANT AND POLITICS TO HOLD FEBRUARY CONFERENCE

The Workshop on Covenant and Politics will hold a major conference in Philadelphia on February 27-29, 1980. The theme of the conference will be "Covenantal Ideas in the American Political Tradition: Federal Theology - the Sixteenth and Seventeenth Century Crucibles." An international group of scholars has been invited to present papers and to participate in the discussions that will make up the agenda during the three days of working sessions.

The papers scheduled to be presented at the conference include:

- J. Wayne Baker, Department of History, University of Akron:  
"Covenant and Community in the Thought of Heinrich Bullinger"
- James D. Bratt, Department of Religious Studies, University of Pittsburgh:  
"The Covenant Traditions of Dutch-Americans"
- Charles J. Butler, Department of Religion, Temple University:  
"Covenant Theology and the Development of Civil and Religious Liberty"
- Daniel J. Elazar, Center for the Study of Federalism, Temple University:  
"The Covenant or Federal Idea"
- Thomas O. Hueglin, European University Institute: "Covenant and Federalism in the Politics of Althusius"
- Michael McCiffert, William and Mary Quarterly: "Elizabethan Prefigurations of Covenant Theology"
- James W. Skillen, Department of Political Science, Dordt College:  
"From Covenant of Grace to Tolerant Public Pluralism: The Dutch Calvinist Contribution"

James B. Torrance, Department of Systematic Theology, King's College, Scotland: "The Covenant Concept in Scottish Theology and Politics"

The organizers of the conference expect that it will enable the Workshop to move closer to its goal of comprehensively exploring the meaning and historical manifestations of covenant in the Western political tradition. This will be the fifth conference in a series which the Workshop inaugurated in 1977. Funding for this meeting is being provided by the National Endowment for the Humanities and the United Church of Christ.

As has been a practice in the past, the Conference for Federal Studies will offer to Conference members a limited number of travel grants to help cover transportation costs associated with attending the conference. Any members interested in attending and applying for a grant should write a letter providing relevant background information and an estimate of the amount of funds required. Letters should be addressed to Ms. Barbara Beloff, c/o Center for the Study of Federalism, Temple University, Philadelphia, PA 19122.

CENTER HOSTS ANNUAL ACFS MEETING

On November 7, 1979 the Center for the Study of Federalism hosted the third annual meeting of the Association of Center for Federal Studies (ACFS). Nine representatives from six member centers met on the Temple University campus for a half-day session. On November 8 and 9, 1979 a meeting of the Workshop on Covenant and Politics served as the conference that normally is held in conjunction with each year's annual ACFS meeting. The theme of the Workshop meeting was "Covenants and Constitutions" (see CFS NOTEBOOK, volume 9, number 2).

The following centers were represented at the meeting: Center for the Study of Federalism (U.S.A.); Institut europeen des hautes études internationales (France); Institut universitaire d'études fédéralistes (Italy); Jerusalem Institute for Federal Studies (Israel); Joint Center for

Federal and Regional Studies (Switzerland); and Workshop in Political Theory and Policy Analysis (U.S.A.). The Sequoia Institute of Sacramento, California was admitted to membership in the Association during the meeting and associate membership was given to the United States Advisory Commission on Intergovernmental Relations and the Institute Brasileiro De Administracao Municipal of Rio de Janeiro (Brazil).

CFS NOTEBOOK is published by the Center for the Study of Federalism, Temple University, Gladfelter Hall, Philadelphia, Pennsylvania 19122. Editor: Benjamin R. Schuster Production: Ellen S. Goldberg CFS NOTEBOOK is distributed on a quarterly basis to members of the Conference for Federal Studies.

The agenda for the meeting included reports from the member centers, reports and discussions of the activities of the association's Working Groups ("Data Banks" and "Translations") and procedures for exchanging publications and information through various channels of communication. The 1980 meeting of ACFS has been scheduled for the summer of that year and will be hosted by the Center for Research on Federal Financial Relations in Australia.

# ANALYZING THE INTERGOVERNMENTAL GRANTS-IN-AID SYSTEM

## A Review Essay

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The recent publication of a massive 14-volume study of the intergovernmental grant system by the Advisory Commission on Intergovernmental Relations (ACIR) deserves special notice. As this writer observed in 1976, "It is no exaggeration to state that ACIR's studies of intergovernmental relations (IGR) are the most important and useful ones in the field....it is likely that (ACIR's) research work, more than that of any other source, will move us toward a more sophisticated understanding of IGR."<sup>1</sup> This expectation has been amply fulfilled by the study under review here.

The ACIR concludes that we now have "a new American federal system with a transformed and terribly complex network of IGR," differing radically from the system of a decade ago. ACIR believes our system of intergovernmental relations has taken giant steps toward a unitary system dominated by the federal government, and it frames some of its overall recommendations to counter this trend.

In this essay, we will briefly examine each volume of the Advisory Commission's study, evaluate its recommendations, and indicate some promising areas for future study.

### Categorical Grants

The ACIR study examines categorical and block grants. General revenue sharing (GRS) is not scrutinized because of the plethora of studies by other researchers, as well as the existence of earlier ACIR work on the topic. This writer is particularly pleased to see the focus on categorical grants, because as he wrote in 1976, "We may well know more about the operation of general revenue sharing (born in 1972) than we do about the categorical grant system (born in 1917) when the GRS research is completed."<sup>2</sup> The Advisory Commission's study of categoricals, which constitute over two-thirds of federal grant-in-aid dollars, goes a long way toward remedying this research imbalance.

Categorical Grants: Their Role and Design (A-52) should be the volume in the series that is read first, because it contains the basic definitions, concepts, and taxonomies which are used throughout the study. ACIR defines as grants-in-aid those grants which go to state-local government agencies, or those

over which these agencies have some control. It identifies 442 grants as falling in this category, stating that its definition is more restrictive than most which have been used previously. Next, a typology of grant types is offered, based on the extent of the federal administrator's funding discretion, the extent of the recipient's discretion, and the extent of strings attached to the grant. Project categorical grants rank high on the first and last of these, and low on the second; the opposite relationship holds for general revenue sharing.

ACIR distinguishes four types of categorical grants: formula, project, formula-project, and open-end reimbursement. After an excellent short history of the grant system, this volume notes the following patterns in categorical grant distribution:

- 1) Project and formula grants are the dominant type in number, the former making up 2/3 and the latter 1/3 of the total.
- 2) The dollar total is the reverse of the above figures: project grants total 1/3 of the grant monies, while formula grants total 2/3.
- 3) Two thirds of formula grants require matching by the recipient government, while only 1/2 of project grants do. Further, much of the matching is "in kind" allocation of equipment or personnel, which often is a meaningless charade ("Baloney" in George Romney's terms). Matching used to be an almost universal requirement, so this change is a substantial one.
- 4) The exclusive recipient of over 2/3 of formula grants is state government. While the preference for states is markedly lower for project grants, very few project grants go directly and solely to local governments.

This volume notes (p. 234) that grant administration is often a three-way tug of war among specific grant objectives, a large number of general policy objectives (nondiscrimination, environmental protection, labor standards, access to government information, and planning and project coordination), and attempts to simplify the administrative process. The last of these is bound to be the loser in this kind of tug of war (pp. 262-263).

Other topics in this 300-page volume include discussions of constitutional questions, the impact of grants on state and local programs, highlights of surveys of government officials (from a separate volume, to be discussed below), and the grounds for determining criteria for grant allocation. This volume is probably the single most useful one for college courses in intergovernmental relations, and should be examined carefully by all who teach that subject for possible classroom use.

The second volume in the study, Improving Federal Grants Management (A-53), examines four general strategies in its 300 pages. Lengthy consideration is given to grant targeting, standardization and simplification, reorganization, and federal attempts to strengthen state and local government coordination and discretion. The problems addressed here include inconsistent requirements among grants, duplication of effort, inadequate information, bypassing elected officials and general-purpose governments, and conflict and lack of federal-state-local cooperation.

This volume notes the key role of the "guilds," or associations of specialist officials, in contributing to the confusion and chaos of the grant "system." Guilds such as the American Vocational Association, the National Educational Association, the American Association of State Highway Officials, and a host of counterparts in other functional areas often dominate grants in their functional areas. Their natural allies are congressmen, who maximize their own influence on the committees which authorize these narrowly focused categorical grants. Their natural enemies are the P.I.G.'s, or the national public interest groups such as the associations of governors, state legislators, mayors, managers, and county officials, who are increasingly frustrated by their inability to control and coordinate the flow of grant aid. These groups argue for greater use of block grants and general revenue sharing, and for granting more influence over categoricals to chief executives and legislators. This matter is of such fundamental importance in intergovernmental relations that ACIR could have done an entire volume on it. One is a bit frustrated at the thumbnail sketches given in this volume (pp. 7-9) and in volume A-52 (pp. 63 and 282). While references to guilds are found in other places, as we shall see below, it would be useful for the ACIR to examine the issue in greater detail in a future study.

For devotees of "intergovernmental management," the findings of this study are not encouraging. Most of the attempts to improve management are found to have made little, if any, difference. This failure is often as much the fault of the PIG's and state and local government as it is that of federal agencies. For example, state and local use of the consultative mechanisms of OMB circulars A-85 and A-95 has been limited and superficial.

Like volume A-52, volume A-53 also contains much food for thought. It not only extensively analyzes federal attempts to improve grants management, but also raises important theoretical concerns at key junctures (e.g., is coordination an essentially conservative and thus limited approach?; can executive branch reorganization per se accomplish anything of substance?). This writer has used the volume in a graduate course in intergovernmental relations and recommends that other instructors examine it carefully for that purpose.



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The Intergovernmental Grant System as Seen by Local, State and Federal Officials (A-54) is another 300-page compendium. Here the Advisory Commission conducted some surveys of its own, as well as drawing on surveys done by other groups. City and county officials expressed a preference for general revenue sharing over categorical and block grants, and had much criticism of grant administration. In addition, these local officials expressed dissatisfaction with the requirement that federal grants "pass through" state governments. This attitude is no doubt linked to a series of complaints about the way state governments administer state aid to local governments. The biggest complaint local officials have in this regard is the uncertainty of how much the state will allocate in grants from year to year, followed by disgruntlement about the complexity of reporting, accounting, and auditing requirements.

State budget officers were also asked to give a picture of the grant administration process. One key finding is that the states were much less likely to attach performance than procedural requirements to federal grants which passed through state government. There were variations among the states in this regard, just as there were variations in the degree to which governors actively exert influence over federal grants. The governor's role in grant administration has also grown enormously in the postwar period (p. 97).

State line agency heads understandably displayed strong preference for the pass-through requirement and for decentralization of authority from the federal to the state plane. At the same time, half of these officials agreed that the "feds" should set strict performance standards. Eighty percent of state officials felt federal aid led to national "interference" in state matters, and that federal aid skewed or distorted the overall character of state programs. This represents an enormous change from surveys of 50 and 30 years ago, where only a minority of administrators felt this way.

How can we explain the simultaneous desire of state officials both to be left alone by the "feds" and to have strict performance standards set on the federal plane? The missing link, as this report notes, is the guilds. "Many administrators may agree to national performance standards because they view them as a means of exerting leverage on local governmental units, clientele groups, and/or other state officials. Strict standards may be perceived positively from a programmatic or professional standpoint rather than a constraint upon their own performance" (p. 125). Since the guilds may play a direct role in determining these standards through the lobbying of their Washington offices, or an indirect role through the presence of guild members who are federal program employees, the preference for standards becomes even more understandable and less paradoxical. While V.O. Key made this point over 40 years ago,<sup>3</sup> unfortunately it has escaped



the attention of most mass media authors who write about inter-governmental relations. They persist in picturing intergovernmental relations as a system in which federal programs ipso facto produce federal dominance.

Federal grant program administrators have a markedly different outlook from state officials. Sixty percent think the present system offers the best of all possible worlds; 29 percent see room for moderate improvement; but only 11 percent see a need for substantial change. Most do not believe that the recent attempts to improve the grant administration process discussed in volume A-53 have had much effect on their programs. There are some notable variations among agencies, however, with HUD officials in particular often much more positive than their colleagues elsewhere. Federal officials were most positive about the impact of decentralization activities, with 25 percent believing that substantial improvement had occurred in this area. They are much more sanguine in this regard than state and local officials.

The State and Intergovernmental Aids (A-59), a shorter publication in the series, surveys the state-local aid scene. The report notes that state aid from its own revenue sources to local government has grown steadily in this century; between 1964 and 1974 it more than tripled. In 1902 state aid equalled six percent of local revenue; in 1974, 34 percent. Scrutiny of the pass-through requirement indicates that it is a device which increases state influence and decreases federal influence over local government. Formula grants make up 97 percent of the dollar total of state grants, with project grants totalling less than three percent--a large difference from the federal grant situation. Finally, state aid tends to exert a stimulative effect on expenditures by local governments, raising spending more than proportionately per dollar of added assistance. The stimulative effect is mainly a result of adding new employees to the payroll.

### Block Grants

The Advisory Commission issued separate volumes on four of the five block grants it identified: The Safe Streets Act (A-55 and A-55a), Partnership for Health (A-56), The Comprehensive Employment and Training Act (CETA) (A-58), and the Community Development Act (CDS) (A-57). These grants are interrelated in two shorter summary volumes: Block Grants: A Roundtable Discussion, and Block Grants: A Comparative Analysis (A-60).<sup>4</sup> Once again, ACIR was able to draw on the findings of several other surveys of block grants in addition to its own work.

ACIR defines block grants as having five characteristics (A-60, p. 6):

- 1) Federal aid is authorized for a wide range of activities within a broadly defined functional area.
- 2) Recipients have substantial discretion in identifying problems and designing programs and allocating resources to deal with them.
- 3) Administrative, fiscal reporting, planning, and other federally imposed requirements are kept to the minimum necessary to ensure that national goals are being accomplished.
- 4) Federal aid is distributed on the basis of a statutory formula, which results in narrowing federal administrators' discretion and providing a sense of fiscal certainty to recipients.
- 5) Eligibility provisions are statutorily specified and favor general purpose governmental units as recipients and elected officials and administrative generalists as decision-makers.

As ACIR notes, the five specific block grants are far from identical, and only "share to varying degrees" (p. 6) the characteristics listed above. This point is amply demonstrated by the descriptions of each program. For example, the Safe Streets Act has been subject to "creeping categorization," while CETA and CDA do not display the first characteristic.

While block grants are different from categoricals, they "do not imply a hands-off federal role, nor one confined to purely procedural matters" (p. 39). At the same time, "considerable confusion exists over the purposes, structure, operations, and limitations of the block grant" (p. 41). For this reason, ACIR makes a number of recommendations designed to bring block grants into conformity with the five criteria it uses to distinguish them from categoricals and general revenue sharing.

#### Other Volumes in the Study

ACIR also issued A Catalog of Grant-in-Aid Programs to State and Local Governments: Grants Funded FY 1975 (A-52a) and recently updated it with a list of grants funded in FY 1978 (A-72). Another volume is Federal Grants: Their Effects on State-Local Expenditures, Employment Levels, Wage Rates (A-61). This study concludes that the form of a grant makes a difference in the fiscal impact it has, as well as the extent of state participation in federal grant funding. In addition, states in which the state government raises and spends more money than its local governments receive more grant dollars per capita than do states in which the opposite relationship obtains.

Specifically, a one dollar per capita increase in formula grants will raise the average annual wage by \$2. A one dollar increase in no-matching grants will reduce wages about \$7 for the average state-local employee, while a one dollar increase in high-matching grants will reduce wages by \$110, and a one dollar increase in low-matching grants will cause a \$2.40 increase.

### Summary and Recommendations

The ACIR's summary analyses of and recommendations for the intergovernmental system are clearly committee efforts. While much is made of the point that our system is more centralized or unitary today than in the past, this theme is never stated in an unequivocal way. Recent articles by ACIR spokespersons have made this (very debatable) point much more sharply.<sup>5</sup> It is understandable that the "unitary" theme was watered down, because it is not possible to make as compelling a case for it as for the thesis that we now have a transformed and extraordinary complex intergovernmental system.

The Advisory Commission makes five broad recommendations "to meet the many challenges that the new system of IGR has created" (Summary and Concluding Observations, A-62, p. 74). These are:

- 1) Joint congressional-presidential efforts to simplify and standardize requirements and procedures for grant programs.
- 2) Consolidation of both block and categorical grants into a much smaller number of grants.
- 3) Reassessment of all federal policy strings on grants (ranging from environmental impact statements to the rights of the handicapped) in order to consolidate duplicative efforts and eliminate those which are counter-productive.
- 4) Periodic, searching "sunset" review of all grant programs.
- 5) Reassignment of program funding responsibilities, with federal takeover of welfare functions and maintenance of state-local dominance in elementary and secondary public education; and continuing study of which functions should be the primary responsibility of which level of government.

The massive documentation assembled in this 14-volume study make it evident that these recommendations are most unlikely to be adopted and implemented. The problems which ACIR addresses exist because the guilds, Congress, and other political actors like things this way. It would have been useful (if politically impossible) for the Commission to provide an outline of the strategy to be used to work for change. Perhaps such a classified document is making the rounds among those, whether PIG's or otherwise, who want such changes.

### Suggestions for Future Research

In 1975 this writer noted that V.O. Key's 1937 classic, The Administration of Federal Grants to the States, "remains unsurpassed in its detailed examination of the administration of specific grant-in-aid programs....Current researchers on intergovernmental relations could do far worse than to take the framework of the (Key) book and update it in a series of monographs covering the greatly expanded categorical grant system we have today."<sup>6</sup> While ACIR did furnish such studies in its examination of block grants, it did not do so for categorical grants. Thus, the current study cannot give the reader a feel for the nitty-gritty of categorical grant administration, a point made forcefully by my graduate student/practitioners in a recent seminar. Such cases, chosen from different types of agencies, would flush out the survey results reported in the study reviewed here. They would complement and strengthen this immensely valuable study, for which all serious students of federalism and intergovernmental relations are indebted to ACIR.

### Footnotes

1. Douglas M. Fox, "The Study of Intergovernmental Relations Comes of Age," American Political Quarterly 4 (October 1976): 509-513, 512.
2. Ibid.
3. See V.O. Key, Jr., The Administration of Federal Grants to States (Chicago: Public Administration Service, 1937. Reprinted New York: Johnson Reprint Corporation, 1972), chapter 7.
4. There is a brief discussion of another block grant, Title XX of The Social Services Amendments of 1974, in Block Grants: A Roundtable Discussion, 6-9, but nothing on the subject in A-60.
5. See "A Tilt Toward Washington: Federalism in 1977," Intergovernmental Perspective 4, no. 1 (Winter 1978): 4-7; and David B. Walker, "A New Intergovernmental System in 1977," Publius (Winter 1978): 101-116.
6. Douglas M. Fox, review of V.O. Key, Jr., The Administration of Federal Grants to States (New York: Johnson Reprint Corporation, 1972), in Midwest Review of Public Administration 9, no. 4 (October 1975): 225-227.

## APPENDIX

### List of ACIR Studies Cited

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ACIR, Categorical Grants: A Roundtable Discussion (A-52) (Washington, DC: Government Printing Office, 1978).

ACIR, A Category of Federal Grant-in-Aid Programs to State and Local Governments (A-52a) (Washington, DC: Government Printing Office, 1977).

ACIR, Improving Federal Grants Management (A-53) (Washington, DC: Government Printing Office, 1977).

ACIR, The Intergovernmental System as Seen by Local, State, and Federal Officials (A-54) (Washington, DC: Government Printing Office, 1977).

ACIR, Safe Streets Reconsidered: The Block Grant Experience 1968-1975 (A-55) (Washington, DC: Government Printing Office, 1977).

ACIR, Safe Streets Reconsidered: The Block Grant Experience 1968-1975, Part B: Case Studies (A-55a) (Washington, DC: Government Printing Office, 1977).

ACIR, The Partnership for Health Act: Lessons from a Pioneering Block Grant (A-56) (Washington, DC: Government Printing Office, 1977).

ACIR, Community Development: The Workings of a Federal-Local Block Grant (A-57) (Washington, DC: Government Printing Office, 1977).

ACIR, The Comprehensive Employment and Training Act: Early Readings from a Hybrid Block Grant (A-58) (Washington, DC: Government Printing Office, 1977).

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ACIR, Block Grants: A Comprehensive Analysis (A-60) (Washington, DC: Government Printing Office, 1977).

ACIR, Federal Grants: Their Effects on State-Local Expenditures, Employment Levels, Wage-Rates (A-61) (Washington, DC: Government Printing Office, 1977).

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