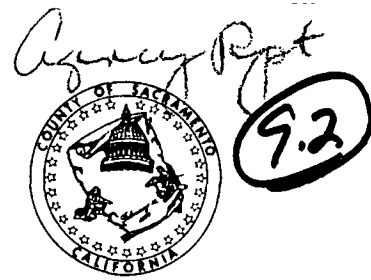




**SACRAMENTO  
HOUSING AND REDEVELOPMENT  
AGENCY**



April 2, 1991

**APPROVED**  
BY THE CITY COUNCIL

APR 2 1991

OFFICE OF THE  
CITY CLERK

City Council of the  
City of Sacramento  
Sacramento, CA

Honorable Members in Session:

**SUBJECT:** Opposition to a Proposal by the Federal Administration to Include Community Development Block Grants and other HUD Programs in a Consolidated Grant to States

**SUMMARY**

This Report discusses the Administration's Consolidated Grants proposal as it relates to low income housing and community development programs. Opposition by the City Council is recommended. A resolution to that effect and a suggested letter of opposition is attached.

**BACKGROUND**

In its FY 1992 budget submittal to Congress, the Administration is proposing to combine at least \$15 billion in federal programs into a single consolidated grant to states. Programs would be selected from the following recommended list totalling almost \$21 billion:

**A. Education**

Impact Aid	\$ 695 Million
Supplemental Education/Vocational Opportunity Grants	\$ 498 Million
Chapter 2 Block Grants (for educational program improvements)	\$ 465 Million
Public Library Services	\$ 115 Million

4-2-91  
All Districts

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B. Environmental Protection

Sewer Construction Grants \$2,195 Million

C. Health and Human Services

State Welfare Admin. Expenses \$5,867 Million

Social Services Block Grants \$2,800 Million

Low Income Home Energy Assistance \$ 991 Million

D. Justice

Byrne Memorial State & Local

Law Enforcement Assistance \$ 421 Million

E. Housing and Urban Development

Community Development Block

Grant (CDBG) \$3,097 Million

Other Assisted Housing Programs \$3,805 Million

**GRAND TOTAL** \$20.9 Billion

Of the above total, \$6.9 billion, or about one third, would come from HUD programs, i.e. CDBG (\$3.1 billion) plus \$3.8 billion in public and subsidized housing programs as yet to be identified.

The stated purpose of Consolidated Grants is to reinvigorate the federal principle and encourage program innovation by providing general purpose funding directly to states. Supporters claim that program efficiency and economy would be greatly increased because states are in a better position than the federal government to prioritize needs and develop effective means of meeting them: the so called "states as laboratories" concept. On the other hand, critics argue that Consolidated Grants are a thinly veiled attempt by the Administration to abrogate its responsibilities in the domestic policy area. Several recent newspaper articles bearing on this later point are included as Attachment "A". Agency Staff agrees with this assessment.

Staff has evaluated the consolidated grants proposal with respect to its impact on Agency programs and funding. The conclusion is that it would be extremely detrimental for the following reasons:

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1. In the context of the federal deficit problem, consolidated grants would almost certainly lead to a greater loss of federal funding relative to need for covered programs than would otherwise be the case. Grouping such a broad range of programs under one umbrella makes Consolidated Grants the functional equivalent of General Revenue Sharing which, as you may recall, was a victim of Graham-Rudman-Hollings budget cuts during the Reagan years. Under the 1990 budget summit agreement between the Administration and the Congress, the pressure to cut spending for general purpose programs will be much more intense.
2. Another major consideration is the fact that pressures for additional government spending in the program areas covered by Consolidated Grants - education, environmental protection, health and human services, housing and urban development, and law enforcement - are likely to increase dramatically due to a variety of factors such as a worsening economy, the desire to increase international competitiveness, increased environmental awareness, increased poverty, etc.. However, the amount of federal funding to be devoted to such purposes would be fixed by formula under the terms of the budget summit agreement. The formula amount can only be increased by reductions in spending for other domestic discretionary programs or by a two-thirds vote of the Congress with presidential approval. This constitutes a very formidable obstacle to increased funding. Therefore the financial burden for meeting needs in program areas covered by Consolidated Grants will fall disproportionately on state and local government.
3. The Consolidated Grants proposal is much too vague to permit a reasoned assessment of its strengths and weakness, let alone to serve as a mechanism for spending \$15 billion of taxpayers' money. If this were really to be a serious proposal, a host of related issues would need to be addressed. For example, while we agree with the principle of devolution of decisionmaking power from Washington (the CDBG Program is after all an example of this), it does not automatically follow that states should be the recipients of that power. All major domestic problems facing us today have an intergovernmental dimension. Although experts might disagree on specifics, most would agree that the appropriate governmental level to set policy, fund and implement programs varies considerably by program area. As a general rule, we would support the principle that any decisionmaking power

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relinquished by Washington should go, not automatically to states, but to the lowest level of government possible. We believe that local government, not state government, should be the recipient of increased power from Washington in the areas of housing and community development. If nothing else, this is due to the fact that local government is closest to the people and has principle responsibility for land use decisionmaking which is essential for such programs.

4. The Community Development Block Grant Program (CDBG) should not be included in Consolidated Grants. Rather it should serve as a model for restructuring other urban services programs. Since its inception in 1974, CDBG has proven itself highly effective in providing needed local program flexibility while at the same time addressing the broad program goals established by Congress. Anyone familiar with CDBG will readily appreciate the fact that the relationships between its principle funding source, the federal government, and program constituents, including not only local government but also service providers and recipients, has been far from static. Rather there has been a lively interchange which, for all its faults, has nonetheless kept this program relevant to needs, efficient to administer and, above all, politically acceptable if not popular. Consolidated Grants would sever this vital relationship to the extreme detriment of the CDBG Program in all respects. Worse, interjection of another level of oversight will inevitably serve to increase administrative costs of the program and add more complexity to its administration. States are likely to add more regulations while all the federally imposed requirements remain in place. As can be seen from the attached articles, inclusion of the CDBG program in consolidation is opposed by the League of Cities, the Conference of Mayors, the National Association of Counties and virtually every other group representative of local government. It is simply a bad idea, promulgated and defeated many times in the past, again released and revisited.
5. With respect to other housing and community development programs proposed for consolidation, and in particular Public Housing Operating Subsidies, we believe the issue of how they should be funded and administered has already been settled with the enactment of the Cranston-Gonzales National Affordable Housing Act last fall. Here, Congress specifically rejected state primacy in housing and community development program decisionmaking through establishment of the Home Investment Partnerships Program, called the HOME Program. This program provides funding directly to local

# **SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY**

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government for affordable housing activities which, though largely a matter of local discretion, must still conform to federal goals and objectives specified in the Act. Patterned on the successful CDBG program, we believe the HOME program is a much more appropriate model for restructuring housing and community development programs than Consolidated Grants to states.

## **FINANCIAL**

The actions proposed by this Report will have no direct financial impact on the 1991 Agency budget.

## **POLICY IMPLICATIONS**

This Report recommends adoption of a formal position of opposition to the Administration's Consolidated Grants to states proposal, particularly as it relates to housing and community development programs in urban areas. The specific features objected to are the aggregation of such a broad range of programs under a single umbrella, thereby making it much easier for the federal government to cut funding; and the preemption of local government authority that would result from giving increased decisionmaking power to states. It is important to emphasize that Staff is not recommending opposition to the principle of devolution of decisionmaking power from Washington per se. Rather, appropriate models for this already exist in the form of the CDBG program and the newly created HOME program.

## **MBE\WBE**

No products or services are being acquired. Therefore there is no impact on MBE/WBE requirements.

## **ENVIRONMENTAL REVIEW**

This action is exempt from environmental review per CEQA Section 15378(b)(3); NEPA does not apply.

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## COMMISSION VOTE AND RECOMMENDATION

At its meeting of March 20, 1991, the Sacramento Housing and Redevelopment Commission adopted a motion recommending adoption of the attached resolution. The votes were as follows:

AYES: Amundson, Cespedes, Moose, Pernell, Simon, Simpson,  
Wooley, Yew, Strong  
NOES: None  
ABSENT: Diepenbrock, Williams

## RECOMMENDATION

It is recommended that the City Council adopt the attached resolution of opposition to Consolidated Grants and authorize the Mayor to communicate this position to the President of the United States and the Sacramento Congressional Delegation. A draft letter of opposition is attached.

Respectfully submitted,

  
JOHN E. MOLLOY  
Deputy Executive Director

TRANSMITTAL TO COUNCIL:

  
WALTER J. SLUPE, City Manager

April 2, 1991  
All Districts

P:\SHARE\GRANTR.KDF

**RESOLUTION NO. 91-248**

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF \_\_\_\_\_

**APPROVED**  
BY THE CITY COUNCIL  
**APR 2 1991**  
OFFICE OF THE  
CITY CLERK

**CITY COUNCIL OPPOSITION TO A PRESIDENTIAL PROPOSAL  
INCLUDING HOUSING AND COMMUNITY DEVELOPMENT FUNDS FOR  
URBAN AREAS IN A CONSOLIDATED GRANT TO STATES**

WHEREAS, the President proposes to include the Community Development Block Grant (CDBG) Program and other housing programs administered by the U.S. Department of Housing and Urban Development in a single consolidated grant to states;

WHEREAS, such action would likely result in a reduction in federal funding, increased administrative inefficiency and could severely undermine local government authority and responsibility in the urban policy area.

WHEREAS, the CDBG program, which has functioned successfully since its inception in 1974, and the recently authorized Home Investment Partnership Program both provide superior means to achieve the expressed aims of consolidated grants, such as local initiative, administrative efficiency, decentralized decision making, while minimizing the described disadvantages.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SACRAMENTO:

Section 1: The City Council hereby states its opposition to the inclusion of housing and community development programs in a consolidated grants program to states.

Section 2: The Mayor of the City of Sacramento is authorized and directed to communicate such opposition to the President of the United States and the Sacramento Congressional delegation, substantially in the form of the attached letter.

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CITY CLERK

**FOR CITY CLERK USE ONLY**

RESOLUTION NO.: \_\_\_\_\_

DATE ADOPTED: \_\_\_\_\_

The President of the  
United States and  
The Sacramento Congressional  
Delegation

SUBJECT: Opposition to the Administration's Consolidated Grants  
Proposal

Dear Sirs:

The purpose of this letter is to express strong opposition to the Bush Administration's Consolidated Grants to States proposal on behalf of the Sacramento City Council. We particularly object to the inclusion of the Community Development Block Grant (CDBG) and other HUD programs targeted to urban areas. A copy of the City Council resolution of opposition to consolidated grants is attached. A further discussion of the reasoning behind this resolution follows.

In the context of the federal deficit problem, consolidated grants would almost certainly lead to a greater loss of federal funding relative to need for covered programs than would otherwise be the case. Grouping such a broad range of programs under one umbrella would make Consolidated Grants the functional equivalent of General Revenue Sharing which, as you know, was a victim of Graham-Rudman-Hollings budget cuts during the Reagan years. Under the new budget summit agreement, the pressure to cut federal spending in the program areas covered by Consolidated Grants - education, environmental protection, health and human services, housing and urban development law enforcement - will be much more intense. However, the need for increased governmental action in such areas is likely to increase dramatically due to a variety of factors such as a worsening economy, the desire to increase international competitiveness, increased environmental awareness, increased poverty, etc. The mechanics of the budget summit agreement make it easy for a small minority to block additional funding. Therefore, the financial burden for meeting such increased needs, if they are to be addressed at all, will fall disproportionately on state and local government.



The President of the  
United States and  
The Sacramento Congressional  
Delegation  
March 7, 1991  
Page Two

The Community Development Block Grant Program (CDBG) should not be included in consolidated grants. Rather it should serve as a model for restructuring other urban services programs. Since its inception in 1974, CDBG has proven itself highly effective in providing needed local program flexibility while at the same time addressing the broad program goals established by Congress. Anyone familiar with CDBG will readily appreciate the fact that the relationship between the federal government, local government and program constituents has been far from static. Rather there has been a lively public debate related to both policy and funding issues combined which, for all its faults, has nonetheless kept this program relevant to needs, efficient to administer and politically acceptable, if not popular. Consolidated Grants would stifle this vital dynamic to the extreme detriment of CDBG and, for that matter, all covered programs.

With respect to other housing and community development programs proposed for consolidation, we believe the issue of how they should be funded and administered has already been settled with the enactment of the Cranston-Gonzales National Housing Affordability Act last fall. Here, Congress specifically rejected state primacy in urban program decisionmaking through establishment of the Home Investment Partnerships Program (called "HOME") which primarily vests such power in local government, not the states. State government's role in "HOME" is limited to non-urban areas. Patterned on the successful CDBG Program, we believe it is the most appropriate model for restructuring intergovernmental relationships in the urban services area.

Thank you for considering our views. I hope that you will actively oppose the Administration's Consolidated Grants Proposal.

Sincerely,

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ANNE RUDIN, MAYOR  
City of Sacramento

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# Mock Federalism

THE ADMINISTRATION'S budget is less supportive of state and local government than it was made out to be. The text is full of praise particularly for the states as imaginative laboratories better able than the federal government to judge what their populations need and more adept at providing it. As proof of the president's adherence to this article of faith, the budget proposes that \$15 billion a year in federal programs (out of a list of \$20 billion offered up) be blended into a grant to the states to do with mainly as they please.

That's an old and, in the present circumstances, bad idea; the federal government has no business sharing revenue that covers only four-fifths of its own costs. But even on its own terms, this latest formulation of the new federalism was an obvious afterthought. Of the \$20 billion, \$5 billion (scheduled to rise to \$8 billion by 1996) is now given to the states to help pay the administrative costs of Medicaid, food stamps and Aid to Families with Dependent Children. There would be no reduction in the states' administrative responsibilities; they would still have the same costs to cover. Another \$2 billion is in grants to build sewage treatment plants; the program is already scheduled to be phased out and the construction function to be turned back to the states in the next few years.

Other prospects on the list are programs the administration would *like* to phase down or out, and/or programs in which the state and local recipients already have maximum flexibility. Grants to help the poor pay heating bills would be included—but the budget calls for cutting them from \$1.7 billion this year to about \$300 million in fiscal 1996. Community development block grants, another nominee, would be held constant at about \$3 billion a year; by 1996 they would have lost more than a fifth of their value to inflation. Most of these development grants now go directly to local governments; relatively few conditions are attached. That is one of the reasons why the mayors swear by the program—while the lack of control has been a federal *criticism* of the grants in the past. The mayors say the president's proposal would create a layer of (state) bureaucracy at their expense.

A fourth of the \$20 billion is made up of unspecified subsidized housing programs; the day the budget was sent up, the housing secretary said he had no idea what the budget office was talking about. Meanwhile: The budget projects that total aid to state and local governments, having fallen in real terms in the Reagan years, will start back up again. But the increases are such that the states will have to pay to get them: The main increases forecast are in Medicaid, which is now more than a third of all federal aid to state and local governments and whose cost the states must match. Congress has expanded the program in recent years to reach more of the poor; the governors say they can't afford the generosity. The administration also proposes that highway spending be increased, but under different matching formulas; the states would have to pay a larger share.

The Medicaid expansion and new cost sharing for highways both are good ideas. But in the fiscal terms that define federalism, the states will be no better off. The big question is always: Which functions should the federal government take over, which leave to the states. That's no better answered in this budget than before.

# The Poverty Tilt, Magnified

The cities, long America's poorhouses, are now staggering under the burden of caring for the poor, disabled and homeless, as recession bleeds revenues from urban economies. The Bush Administration doesn't care, or at least doesn't notice. President Bush barely mentioned cities or poor people in his State of the Union Message, or his budget presentation or yesterday's windy Economic Report of the President.

Whether or not Mr. Bush opens his eyes, there is a compelling case for federalizing programs for poor individuals. State and local governments are not the ideal levels of government to help the poor because they are tempted to stint on benefits, hoping the poor will gravitate to other jurisdictions. Local governments that try to help get soaked with large bills for retraining and education, only to have graduates take their new skills to jobs elsewhere.

The idea that Washington should pay poorhouse expenses runs directly counter to Mr. Bush's misguided proposal to turn over responsibility for \$15 billion in Federal programs to the states. Almost all the eligible programs are focused on helping the poor; these should remain Federal responsibilities.

The best way to help the states and cities would be for Washington to increase its share of costs that are logically and reasonably Federal: welfare and Medicaid. If it increased its contribution from 55 percent to, say, 75 percent, that would provide at least \$20 billion relief for state and city coffers. New York City could recoup \$3 billion, enough to close its looming budget gap and spare the need to fire teachers and postpone bridge repairs.

Cities house a disproportionate number of poor families. Worse, the cost of providing decent public services is much higher in some cities than elsewhere. And these magnified costs are inescapable; they would exist in even the best-run cities.

By one estimate, Newark, N.J., even well managed, would have to spend \$7 to provide the same level of police services that cities without its welfare population could buy for \$1; New York would have to spend nearly \$5. That variable burden is poorly understood — and intolerable.

The poor need police protection, adequate schools and medical services no matter where they live. But as Prof. Helen Ladd of Duke and John Yinger of Syracuse University have shown, many central cities can't afford to do the job.

They estimate how much 86 U.S. cities would need to spend, assuming efficient bureaucracies, to provide public services of average quality. They also estimate the capacity of the city's economy to generate taxes. For many cities, the gap between needs and capacity is huge, and growing.

Yet this research also gives cause for optimism. Though many cities can't provide for all their needs, the problem is concentrated in places like Newark, New York and New Orleans. Professors Yinger and Ladd estimate it would cost \$17 billion to close 10 percent of the services gap for the six worst-off cities. And to do that for the 40 worst-off cities would require less than \$30 billion.

In other words, the fiscal problem is not bottomless. These figures suggest that by concentrating on select, severely depressed cities, Washington could make a big difference.

The idea of compensating cities for their unusual poorhouse expenses is not utopian. Massachusetts implemented just such a plan six years ago, allocating aid to cities according to a formula that accounts for need and revenue-raising capacity. Minnesota is considering a similar plan.

Poverty is a national problem; it demands a Federal solution. This one is workable, if only the Bush Administration were willing to work at it.

# Tough fight expected for block grant plan

WASHINGTON (AP) — The nation's governors may have a tough time winning congressional approval for President Bush's block grant proposal, which House Majority Leader Richard Gephardt calls merely "another twist at federalism."

Gephardt, D-Mo., and Senate Republican Whip Alan Simpson of Wyoming were the featured speakers for today's closing session of the annual midwinter meeting of the National Governors' Association.

Most governors reacted enthusiastically to the Bush plan to transfer billions of dollars in federal programs to the states along with the money to support them.

But during a White House meeting yesterday, the president warned the governors that "I am not naive. We are going to have to fight together to get this through the Congress."

The first reaction from Capitol Hill indicated the president was right.

Gephardt called Bush's plan "another twist at federalism, which adds nothing but confusion to the debate."

Rep. Leon Panetta, D-Calif., chairman of the House Budget Committee, said the Bush proposal was "handing the states essentially programs they have already reduced." Panetta said the proposal would tell the states to "take the scraps of what we were basically trying to cut."

In the federal budget Bush sent Congress yesterday, he listed more than \$20 billion in programs from which he wants the governors, Congress and the administration to choose about \$15 billion to be transferred to the states along with a five-year funding guarantee.

The message the White House gave the governors was one of infinite flexibility.

Gov. Booth Gardner of Washington, a Democrat who chairs the governors' association, likened the White House approach to that of a car salesman who says "take the car, drive it for a couple of months, if you don't like it, bring it back."

While most governors agreed with Gardner, there were a few skeptics.

Republican Gov. George Voinovich of Ohio, a former mayor of Cleveland, said he would look at the proposal to see if money could be saved. But he added, "I've been through this before for 10 years. I would rather see them deal with easing up on Medicaid mandates."

Kansas Gov. Joan Finney, a newly elected Democrat, said that while the plan sounded good, "In practice, I'm a little skeptical."

Mayors vowed to fight inclusion of the \$3.2 billion Community Development Block Grant program, which was on the administration's list. It provides two-thirds of that amount directly to cities without passing through state hands, and is the only remaining major direct urban aid since Congress killed revenue sharing during the Reagan administration.

"We think that would be a huge mistake," said Mayor Joseph Riley of Charleston, S.C., a Democrat and former president of the U.S. Conference of Mayors.

He said cities use the money for low-income housing projects, neighborhood renewal and urban services, and said mayors would "very strenuously resist this."

# Sasser Voices Opposition To Block Grant Proposal

By Gwen Ifill  
Washington Post Staff Writer

Senate Budget Committee Chairman Jim Sasser (D-Tenn.) added his voice to the growing chorus of opposition to President Bush's plan to turn \$15 billion in federal money over to the states.

Sasser said at a committee hearing yesterday that the funds the administration proposes making available to the states come from programs that already are scheduled to be cut by \$27 billion over the next five years.

"That represents some \$27 billion in increased taxes for state and local governments if they wish to maintain current service levels under the block grant," Sasser said.

Administration officials have promised not to cut existing funding for any of the programs that would be included in the new block grant and to continue the programs for five years. But critics have said funding for the targeted programs is already scheduled to decline.

The administration proposal has been praised by governors for the flexibility they say it would give them over how federal aid to states is administered, but has angered city officials who insist it would deprive them of federal aid for housing, anti-drug and community development programs.

State officials praise the proposal as an attempt to cut Washington-imposed red tape, while city officials, who are now the direct recipients of many components of targeted programs, say states would succumb to a budgeting process that favors suburban and rural areas.

"The block grant proposal is not a policy that would address the problems facing this country," said New York Mayor David N. Dinkins (D). "It is a policy that would avoid those problems. There is no additional money, and there are no new initiatives in this proposal. It simply reshuffles what we already have."

Twenty-eight states are struggling to balance their budgets this year. Governors in Minnesota, Georgia, Indiana, California and Massachusetts have already proposed direct or indirect cuts in state aid to local jurisdictions to save money.

Boston Mayor Raymond L. Flynn (D) yesterday condemned the administration proposal as a cynical attempt to cut existing domestic programs by pitting the cities and states against each other for the same limited pool of money.

Flynn said White House Chief of Staff John H. Sununu and budget director Richard G. Darman had worked out a plan where "if they [governors and mayors] turn on each other, maybe neither one of them will turn on the White House."

Gov. John Ashcroft, (R-Mo.) defended the proposal as a sound way to better manage scarce resources that is subject to negotiation.

"I would think that before anyone rejects or endorses the proposals, that we ought to see it spelled out, study it, see how it might work, what benefits might follow," said Ashcroft, who is vice-chairman of the National Governors' Association (NGA). "It seems to me that anyone who blasts this proposal at this point is shooting in the dark."

And it's quite possible they'll shoot themselves in the foot.

Ashcroft said the NGA would agree to resolve a city complaint by removing Community Development Block Grants from the list of programs proposed for turnover to states. Deputy White House budget director William M. Diefenderfer III said he would not object to altering the proposal to include only current direct state aid in the new grant.

Sasser was joined by Sens. Paul Simon (D-Ill.) and Frank R. Lautenberg (D-N.J.) in criticizing the proposal. Sen. Christopher S. Bond (R-Mo.), however, said the block grant proposal should not be rejected simply because Boston and New York—both located in states with Democratic governors—could not establish working relationships with their state capitals. He said there was little reason, "other than spite," to oppose the plan.

# Mayors Win Concession on U.S. Aid

By WAYNE KING  
Special to The New York Times

WASHINGTON, Feb. 20 — In a move that appeared to further weaken President Bush's proposal to shift \$15 billion in Federal assistance from Federal to state control, a spokesman for the nation's governors told the Senate today that the states have no interest in assuming control over community development funds or other programs whose loss would threaten the cities.

The move came at a Senate Budget Committee hearing that also brought angry testimony from two big-city mayors, David N. Dinkins of New York and Raymond L. Flynn of Boston, and strong hints from Democratic members that the President's proposal would have tough sledding in the Democratic-controlled Congress.

Many members of Congress, particularly Democrats, view the proposal as a move to eventually wean the cities off much Federal assistance.

## Fears of Cities Addressed

Under Mr. Bush's proposal, first mentioned in his State of the Union Message last month, \$15 billion in money now being made available to state and local governments under various specific programs would be turned over exclusively to the states as block grants, to be parceled out as the states deem necessary.

## Governors promise not to cheat the cities.

In testimony before the Senate Budget Committee today, Gov. John Ashcroft of Missouri, a Republican who is vice chairman of the National Governors' Association, said the governors supported the block grant concept.

But Governor Ashcroft, who said he spoke for the nation's governors, made a clear attempt to ameliorate the fears of cities that the President's proposal will cheat them, telling the committee that "the governors are not interested in including grants that are currently targeted to local government."

The Bush Administration did not specify what programs would be shifted to block grants, instead providing a list of programs as examples of what the states might take over.

What particularly outraged the mayors was inclusion on the list of \$3.1 billion in Community Development Block Grants for housing, parks, child care, and other social services. Urban

areas now get two-thirds of that money, and the states get the rest.

## Block Grants to Be Excluded

Mayor Flynn and Mayor Dinkins, along with Mayor William J. Althaus of York, Pa., also testified later before the House Budget Committee. They said that because most legislatures were dominated by rural and suburban interests, cities could get short shrift if states took control of money now earmarked for cities.

But Governor Ashcroft said he and the other governors would specifically exclude the Community Development Block Grant program "and would not threaten resources that are now being made available to the cities."

While the mayors welcomed the concession, Mayor Althaus said a compromise was not acceptable to the cities. "We would insist that this particular proposal be taken off the table," he said. "It is not workable and not in the interest of the people concerned."

Mayor Flynn told the House committee that the proposal was a diversionary tactic intended to get cities and states warring among themselves.

Mayor Dinkins also aimed most of his fire at the block grant proposal, asserting that it amounted to an "abandonment" of the cities.

# The Nation

## Washington's Plan To Funnel City Aid Through the States Enrages the Mayors

By ROBERT PEAR

**I**N the Depression year of 1933, when people were starving in the streets, three mayors came to Washington, met with President Franklin D. Roosevelt and asked for emergency assistance. Over the objections of governors, who argued that aid should be funneled exclusively through the states, Congress in 1933 earmarked 25 percent of each state's road funds for municipal projects.

The perennial tension between governors and mayors exploded again last week in their responses to President Bush's proposal to turn over \$15 billion of Federal programs to the states. In a move to celebrate the "innovative power of states as laboratories," Mr. Bush proposed to strip away Federal restrictions on use of the money, a relatively small portion of the \$171 billion that the Federal Government expects to distribute in grants to state and local governments for an immense array of programs next year.

Many governors expressed interest in the proposal. The idea of gaining more flexibility in the use of Federal money is "very attractive to the states," said Gov. Booth Gardner of Washington, chairman of the National Governors Association.

But mayors complained that it was, in the words of Mayor Raymond L. Flynn of Boston, another salvo in Washington's "10-year steady assault on America's cities."

### Tapping the Pipeline

Mayors now fear that Mr. Bush's proposal would permit the states to siphon money from the pipeline that carries cash from the United States Treasury directly to hundreds of cities.

Mayors were apoplectic last week when they learned, for instance, that Mr. Bush's budget proposal included the Community Development Block Grants on a list of the programs that might be turned over to the states. The program provides \$3.1 billion a year for housing, street repairs, parks and playgrounds, child care, shelters for battered women and other public services to benefit people with low or moderate income. Cities and urban counties now get two-thirds of the money; states get the remainder.

In his State of the Union Message on Jan. 29, President Bush said transferring such programs to the states would move "power and decision-making closer to the people." But Mayor Robert M. Isaac of Colorado Springs, president of the United States Conference of Mayors, said that under the proposal power would actually be further removed from the people because decisions about how to spend community development funds would be made by state officials, rather than at the local level.

For their part, states, in fiscal distress themselves, need every dollar they can find. Even as Mr. Bush proposed devolution of Federal programs to the state level, gover-

# Bush's proposal: Rerouting city aid by way of the statehouse

## Washington's purse

Proposed figures for fiscal year 1992, in billions of dollars.

Receipts	\$1,163.0
Individual income taxes	\$529.5
Social insurance taxes	429.4
Corporate income taxes	101.9
Other taxes and receipts	104.2
Expenditures	\$1,445.9
Direct payments to individuals	\$694.4
Military	296.2
Interest on debt	206.3
Grants to states and localities	170.9
Other	178.1

## Local share

Outlays for grants to states and local governments, in millions of dollars.

Total outlay	\$170,984
Health	63,447
Income assistance	46,304
Education, employment and social services	27,648
Transportation	20,188
Community development	4,341
Environment	3,838
General government	2,212
Agriculture	1,418
Justice and law enforcement	845
Energy	431
Veterans benefits	181
Military	131

## Subject to change

The Bush Administration will ask Congress to turn over to the states the money for some \$15 billion in Federal programs. Below is the list of programs (totaling almost \$21 billion for the 1992 fiscal year) from which the Administration's recommendations are to be drawn. Totals are in millions of dollars.

<b>Education</b>	
Impact Aid Payments	\$895
Money for school districts that educate children of Federal employees who work or live in untaxed Federal Government property.	
<b>Supplemental Education Opportunity Grants</b>	488
Federal scholarships to low-income students.	
<b>Chapter 2 Block Grants</b>	465
Grants to states to support changes in education programs.	
<b>Public Library Services Programs</b>	115
Literacy programs and programs for urban libraries and special groups.	
<b>Construction Grants</b>	\$2,198
Grants to municipalities from the Environmental Protection Agency to build municipal treatment plants.	
<b>State Welfare Administrative Expenses</b>	\$6,307
Grants to help finance the administrative costs of welfare programs like Medicaid, Aid to Families With Dependent Children and food stamps.	
<b>Social Services Block Grant</b>	\$200
Grants for a variety of social welfare programs, including child care.	
<b>Low-Income Home Energy Assistance Program</b>	\$61
Money to help poor families pay their energy bills.	
<b>Housing and Urban Development</b>	
<b>Selected Public and Subsidized Housing Programs</b>	\$3,505
A variety of housing assistance provided by H.U.D. to low-income people. (The Office of Management and Budget has not informed H.U.D. which of these programs are candidates for transfer to the states.)	
<b>Community Development Block Grants</b>	\$,097
Grants and loan guarantees to promote neighborhood improvement and economic development.	
<b>Justice</b>	
<b>Byrne Memorial State and Local Law Enforcement Assistance Program</b>	\$421
Grants to states and local communities for various crime and antidrug programs.	

Source: Office of Management and Budget

nors were begging Washington to pay more of the cost of Medicaid, the fast-growing health program for poor people.

Apart from the tensions between governors and mayors, the outlook for Mr. Bush's proposal is fraught with other problems.

John H. Sununu, the White House chief of staff, said last week that the Administration wanted to negotiate with the governors and with the National Conference of State Legislatures on which Federal programs should be turned over to the states. Surely, he implied, they should be able to agree on a package.

After all, there are 478 Federal grant programs that distribute more than \$100 billion a year for specific activities narrowly defined by law. Each "categorical grant" program is a separate spigot. There are 17 for highways, 22 for pollution control, 65 for health services and 88 for education.

Some might think it would be easy to consolidate the six Federal grant programs for urban mass transit, or the 16 for education of handicapped children. But such an expectation ignores the political reality: Behind each grant is at least one member of Congress, zealously interested in the program and responding to hundreds of thousands of people who benefit from it.

Another obstacle will be the committees of Congress, which are unlikely to approve Mr. Bush's proposal to turn over \$15 billion worth of programs to the states "in a single consolidated grant." Nearly every committee has



Nura Kartin

no assurance the original purposes of the current grants will be met."

The unanswered questions already being raised about Mr. Bush's block grant proposal suggest that it was hastily devised to put flesh on the bones of his domestic policy. White House officials said the aid formula could be written so that each state would receive a lump sum roughly equal to the total amount it now receives from all the separate grants being consolidated. But many details have yet to be worked out. It is impossible to say whether any particular city or state would be a winner or a loser.

President Bush said that if he transfers Federal programs to the states, they would be "fully funded" for five years. His vow was meant to pacify state and local officials who know that Washington likes to give them new responsibilities with no new money.

But what did Mr. Bush mean? There would be \$15 billion a year for five years, without any allowance for inflation. In promising this amount, the Administration assumed that costs would soar in some categories while spending would be slashed in others. Thus, states are asked to take full responsibility for the cost of administering welfare, food stamps and Medicaid, and the Administration assumes those costs will grow 62 percent, to \$8.3 billion, in 1996. Over the same period, it assumes that states can get along with a 56 percent cut in Federal grants for construction of sewage treatment plants and an 83 percent cut in Federal money to help poor people heat their homes.

City residents might well notice a difference.

Robert Greenstein, director of the Center on Budget and Policy Priorities, a Washington research group, notes that 80 percent of the program funds suggested for consolidation into a block grant are now used to help people with low incomes.

"The Administration's proposal thus could pose a significant risk to poor families" because they have historically had less political influence at the state level than at the Federal level, he said.

"State legislatures tend to be dominated by suburban and rural interests," said Mayor William J. Althaus of York, Pa., a Republican. Calling Mr. Bush's block grant proposal "very ill-conceived," Mr. Althaus spoke for many mayors when he said at a news conference last week that he thought there was no reason to tamper with a system that was working.

States, of course, are repeatedly mentioned in the Constitution. Cities and counties are not; they exist as agencies of the states. Presidents have given differing degrees of recognition to the cities. Some mayors say they never had a better friend in the White House than Richard M. Nixon, who promoted revenue sharing, community development

## Governors would get \$15 billion in unrestricted funds.

some grants within its purview and would fight to retain control of the money.

But it is conceivable that Congress might revise Mr. Bush's proposal by merging some of the smaller grant programs into a new or expanded block grant for a broad purpose like mental health, highways or elementary education. At the very least, Congress could give states more leeway to shift money between similar grant programs.

Whether the proposal survives in its current form or not, Ralph Tabor, a lobbyist for the National Association of Counties, commented: "If you put all this money together into one pot and the governors can transfer funds from one program to another, there is

grants and operating subsidies for mass transit. By contrast, President Ronald Reagan, a former governor, preferred to do business with the governors. He often acted as if he believed that no one, not even the Federal Government, should tell sovereign states how to behave.

In his new budget, Mr. Bush likewise celebrates that sovereignty.

# Officials: Block grant proposal is a bad idea

**FLORIDA TODAY**

Brevard County and the cities of Melbourne, Cocoa and Titusville could receive less federal community development money under President Bush's 1992 budget, government officials said Wednesday.

Under Bush's proposal, which Congress must approve, \$2 billion of Community Development Block Grant money would be given to the state.

Local officials are concerned they might not see the same level of financing under the state's direction.

The grant program provides money for local redevelopment projects such as housing rehabilitation, street paving and sidewalk construction.

"I support the notion of bringing government closer to the people and giving more flexibility to state government, but I'm afraid this program would just disappear into the black hole in Tallahassee and this money will never get down to local government," said U.S. Rep. Jim Bacchus, D-Orlando.

Bacchus is joining a movement with other members of Congress to kill Bush's plan.

State Sen. Winston "Bud" Gardner, D-Titusville, said Bush likely will reduce the federal money after a few years and require the state to make up the difference. But the state is strapped for cash to pay for programs it has now, he said.

"This is a way to reduce federal spending and force the blame on the state," said Gardner,

chairman of the Senate Appropriations Committee.

"There would be no guarantee that Brevard County could continue receiving funding at the levels we've had, if at all," said Denise Carter, the county's block grant program coordinator.

This year, Brevard received \$1.87 million to be used throughout the county. Cocoa received \$287,000; Melbourne, \$521,000; and Titusville, \$334,000.



Melinda Thomas, Melbourne's block grant program manager, said 1991 projects are safe, but next year is questionable.

Cocoa officials do not think their program will suffer within the next two years, but they do not support routing the money through the state.

"If you run it through the state the cities will probably have to still meet the federal guidelines as well as state guidelines. Some of the money will probably also be redirected to cover the state's administrative costs," said Bill Muldowney, a planner supervising Cocoa's community development grants.

Beth Lemke, Titusville's acting planning administrator, doubts the city would receive the same treatment with the state as it gets with the federal government.

"When the state gets the funding, municipalities don't seem to get a fair shake," she said.

Editorials & Letters  
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**Comment**

## Block grants work fine as they are

As the impact of President Bush's budget proposals becomes clearer, local officials across the country are skeptical and even fearful about a key provision that would affect community development programs. Simply stated, if grants that now go directly to communities are funneled through state capitals, local government might not fare well.

Mr. Bush's intent is to turn back to the states about \$22 billion in programs that now are administered in Washington.

*The main fear is that politics will become involved.*

Among them could be the Community Development Block Grant, worth \$2.9 billion last year to local

governments. In Allentown, for instance, block grant money has gone to help low-income residents improve their homes; to raze dilapidated and hazardous buildings; and to install curbs, sidewalks and other public works in targeted neighborhoods.

The block grant program is popular with local officials because the grants are based on population and need, measured through established economic indicators. While mayors and council members would welcome more dollars, the feeling usually was that block grant money was being allocated fairly. There is no such trust that state governments will be fair in their decisions on who gets grants.

The main fear is that politics will become involved. A governor may need support for his agenda, or he may wish to punish legislators for opposing pet measures.

Grant money could become his or her weapon.

Mr. Bush talks about "empowerment," giving people control over programs that the federal government now controls. It also means sparing the federal government the cost of running those programs, and that is another fear. Restructuring the community development program also might be a way of reducing spending for it.

Not all of the decisions about empowerment and grant-shifting have been made. There is one reason that by itself justifies Washington reconsidering a shift of the block grant function to the states: The program has made a difference to the communities of the Lehigh Valley, and it works fine as it is.

# Mayors Win Concession on U.S. Aid

By WAYNE KING

Special to The New York Times

WASHINGTON, Feb. 20 — In a move that appeared to further weaken President Bush's proposal to shift \$15 billion in Federal assistance from Federal to state control, a spokesman for the nation's governors told the Senate today that the states have no interest in assuming control over community development funds or other programs whose loss would threaten the cities.

The move came at a Senate Budget Committee hearing that also brought angry testimony from two big-city mayors, David N. Dinkins of New York and Raymond L. Flynn of Boston, and strong hints from Democratic members that the President's proposal would have tough sledding in the Democratic-controlled Congress.

Many members of Congress, particularly Democrats, view the proposal as a move to eventually wean the cities off much Federal assistance.

### Fears of Cities Addressed

Under Mr. Bush's proposal, first mentioned in his State of the Union Message last month, \$15 billion in money now being made available to state and local governments under various specific programs would be turned over exclusively to the states as block grants, to be parceled out as the states deem necessary.

## Governors promise not to cheat the cities.

In testimony before the Senate Budget Committee today, Gov. John Ashcroft of Missouri, a Republican who is vice chairman of the National Governors' Association, said the governors supported the block grant concept.

But Governor Ashcroft, who said he spoke for the nation's governors, made a clear attempt to ameliorate the fears of cities that the President's proposal will cheat them, telling the committee that "the governors are not interested in including grants that are currently targeted to local government."

The Bush Administration did not specify what programs would be shifted to block grants, instead providing a list of programs as examples of what the states might take over.

What particularly outraged the mayors was inclusion on the list of \$3.1 billion in Community Development Block Grants for housing, parks, child care and other social services. Urban

areas now get two-thirds of that money, and the states get the rest.

### Block Grants to Be Excluded

Mayor Flynn and Mayor Dinkins, along with Mayor William J. Althaus of York, Pa., also testified later before the House Budget Committee. They said that because most legislatures were dominated by rural and suburban interests, cities could get short shrift if states took control of money now earmarked for cities.

But Governor Ashcroft said he and the other governors would specifically exclude the Community Development Block Grant program "and would not threaten resources that are now being made available to the cities."

While the mayors welcomed the concession, Mayor Althaus said a compromise was not acceptable to the cities. "We would insist that this particular proposal be taken off the table," he said. "It is not workable and not in the interest of the people concerned."

Mayor Flynn told the House committee that the proposal was a diversionary tactic intended to get cities and states warring among themselves.

Mayor Dinkins also aimed most of his fire at the block grant proposal, asserting that it amounted to an "abandonment" of the cities.



# Plan for state block grants weakens

by Frank Shafroth

The administration's proposal to cash in the Community Development Block Grant and other municipal programs to a state block grant or "state revenue sharing proposal" appeared to further weaken in developments in the Congress last week.

In the first hearings held on the proposal, Mayors David Dinkens of New

York, William Althaus of York, Pennsylvania, and Raymond Flynn of Boston, joined witnesses from the administration and the National Governors' Association before the House and Senate Budget Committees.

Senate Budget Committee Chairman Jim Sasser (D-Tenn.) said the proposal "would force cities and states to raise taxes by \$27 billion over the next 5 years to maintain current state and local services."

Sasser, who chaired a special hearing on the proposal, said that the municipal and state programs the administration has proposed to trade in are proposed in the president's budget to be cut by that amount over the next five years.

The proposal, so far, has gathered no support in the Congress, and the nation's governors last week made clear they are "not interested in including grants that are currently targeted to local government."

Governor John Ashcroft of Missouri, the vice chairman of the National Governors' Association, repeated publicly that the nation's governors "would not threaten resources that are now being made available to cities," a message NGA had previously privately committed to NLC.

At the same hearing, William M. Diefenderfer, deputy director of the president's Office of Management and Budget (OMB), appeared to contradict John Sununu, the president's Chief of Staff, when he advised the committee that CDBG and other municipal programs

See p.11, col.1

## Turnbacks from p.1

had been included in the president's turnback proposal for "illustrative purposes only."

Diefenderfer said the administration would consider including any programs mutually acceptable to Congress and governors.

Last week at a meeting with NLC President Sidney Barthelemy, Sununu had indicated that if CDBG were withdrawn from the president's proposal, the entire proposal would collapse.

The plan proposed by the administration would redirect \$15 billion of funds for federal programs to governors and state legislatures. The programs affected by the proposal include: health care, education, welfare, housing and law-enforcement.

The states would have "flexibility" to decide how to or whether to allocate the money to municipalities under the proposal. Included in the plan is a proposal to turn \$3 billion of CDBG money over to

states. This has raised concerns about cities' funding among mayors.

Mayor Dinkens said: "There is a serious risk that the temptation in state capitals will prove too great and money that now funds much-needed services in our cities will be spent on other state programs, and will be used to supplant state funds that are currently devoted to providing services."

Proponents of the new proposal say the money will be better spent by elected officials closer to the people than the federal government. They also say the plan will reduce bureaucracy to administer the funding.

"Why not think about transferring some of these programs to the governor or the legislature elected by all the people who live inside the cities and outside the cities?" said Rep. Jim Kolbe (R-Ariz).

"How is it that they (states) would have a better understanding of how this CDBG money would be spent than we do," said Flynn.

"It's a lot different in the neighbor-

hoods listening to the people than it is sitting in the statehouse listening to elected officials," Flynn said.

The value of changing the existing system was also questioned.

"I don't understand the concept of let's eliminate some of the bureaucracy," Flynn said. "Wouldn't the state government now have to set up a bureaucracy" to divide the state block grants.

Rep. James Oberstar (D-Minn.) said cities and towns would end up losing money in the long run.

"I think you're going to be wondering what programs you are going to lose and what taxes you are going to have to raise," said Oberstar.

"You'll see money cut and programs eliminated," Oberstar said. "You'll be left holding the bag." □

Chris Hedges, an intern from the University of Indiana in the NLC Center for Policy and Federal Relations, contributed to this article.

Verbage for SHRA 9.2

4-2

CITY COUNCIL - ~~2-2-88~~

- 1. Amendment of Owner Participation Agreement with the Good Neighbors Club of Del Paso Heights and Authorization to Allocate Additional Del Paso Heights Tax Increment Funds in an Amount not to Exceed \$135,000 for Construction of the Good Neighbors Child Care Center (D-2)
- a. Agency Resolution Approving Amendment to the Owner Participation Agreement with the Good Neighbors Club of Del Paso Heights and Authorization to Allocate Del Paso Heights Tax Increment Funds for Construction of the Good Neighbors Child Care Center
- 2. Approval of Request to Quiet title for Purchase of Vacant Residential Parcels in the Oak Park Residential Project Area (D-5)
  - a. Authorization to Quiet Title to Vacant Residential Land Parcels Prior to Acquisition in the Oak Park Redevelopment Project Area
- 3. Conflict of Interest Code - Designated Employee List Amendment (All Districts)
  - a. Agency Resolution Approving Amendment of Designated Employee List for Conflict of Interest Code
  - b. Authority Resolution Approving Amendment of Designated Employee List for Conflict of Interest Code
- 4. Opposition to a Proposal by the Federal Administration to Include Community Development Block Grants and Other HUD Programs in a Consolidated Grant to States (All Districts)
  - a. City Resolution Approving Opposition to a Presidential Proposal Including Housing and Community Development Funds for Urban Areas in a Consolidated Grant to States

