

GAO

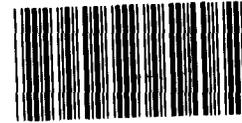
United States General Accounting Office

Fact Sheet for the Chairman,
Subcommittee on Labor, Health and
Human Services, Education and Related
Agencies, Committee on Appropriations,
U.S. Senate

July 1992

BLOCK GRANTS

Increases in Set-Asides and Cost Ceilings Since 1982



147106





United States
General Accounting Office
Washington, D.C. 20548

Human Resources Division

B-243897

July 27, 1992

The Honorable Tom Harkin
Chairman, Subcommittee on Labor,
Health and Human Services,
Education and Related Agencies
Committee on Appropriations
United States Senate

Dear Mr. Chairman:

This report responds to your request that we review changes to the legislation authorizing block grant programs to determine how restrictions placed on recipients have changed. We focused our review on set-asides and cost-ceilings. These provisions directly restrict how state and local grantees may use their funds. In a previous study we conducted, we found these provisions may limit state and local discretion to use block grant funds.¹

Background

Block grants are made to state and local governments to use in providing services and programs in broad areas, such as health care and social services. Under block grants, states and localities have broad discretion to decide what specific services and programs to provide as long as they are directly related to the goals of the grant program. Over the past decade, the Congress has established new block grants to achieve broad goals, such as providing better health care and social services to needy or underserved individuals.

In fiscal year 1990, 11 of the approximately 600 grant programs available to states and localities were block grants.² They comprised about \$14 billion of approximately \$155 billion in federal aid to states and localities. Table 1 lists these grants and their fiscal year 1991 funding level.

¹Block Grants: Federal Set-Asides for Substance Abuse and Mental Health Services (GAO/HRD-88-17, Oct. 14, 1987).

²These figures do not include three new block grant programs described in appendix II that were enacted in 1990 but not funded until fiscal year 1991.

**Table 1: Federal Block Grants Funded
In Fiscal Year 1991**

Dollars in thousands	
Block grant	Fiscal year 1991 funding
Alcohol, Drug Abuse and Mental Health Services (ADMS)	\$1,205,237
Community Services (CSBG)	349,436
Community Youth Activity (CYAP)	4,884
Low-Income Home Energy Assistance (LIHEAP)	1,609,714
Maternal and Child Health Services (MCH)	499,207
Preventive Health and Health Services (PHHS)	90,845
Social Services (SSBG)	2,800,000
Community Development—Entitlement and Small Cities (CDBG)	3,187,628
Elementary and Secondary Education (Chapter 2)	448,914
Job Training Partnership Act— Title II-A (JTPA)	1,778,484
Federal Transit Act—Large and Small Urban Areas (FTA)	1,941,722
Total	\$13,916,071

Source: Catalog of Federal Domestic Assistance, (Washington, D.C., Office of Management and Budget/General Services Administration, 1991.)

In analyzing changes to block grant legislation, we identified set-asides and cost ceilings as two types of restrictions that can affect state and local flexibility in using block grant funds. We defined set-asides as requirements that state or local grant recipients (or subrecipients) spend a specified minimum percentage of their grant for a particular program purpose, group of persons, or type of organization (usually entities that provide program services directly).³ For example, under the Maternal and Child Health Care block grant, states must use at least 30 percent of their grant for preventive and primary care services for children.

We also included as set-asides several requirements that may not be readily interpreted as set-asides but that meet the basic definition of requiring recipients to use a specified minimum portion of their grant for a particular purpose. Among these are pass-through requirements, under which state or local governments must transfer a certain level of funds to

³In our analysis, we did not include set-asides that do not affect state or local governments. We found some set-asides that require federal agencies to use a portion of funds appropriated to a block grant program for purposes other than the grant itself. These typically include setting aside funds for project grant programs or conducting evaluations of how well a block grant program is achieving its objective. For example, under the Maternal and Child Health Services Block Grant, the Department of Health and Human Services must set aside 15 percent of funds appropriated for certain discretionary grant programs before allocating block grant funds to states.

subrecipients, and a provision in the Alcohol, Drug Abuse, and Mental Health (ADMS) block grant requiring states to apportion 90 percent of their block grant between mental health services and substance abuse services in proportion to the state's spending patterns under the categorical grant programs that the block grant replaced.

Cost ceilings require that states and localities spend no more than a specified maximum percentage of their grant for a particular purpose or group. For example, under the Community Development Block Grant, states and cities can spend no more than 15 percent of their grant to provide public services, such as police and fire protection.

We analyzed how set-asides and cost ceilings changed between fiscal years 1982 and 1991 in the block grants listed in table 1. We reviewed changes made through authorizing legislation and appropriations measures. In our review of these changes, we determined the following:

1. The total number of statutory changes made. These include set-asides and cost ceilings added after 1981 and revisions made to any existing set-aside or cost ceiling.
2. Out of the total number of statutory changes, the number of new set-asides and cost ceilings added to the 11 block grants between fiscal years 1982 and 1991.
3. Whether the size or percent limit of individual set-asides or cost ceilings in fiscal year 1991 increased or decreased from earlier levels.
4. Those cases in which recipients were able to obtain relief from set-aside and cost-ceiling requirements through waivers allowed by law.

Appendix II explains our approach in greater detail.

Results in Brief

We found that:

1. The Congress amended legislation authorizing 9 of the 11 block grants to add set-aside and cost-ceiling requirements or change existing ones 58 times from fiscal years 1983 to 1991 (see page 10).
2. Of these 58 amendments, 13 added set-aside and cost-ceiling requirements to the 11 block grants. One set-aside was abolished and one

cost ceiling was replaced. Other amendments changed the amount or proportion of funds restricted under the block grant or the purposes of the requirements (see pages 10-11).

3. By fiscal year 1991, the size or percentage of a recipient's block grant restricted under three set-aside and eight cost-ceiling requirements changed from earlier levels (see pages 11-12). Moreover, the proportion of funds restricted under all set-asides within a block grant increased in three block grants and decreased in two (see pages 13-15).

4. Federal agencies do not always systematically collect data on waiver requests. However, in the few instances where data were available, few state and local grantees requested waivers, but most requests were approved (see pages 16-18).

Appendix I provides details of our findings. Appendix III describes the changes made to set-aside and cost-ceiling requirements for each block grant. Appendix IV lists other GAO reports on block grants.

Agency Comments

We discussed the information in this report with officials from the federal administering agencies for most programs. In nearly all cases, they believed we correctly described each set-aside and cost-ceiling we identified. In several instances, they suggested wording changes that we incorporated as appropriate. Several also said we should include in our analysis, items that we had previously decided not to include (these are described in appendix II). Administrators for the Job Training Partnership block grant did not respond to our requests for comments.

We are sending copies of this fact sheet to the secretaries of each administering agency and other interested parties. We also will make copies available to others on request. Should you or your staff have any questions concerning this fact sheet, please call me on (202) 512-7225. Major contributors to this fact sheet are listed in appendix V.

Sincerely yours,



Gregory J. McDonald
Director, Human Services Policy and
Management Issues

Contents

<hr/>	
Letter	1
<hr/>	
Appendix I	10
Changes to Block Grant Set-Aside and Cost-Ceiling Requirements	
Statutory Changes to Block Grant Legislation	10
Set-Aside and Cost-Ceiling Requirements Added Between Fiscal Years 1982 and 1991	10
Changes in the Size of Individual Set-Asides and Cost Ceilings	11
Changes in the Proportion of Block Grant Funds Restricted by Set-Asides	13
Availability of and Requests for Waivers From Set-Asides and Cost Ceilings	16
<hr/>	
Appendix II	19
Objective, Scope, and Methodology	
Scope	19
Methodology	20
<hr/>	
Appendix III	22
Changes in Set-Asides and Cost Ceilings	
Alcohol, Drug Abuse, and Mental Health Services (ADMS)	22
Community Services (CSBG)	28
Low-Income Home Energy Assistance (LIHEAP)	32
Maternal and Child Health Services (MCH)	36
Preventive Health and Health Services (PHHS)	40
Community Development (Entitlement and Small Cities) (CDBG)	44
Elementary and Secondary Education (Chapter 2)	49
Job Training Partnership Act (Title II-A) (JTPA)	51
Federal Transit Act (Large and Small Urban Areas) (FTA)	56
<hr/>	
Appendix IV	60
GAO Reports Related to Block Grants	
Block Grants	60
Maternal and Child Health Services	60
Preventive Health and Health Services	61
Social Services	61
Low-Income Home Energy Assistance Program	61
Alcohol, Drug Abuse, and Mental Health Services	61
Community Services	61
Elementary and Secondary Education (Chapter 2)	62

	Job Training Partnership Act	62
	Federal Transit Act	62
	Community Development	63
<hr/>		
Appendix V		64
Major Contributors to This Fact Sheet		
<hr/>		
Tables	Table 1: Federal Block Grants Funded in Fiscal Year 1991	2
	Table I.1: Amendments to Block Grant Set-Aside and Cost Ceiling Requirements, by Fiscal Year	10
	Table I.2: Block Grant Set-Aside and Cost-Ceiling Requirements, FY 1982-91	11
	Table I.3: Size of Current Set-Asides and Cost Ceilings in FY 1991 Compared to Initial Levels	12
	Table I.4: Portion of Block Grant Funds Restricted Under Set-Asides, FY 1982 and 1991	15
	Table I.5: Set-Aside and Cost-Ceiling Waivers—Grantee Requests and Approvals by Block Grant	17
	Table III.1: ADMS Block Grant	24
	Table III.2: CSBG Block Grant	30
	Table III.3: LIHEAP Block Grant	34
	Table III.4: MCH Block Grant	38
	Table III.5: PHHS Block Grant	42
	Table III.6: CDBG Block Grant	46
	Table III.7: Education Block Grant	50
	Table III.8: JTPA Block Grant	52
	Table III.9: FTA Block Grant	58

Abbreviations

ADMS	Alcohol, Drug Abuse, and Mental Health Services
CDBG	Community Development Block Grant
CSBG	Community Services Block Grant
CYAP	Community Youth Activity Program
FTA	Federal Transit Act
FY	fiscal year
GAO	General Accounting Office
HHS	Department of Health and Human Services
HUD	Housing and Urban Development Department
JOBS	Job Opportunity and Basic Skills
JTPA	Job Training Partnership Act
LIHEAP	Low Income Home Energy Assistance Program
MCH	Maternal and Child Health
PHHS	Preventive Health and Health Services
SDA	service delivery area
SSBG	Social Services Block Grant

Changes to Block Grant Set-Aside and Cost-Ceiling Requirements

Statutory Changes to Block Grant Legislation

In the 11 block grants, the Congress added set-aside and cost-ceiling requirements or changed existing ones 58 times from fiscal years 1983 to 1991. Most of these amendments were made to authorizing legislation—six were made through annual appropriations measures. Table I.1 shows the number of set-aside and cost-ceiling amendments for each block grant.

Table I.1: Amendments to Block Grant Set-Aside and Cost Ceiling Requirements, by Fiscal Year

Block grant	Fiscal year									Total amendments, FY 1983-91
	1983	1984	1985	1986	1987	1988	1989	1990	1991	
Alcohol, Drug Abuse and Mental Health Services (ADMS)	1	1	5	2	•	•	6	1	1	17
Community Services (CSBG)	2	1	3	•	•	•	•	•	•	6
Low-Income Home Energy Assistance (LIHEAP)	•	•	2	•	•	•	•	•	1	3
Maternal and Child Health Services (MCH)	•	•	•	•	1	•	•	2	2	5
Preventive Health and Health Services (PHHS)	1	1	1	•	•	•	•	•	•	3
Community Development (CDBG)	•	3	1	•	•	2	•	1	2	9
Elementary and Secondary Education (Chapter 2)	•	•	•	•	•	2	•	•	•	2
Job Training Partnership Act (JTPA)	•	•	•	•	4	•	1	•	•	5
Federal Transit Act (FTA) ^a	•	•	•	1	3	2	1	•	1	8
Total	4	6	12	3	8	6	8	4	7	58

^aFormerly the Urban Mass Transportation block grant (UMTA).

Note: The Social Services and Community Youth Activity Block Grants had no set-asides or cost ceilings at any time from 1982 to 1991.

The tables in appendix III describe the set-asides and cost ceilings for every block grant and how they have changed since they were first implemented.

Set-Aside and Cost-Ceiling Requirements Added Between Fiscal Years 1982 and 1991

From fiscal years 1982 to 1991, 13 set-aside and cost-ceiling requirements were added to the 11 block grants we reviewed. One set-aside was abolished and one cost ceiling was replaced. This brought the number of such requirements from 32 in 1982 to 44 in 1991. Of the 44 requirements, 27 were set-asides and 17 were cost ceilings.

**Appendix I
Changes to Block Grant Set-Aside and
Cost-Ceiling Requirements**

The 13 added requirements (10 set-asides and 3 cost ceilings) were made to five block grants: ADMS, CSBG, MCH, CDBG, and Education.

The number of requirements remained the same in three block grants (LIHEAP, JTPA, and FTA), a set-aside was abolished in one block grant (PHHS), and a cost ceiling was replaced in another (FTA). Two block grants had no set-aside or cost-ceiling requirements at any time between fiscal years 1982 and 1991 (CYAP, SSBG).

Table I.2 shows the number of set-aside and cost-ceiling requirements for each block grant in fiscal years 1982 and 1991. It does not include 2 set-asides and 1 cost ceiling that were added after 1982 and abolished before 1991.

Table I.2: Block Grant Set-Aside and Cost-Ceiling Requirements, FY 1982-91

Block grant	Set-asides			Cost ceilings			All requirements change 1982-91
	1982	1991	Change 1982-91	1982	1991	Change 1982-91	
Alcohol, Drug Abuse and Mental Health Services	5	10	5	1	1	0	5
Community Services	1	1	0	1	2	1	1
Low-Income Home Energy Assistance	1	1	0	2	2	0	0
Maternal and Child Health services	0	2	2	0	1	1	3
Preventive Health and Health Services	2	1	-1	1	1	0	-1
Community Development	0	2	2	4	4	0	2
Elementary and Secondary Education	1	2	1	0	1	1	2
Job Training Partnership Act	8	8	0	3	3	0	0
Federal Transit Act	0	0	0	2	2	0	0
Requirements added			10			3	13
Requirements abolished			1			0	1
Total requirements	18	27		14	17		

Note: The Social Services and Community Youth Activity Block Grants had no set-asides or cost ceilings at any time from 1982 to 1991.

Changes in the Size of Individual Set-Asides and Cost Ceilings

By fiscal year 1991, the size—or the percentage of a recipient's block grant award that must be used as specified in the law—of three set-asides and eight cost ceilings changed from earlier levels. Table I.3 shows the increases and decreases in size for these individual set-asides and cost ceilings.

**Appendix I
Changes to Block Grant Set-Aside and
Cost-Ceiling Requirements**

**Table I.3: Size of Current Set-Asides
and Cost Ceilings in FY 1991
Compared to Initial Levels**

Block grant/Requirement	Initial size	Size in FY 1991
Alcohol, Drug Abuse, and Mental Health Services		
Cost Ceiling: Administrative costs	10% ^a	5%
Set-Aside: Alcohol and drug abuse services for women	5% ^d	10%
Set-Aside: Amount of grant funds to be allocated—in proportion to funding under replaced categorical programs—between (1) mental health activities and (2) alcohol and drug abuse activities	100% ^a	90%
Community Services		
Cost Ceiling: Administrative Costs	5% ^a	Greater of 5% or \$55,000
Low-Income Home Energy Assistance		
Cost Ceiling: Administrative costs	10% ^a	10% of funds not transferred to other block grants
Cost Ceiling: Funding for weatherization activities	15% ^a	25% (if state obtains a waiver; 15% without a waiver)
Community Development		
Cost Ceiling: Deduction of state administrative costs from grant funds for the Small Cities Program	50% of administrative costs, but not more than 2% of funds received ^a	\$100,000 plus 50% of administrative costs over \$100,000, the latter portion not to exceed 2% of funds received
Cost Ceiling: Funding for public services	10% ^a	15%
Set-Aside: Activities benefiting low and moderate income persons	51% ^c	70%
Federal Transit Act		
Cost Ceiling: Proportion of funds small urban areas (population less than 200,000) may use for operating assistance ^f	95% ^b	^g
Proportion of funds that may be used for operating assistance by areas that became classified as urbanized after the 1980 census ^f	40% ^b	^h
Cost ceiling: Percent of total funds appropriated for operating assistance for all urbanized areas	43% ^{a,i}	51%

(Table notes on next page)

**Appendix I
Changes to Block Grant Set-Aside and
Cost-Ceiling Requirements**

Note: Sizes are percentages from total state/local grant allotment unless otherwise noted. Initial size is for the year designated by the footnotes. Not included in the table are set-asides and cost ceilings that did not change and interim changes made to set-asides and cost ceilings between 1982 and 1991. These include, for example, a set-aside under the Alcohol, Drug Abuse, and Mental Health Services Block Grant that required states to use funds provided under a supplemental appropriation in 1989 for substance abuse activities.

^a1982.

^b1983.

^c1984.

^d1985.

^e1987.

^fGAO considered this to be one cost ceiling in which different limits were applied to two different types of urban areas (under 200,000 and areas that became urbanized after the 1980 census).

^gRecipients may increase the level of funds—based on their 95 percent ceiling in fiscal year 1989—by the annual change in the consumer price index.

^hTwo-thirds of the amount of funds received in the area's first grant award after becoming urbanized.

ⁱAssistance to urbanized areas with a population of 1 million or more was limited to 28 percent of total appropriations.

Changes in the Proportion of Block Grant Funds Restricted by Set-Asides

The portion of a recipient's block grant funds that are restricted under set-asides presents an alternative way of viewing restrictions on block grant spending. A block grant in which all funds must be set aside (as is the case for Title II-A of the Job Training Partnership Act) places more restrictions on grantee spending than a block grant in which less than 50 percent of funds must be set aside. State and local grantees have total discretion, within the broad purpose of the grant, over those funds that are not affected by any set-aside.

Between fiscal years 1982 and 1991, the portion of funds restricted under set-asides increased in three block grants (MCH, CDBG, Education), decreased in two (ADMS, PHHS), and remained the same in three (CSBG, LIHEAP, JTPA). There were no set-asides in the remaining three block grants (CYAP, SSBG, FTA). For example, from 1982 to 1991, two set-asides were added to the Maternal and Child Health Care block grant that increased the restricted proportion of the block grant from 0 to 60 percent. In contrast, while four new set-asides were added to the Alcohol, Drug Abuse, and Mental Health block grant, the restricted proportion decreased from 100 to 90 percent.

**Appendix I
Changes to Block Grant Set-Aside and
Cost-Ceiling Requirements**

Table I.4 compares the portion of each block grant's funds restricted under set-asides in fiscal year 1982 (or the year in which the block grant was first implemented) with the portion restricted under set-asides in fiscal year 1991. Among all the block grants, the restricted portions ranged from 0 to 100 percent in both 1982 and 1991. In calculating these totals, we did not add overlapping set-asides. These occur, for example, in cases where block grants have separate set-asides for specific program purposes and for serving certain target populations, or in cases where a second set-aside is to be taken from a larger set-aside.

Appendix I
Changes to Block Grant Set-Aside and
Cost-Ceiling Requirements

Table I.4: Portion of Block Grant Funds Restricted Under Set-Asides, FY 1982 and 1991^a

Block Grant	Percent FY 1982^b	Percent FY 1991	Percentage point change 1982-91
Alcohol, Drug Abuse and Mental Health Services	100	90 ^c	-10
Community Services	90	90	0
Community Youth Activity	0	0	0
Low-Income Home Energy Assistance ^d	•	•	•
Maternal and Child Health Services	0	60	60
Preventive Health and Health Services	23 ^e	5 ^e	-18
Social Services	0	0	0
Community Development	0	70 ^f	70
Elementary and Secondary Education	80	84	4
Job Training Partnership Act			
—State program	100	100	0
—Local service delivery areas ^g	•	•	•
Federal Transit Act	0	0	0

^aThe Social Services and Community Youth Activity Block Grants did not have any set-asides or cost ceilings.

^b1983 for the Job Training Partnership Act and the Federal Transit Act.

^cBecause set-asides overlap under the ADMS block grant, some states may be required to set aside a higher percentage of their grant based on how they choose to meet the funding requirements of individual set-asides.

^dWe could not determine the level of restricted funds because the set-aside for crisis assistance benefits for meeting sudden, emergency household energy needs is determined by individual states.

^eFigures used here are based on the national averages of the percent of each state's allotment used to meet set-asides for hypertension and for services related to sexual offenses.

^fIn 1991, Arizona, California, New Mexico, and Texas had to set-aside an additional 10 percent of their Small Cities grants for programs and services to "Colonias" within their jurisdiction. "Colonias" are rural, unincorporated areas along the U.S.-Mexican border characterized by conditions such as: substandard housing, inadequate roads and drainage, and substandard or no water and sewer facilities. Because of this requirement, 80 percent of CDBG funds in these four states are restricted by set-asides.

^gWe could not determine the total proportion of JTPA funds restricted under set-asides that apply to local service delivery areas (SDAs). SDAs must use 75 percent of the state education funds they receive for services to the economically disadvantaged. We were not able to obtain data from the Department of Labor showing the distribution of state education funds, and other JTPA funds, to SDAs. As a result, we could not determine the national average level of this set-aside among SDAs.

We had to estimate the total portion of set-asides for the ADMS, LIHEAP, PHHS, and JTPA block grants because some set-asides in these block grants

were not defined as a fixed percentage of the grant allotment. Rather, these set-asides were based on such factors as previous categorical grant spending or the amount of funds allotted under a certain component of the distribution formula. As a percentage of a grant allotment, the size of any of these set-asides varies among states. Where available, we used data on the national average percentage of grant allotments to determine the level of these set-asides as a portion of block grant funds. We incorporated these national averages in calculating changes in the size of individual set-asides, and the total portion of block grant funds restricted under set-asides.

Availability of and Requests for Waivers From Set-Asides and Cost Ceilings

Five of the nine block grants with set-aside or cost-ceiling requirements have waiver provisions: ADMS, MCH, CDBG, Education, and JTPA.¹ Out of 34 set-aside or cost-ceiling requirements in these block grants, waivers can be obtained for 7. In no block grant can waivers be obtained for all set-asides or cost ceilings. We found that federal agencies do not always systematically collect and analyze data on waiver requests. However, under three block grants for which complete data were available (ADMS, MCH and Education), no more than 10 state and local grantees requested waivers; most requests were approved. Data on the two other block grants (CDBG, JTPA) while incomplete indicate that few state or local governments are granted waivers; however, we do not know how many requests were submitted. Table I.5 summarizes the number of waivers requested and granted.

¹A waiver was also available under the CSBG program in fiscal years 1983 and 1984. Colorado, Utah, and Wyoming obtained waivers under a provision that allowed recipients not to meet a requirement that 90 percent of their funds be passed through to local governments and other eligible subrecipients if services assisted by CSBG were not available in 45 percent of its counties.

**Appendix I
Changes to Block Grant Set-Aside and
Cost-Ceiling Requirements**

Table I.5: Set-Aside and Cost-Ceiling Waivers—Grantee Requests and Approvals by Block Grant

Block Grant/Waiver provision	Requesting state or city	For years	Approved	Denied	
Alcohol, Drug Abuse and Mental Health					
Intravenous drug abuse set-aside	Arkansas ^a	1989	X		
		1990		X	
	Indiana	1989	X		
	Mississippi	1989,'90	X		
	New Hampshire	1989		X	
	North Dakota	1989,'90,'91	X		
	South Dakota	1989,'90,'91	X		
	Wyoming	1989,'90,'91	X		
New community mental health services set-aside	None				
Maternal and Child Health Services					
Preventive and primary care set-aside Services to children with special health care needs (All 7 states requested waivers from both set-asides)	District of Columbia	1991	X		
	Florida	1991	X		
	Indiana	1991	X		
	Michigan	1991	X		
	Minnesota	1991	X		
	Oregon	1991	X		
	Vermont	1991		X	
Community Development^b					
Public services cost ceiling	(Entitlement Cities)				
	Alameda, CA	1990	X		
	Amarillo, TX	1990	X		
	Atlanta, GA	1990	X		
	Battle Creek, MI	1991		X	
	Chula Vista, CA	1991	X		
	Fort Worth, TX	1990,'91	X		
	Grand Rapids, MI	1990	X		
	Hartford, CT	1990,'91		X	
	Huntington Beach, CA	1990		X	
	Los Angeles, CA	1990	X		
	Miami, FL	1990	X		
	Portland, OR	1990,'91		X	
	Portsmouth, NH	1990	X		
	Redwood City, CA	1991	X		
	San Jose, CA	1990	X		
	(Urban Counties)				
	Contra Costa, CA	1990	X		
	Hennepin, MN	1991	X		
	Pierce, WA	1990	X		

(continued)

**Appendix I
Changes to Block Grant Set-Aside and
Cost-Ceiling Requirements**

Block Grant/Waiver provision	Requesting state or city	For years	Approved	Denied
Elementary and Secondary Education				
Effective schools set-aside	Alaska	1989	X	
	Arizona	1989		X
	California	1989	X	
	Connecticut	1989	X	
	Michigan	1989	X	
	Minnesota	1989	X	
	Ohio	1989	X	
	Rhode Island	1989	X	
	Utah	1990	X	
	Wisconsin	1989	X	
Job Training Partnership Act				
Administrative and support services cost ceiling for local service delivery areas	Not available	^c		

^aArkansas' 1991 request for a partial waiver is under review by HHS.

^bThe Department of Housing and Urban Development did not maintain records of waivers granted before 1990. Waivers allowed recipients to include program income to calculate the amount of funds affected by the ceiling. This increased both CDBG funds and the amount available for public services. An amendment to the National Affordable Housing Act of 1990 (P.L. 101-625) allowed recipients to include program income in determining total grant funds and eliminated the need to request waivers.

^cThe Department of Labor does not require states to maintain records of requests from service delivery areas (SDAs). However, in a survey of 544 SDAs conducted in 1985, we found that in program year 1984, 32 requests for waivers were approved. Two requests were denied (the remaining 510 SDAs did not request waivers). See The Job Training Partnership Act: An Analysis of Support Cost Limits and Participant Characteristics (GAO/HRD-86-16, Nov. 6, 1985).

Objective, Scope, and Methodology

Our objective was to assess the extent of changes to block grant set-aside and cost-ceiling requirements. For each block grant, we identified and analyzed set-asides and cost ceilings by comparing changes made in the (1) number of restrictions, (2) size of the restrictions, and (3) purposes or populations to be served under these requirements. We reviewed changes implemented between 1982 and 1991. We also identified provisions that allow states to apply for waivers from set-aside and cost-ceiling requirements and documented the extent to which states applied for and were granted waivers.

Scope

We reviewed 11 federal assistance programs identified by the Advisory Commission on Intergovernmental Relations (ACIR) as block grants that were first authorized before 1990, and were amended between 1982 and 1990. Because most changes became effective at the beginning of the following fiscal year, we analyzed and reported these changes based on the fiscal year they were implemented. These programs are:

- Alcohol, Drug Abuse, and Mental Health Services;
- Community Services;
- Community Youth Activity Program;
- Low-Income Home Energy Assistance;
- Maternal and Child Health Services;
- Preventive Health and Health Services;
- Social Services;
- Community Development—Entitlements and Small Cities;¹
- Elementary and Secondary Education (Chapter 2);
- Job Training Partnership Act (Title II-A); and
- Federal Transit Act—Large and Small Urban Areas (formerly the Urban Mass Transportation block grant).

We did not include block grants authorized since 1988 that were not subsequently amended. These include:

- Child Care and Human Development,²
- Job Opportunity and Basic Skills (JOBS) Child Care Entitlement,³ and

¹The Community Development programs are two distinct block grants and are administered separately. However, because most set-asides and cost ceilings apply to both programs, we considered them as one program for our analysis.

²Authorized by the Omnibus Budget Reconciliation Act of 1990, P.L. 101-508, title V, section 5082.

³Authorized by the Omnibus Budget Reconciliation Act of 1990, P.L. 101-508, title V, section 5081.

- HOME Investment Partnerships.⁴

We also did not include block grants that existed or were first authorized after 1982, but were abolished by 1990. These include:

- Comprehensive Employment and Training,
- Primary Care, and
- Criminal Justice.

Methodology

We reviewed the authorizing statute for each block grant to identify set-asides and cost ceilings effective in fiscal year 1982. Using reference notes provided in the U.S. Code, we identified legislation making changes to these set-asides and cost ceilings. We identified new set-asides and cost ceilings added after fiscal year 1982 by analyzing all amending legislation and annual appropriations laws. We also reviewed agency regulations governing each block grant to see if set-aside or cost-ceiling requirements were made or changed directly by agencies. We did not find any, and all federal administering agencies confirmed our findings.

We defined set-asides as requirements that state or local grant recipients (or subrecipients) spend a specified minimum percentage of their grant for a particular program purpose, group of persons, or type of organization (usually entities that provide program services directly).⁵

We also included as set-asides several requirements that may not be readily interpreted as set-asides. However, they do meet the basic definition of requiring recipients to use a specified minimum portion of their grant for a particular purpose. Among these are pass-through requirements under which state or local governments must transfer a certain level of funds to subrecipients, and a provision in the Alcohol, Drug Abuse, and Mental Health block grant requiring states to apportion 90 percent of their block grant between mental health services and substance abuse services in proportion to the state's spending patterns under the categorical grant programs that the block grant replaced.

⁴Authorized by the Cranston-Gonzalez National Affordable Housing Act, P.L. 101-625, title II, section 211.

⁵We did not include set-asides that do not affect state or local governments. We found some set-asides that require federal agencies to use a portion of funds appropriated to a block grant program for purposes other than the grant itself. These typically include setting aside funds for project grant programs or conducting evaluations of how well a block grant program is achieving its objective. For example, under the Maternal and Child Health Services Block Grant, HHS must set aside 15 percent of funds appropriated for special projects grant programs before allocating block grant funds to states.

Cost ceilings require that states and localities spend no more than a specified maximum percentage of their grant for a particular purpose or group of persons. We did not include as cost ceilings two types of provisions that meet our definition of cost ceilings: (1) Transfer provisions that allow recipients to shift a small percentage of funds received under one block grant to use for activities under one or more other block grants. For example, states may shift up to 10 percent of their Social Services Block Grant funds to use for activities allowed under five other HHS block grants—ADMS, CSBG, LIHEAP, MCH, and PHHS; and (2) carryover provisions that allow recipients to use a small percentage of funds received under the block grant in the following fiscal year. For example, states may carry over up to 10 percent of their LIHEAP funds to use in the following fiscal year.⁶ We did not review these provisions because they do not direct funds to be spent for a specific purpose within a single block grant, and they do not restrict state and local flexibility to use funds within a block grant.

We documented how each block grant's set-aside and cost-ceiling requirements changed to determine if (1) requirements were being added, (2) existing ones were being abolished, or (3) existing ones were being changed.

For those set-asides and cost ceilings where waivers are allowed, we obtained data from most federal administering agencies on (1) the annual number of requests for waivers and the reasons given by the states for the requests and (2) the annual number of such requests that are granted and denied and the agency's reasons for granting or denying the requests. We noted in our report those instances where data were not available or were incomplete.

We discussed the information in this report with officials from the federal administering agencies for most programs. In nearly all cases, they believed we correctly described each set-aside and cost ceiling we identified. In several instances, they suggested wording changes, which we incorporated as appropriate. Several also said we should include in our analysis items such as transfer or carryover provisions that we had previously decided not to include. Administrators for the Job Training Partnership block grant did not respond to our requests for comments.

We conducted our work from February 1991 to January 1992 in accordance with generally accepted government auditing standards.

⁶Less any funds transferred to other HHS block grants.

Changes in Set-Asides and Cost Ceilings

Below are tables showing all set-asides and cost ceilings and how they have changed in each block grant we reviewed. The first column in each table lists the purpose of each set-aside or cost ceiling. Subsequent columns show the portion of grant funds subject to the set-aside or cost ceiling for each fiscal year and any changes made. Unless noted otherwise in these tables, a ceiling means that no more than the percentage figure shown may be used for the described purpose; a set-aside means that at least the percentage figure shown must be used for the described purpose.

The rows at the end of each table show the total number of restrictions—broken out by cost ceilings and set-asides—in effect for each fiscal year, and the portion of grant funds restricted by set-asides. This information shows how set-aside and cost-ceiling restrictions have changed over time.

There are no tables for the Social Services Block Grant and the Community Youth Activity Block Grant because there have been no set-asides or cost ceilings in these programs.

Alcohol, Drug Abuse, and Mental Health Services (ADMS)

States and territories receive ADMS block grants to: (1) support projects to develop more effective prevention, treatment, and rehabilitation programs and activities to deal with alcohol and drug abuse; and (2) support community mental health centers in providing services to chronically mentally ill individuals, severely mentally disturbed children and adolescents, mentally ill elderly persons, identifiable populations that are currently underserved, and in coordinating these services with other health care services provided by the centers.

The ADMS block grant has experienced the greatest increase in set-asides and cost ceilings of any of the 11 grants studied. Five new set-asides were enacted, increasing the total from 5 to 10. These include: (1) services related to intravenous drug abuse, (2) alcohol and drug abuse services for women, (3) new community mental health services and programs not available in fiscal year 1989, and (4) two set-asides for mental health services for seriously emotionally disturbed children and adolescents. States could obtain waivers from the intravenous drug abuse and new community mental health services set-asides. As table III.1 shows, the size and purposes of many of the set-asides were frequently changed. The only cost ceiling placed a limit on funds available for administrative costs. This ceiling was reduced from 10 to 5 percent in fiscal year 1989.

Appendix III
Changes in Set-Asides and Cost Ceilings

**Appendix III
Changes in Set-Asides and Cost Ceilings**

Table III.1: ADMS Block Grant

Restriction/ fiscal year implemented	1982	1983	1984	1985
Restrictions that apply to grantees' full allotment				
Ceiling on state administrative costs	10% of allotment	→ ^a	→	→
Set-asides: ^b required allocation between (1) mental health and (2) drug and alcohol abuse activities in proportion to funding replaced categorical programs	100% of allotment between the 2 set-asides	95% of allotment between the 2 set-asides	85% of allotment between the 2 set-asides	75% of allotment between the 2 set-asides
Set-aside for alcohol and drug abuse services for women				5% of full allotment to initiate and expand these services Changed to 3% of full allotment in October 1985
Restrictions that apply to grantees' funds for substance abuse				
Set-aside for programs and activities related to alcoholism and alcohol abuse	35% of amount allocated for drug and alcohol abuse	→	→	→
Set-aside for programs and activities related to drug abuse	35% of amount allocated for drug and alcohol abuse	→	→	→
Set-aside services related to intravenous drug abuse (waiver available)				
Set-aside for prevention and early intervention programs	20% of amount allocated for drug and alcohol abuse activities	→	→	→
Set-aside: Use of funds appropriated under Anti-Drug Abuse Act of 1988 (waiver available)				

**Appendix III
Changes in Set-Asides and Cost Ceilings**

1986	1987	1988	1989	1990	1991
→	→	→	5% of allotment	→	→
→	→	→	90% of allotment between the 2 set-asides	→	→
5% of full allotment	→	→	10% of full allotment for programs and services, and demonstration projects providing residential treatment services to pregnant women	→	→
→	→	→	→	→	→
→	→	→	→	→	→
→	→	→	→	50% of the amounts allocated for drug abuse programs	→
→	→	→	→	→	→
			100% for substance abuse programs; of which 50% must be used for intravenous drug abuse treatment		

(continued)

**Appendix III
Changes in Set-Asides and Cost Ceilings**

Restriction/ fiscal year Implemented	1982	1983	1984	1985
Restrictions that apply to grantees' funds for mental health				
Set-aside for (a) new comprehensive community mental health services for underserved areas or populations, and (b) new mental health services for severely disturbed children and adolescents				10% of amount allocated for mental health activities ^c
Set-aside for new or expanded services and programs for seriously emotionally disturbed children and adolescents				
Set-aside for development and provision of community mental health services and programs not available at the beginning of FY 1989 (waiver available)				
Number of restrictions	6	6	6	8
—Cost ceilings	1	1	1	1
—Set-asides	5	5	5	7
Portion of grant funds restricted by set-asides ^d	100%	95%	85%	75-80%

**Appendix III
Changes in Set-Asides and Cost Ceilings**

1986	1987	1988	1989	1990	1991
10% of amount allocated for mental health activities for new or expanded comprehensive community mental health services	→	→	10% of amount allocated for mental health activities for services and programs for seriously emotionally disturbed children and adolescents	→	→
			50% of the amount allocated for programs and services unavailable before FY 1989 to be used by the end of FY 1990	→	→
					55% of amount allocated for mental health activities (35% with waiver)
8	8	8	10	10	11
1	1	1	1	1	1
7	7	7	9	9	10
75-78%	75-80%	75-80%	90-100%	90-100%	90-100%

^aAn "→" indicates that the requirement continued to be in effect for these years. Blank spaces appear for any year in which the restriction was not in effect.

^bWe considered this as two set-asides in our analysis—one for mental health and one for alcohol and drug abuse.

^cChanged in October, 1985 to encourage emphasis for services to severely disturbed children and adolescents.

^dBased on set-asides from full allotment. Ranges are shown for years in which set-asides may overlap depending on how states use their funds.

Community Services (CSBG)

States receive CSBG funds to provide a range of services to ameliorate the causes and impact of poverty in communities. The program helps low-income participants to obtain employment, education, housing, and emergency assistance, and other services.

Since this program became a block grant in 1981, states have always been required to distribute most funds—90 percent—to community action agencies or programs although the definition of these agencies and programs was changed in the early 1980s. A cost ceiling was added in fiscal year 1985 limiting the amount of funds that could be given to service providers that were not funded the previous fiscal year. Finally, the ceiling on funds available for administrative costs was changed starting in fiscal year 1985. (See table III.2.)

Appendix III
Changes in Set-Asides and Cost Ceilings

**Appendix III
Changes in Set-Asides and Cost Ceilings**

Table III.2: CSBG Block Grant

Restriction/fiscal year Implemented	1982	1983	1984	1985
Ceiling on state administrative costs	5% of allotment	→ ^a	→	Greater of 5% or \$55,000
Set-Aside (pass-through) to eligible subrecipients	90% of allotment to eligible community action agencies or programs, or organizations serving seasonal or migrant farm workers	90% to political subdivisions ^b	→	90% to eligible agencies or programs, or organizations serving seasonal and migrant farm workers
Ceiling on funds granted to entities or organizations not eligible for funding in previous year				7% of allotment
Ceiling on use of funds not granted to eligible subrecipients ^c (waiver available)		10% of allotment	10% of allotment	
Number of restrictions	2	3	3	3
—Cost ceilings	1	2	2	2
—Set-asides	1	1	1	1
Portion of grant funds restricted by set-asides	90%	90%	90%	90%

**Appendix III
Changes in Set-Asides and Cost Ceilings**

1986	1987	1988	1989	1990	1991
→	→	→	→	→	→
→	→	→	→	→	→
→	→	→	→	→	→
3	3	3	3	3	3
2	2	2	2	2	2
1	1	1	1	1	1
90%	90%	90%	90%	90%	90%

*An "→" indicates that the requirement continued to be in effect for these years. Blank spaces appear for any year in which the restriction was not in effect.

^bPolitical subdivisions may use their allotment directly or distribute it to eligible agencies, programs or organizations to carry out the purposes of the block grant.

^cEnacted as part of the CSBG appropriations for fiscal years 1983 and 1984.

Low-Income Home Energy Assistance (LIHEAP)

States and other jurisdictions use their LIHEAP grants to assist eligible low-income households to meet the costs of home energy. Benefits are provided to households for heating and cooling, weatherization, and crisis assistance.¹

Two restrictions were modified. The ceiling on funds available for administrative costs was slightly restricted by requiring states to determine the allowable amount after subtracting funds they transferred to other block grants. The ceiling on funds that could be used for weatherization purposes was significantly expanded. (See table III.3.)

¹Crisis assistance benefits help meet emergency needs that occur, for example, when a household has used all its heating benefits or sudden severe weather forces the household to use more heat than it is able to pay for. These benefits may also be used to restore shut-off heating or cooling service, prevent service from being shut off, and for similar crisis needs.

Appendix III
Changes in Set-Asides and Cost Ceilings

**Appendix III
Changes in Set-Asides and Cost Ceilings**

Table III.3: LIHEAP Block Grant

Restriction/fiscal year Implemented	1982	1983	1984	1985
Ceiling on state and local planning and administrative costs	10% of allotment	→ ^a	→	10% of funds payable to states less the amounts transferred to other block grants
Ceiling on use of funds for weatherization purposes or other energy related home repair for low-income households	15% of the greater of allotment or funds available	→	→	→
Set-aside for crisis intervention	Reasonable amount of funds based on prior years' data	→	→	Reasonable amount must be held until March 15 of every year
Number of restrictions	3	3	3	3
—Cost ceilings	2	2	2	2
—Set-asides	1	1	1	1
Portion of grant funds restricted by set-asides ^b	—	—	—	—

**Appendix III
Changes in Set-Asides and Cost Ceilings**

1986	1987	1988	1989	1990	1991
→	→	→	→	→	→
→	→	→	→	→	25% of the greater of allotment or funds available with waiver approved by HHS
→	→	→	→	→	→
3	3	3	3	3	3
2	2	2	2	2	2
1	1	1	1	1	1
—	—	—	—	—	—

^aAn "→" indicates that the requirement continued to be in effect for these years. Blank spaces appear for any year in which the restriction was not in effect.

^bData on the percentage of funds set aside for crisis assistance were not available.

**Maternal and Child
Health Services
(MCH)**

States receive MCH block grants to maintain and strengthen their leadership in planning, promoting, coordinating, and evaluating health care for mothers and children and in providing health services for mothers and children who do not have access to adequate health care.

Restrictions on the use of funds increased. A fiscal year 1987 set-aside provision affecting about 1 percent of state grants was followed by its replacement with two separate set-asides to begin in fiscal year 1991 that would cover 60 percent of state grants. A ceiling was also placed on the use of funds for administrative costs beginning in fiscal year 1990. (See table III.4.)

Appendix III
Changes in Set-Asides and Cost Ceilings

**Appendix III
Changes in Set-Asides and Cost Ceilings**

Table III.4: MCH Block Grant

Restriction/fiscal year implemented	1982	1983	1984	1985
Ceiling on state administrative costs				
Set-aside for primary health services demonstration programs and projects for children, and to promote development of community-based service networks and case management services for children with special health care needs				
Set-aside for preventive and primary care services for children (waiver available)				
Set-aside for services to children with special health care needs (waiver available)				
Number of restrictions	0	0	0	0
—Cost ceilings	0	0	0	0
—Set-asides	0	0	0	0
Portion of grant funds restricted by set-asides	0%	0%	0%	0%

**Appendix III
Changes in Set-Asides and Cost Ceilings**

1986	1987	1988	1989	1990	1991
				10% of allotment	→ ^a
	One-third of funds received from appropriations over \$478 million after setting aside discretionary funds for projects to screen newborns for genetic disorders	→	→	Repealed	
					30% of allotment
					30% of allotment
0	1	1	1	1	3
0	0	0	0	1	1
0	1	1	1	0	2
0%	1% ^b	3%	4%	0%	60%

*An "→" indicates that the requirement continued to be in effect for these years. Blank spaces appear for any year in which the restriction was not in effect.

^b1987 through 1989 figures are based on estimated national averages.

Preventive Health and Health Services (PHHS)

States receive PHHS block grants for comprehensive preventive health services, including: emergency medical services, health incentive activities, hypertension programs, rodent control, fluoridation programs, health education and risk reduction programs, home health services, rape prevention and services for rape victims, serum cholesterol control, chronic diseases, uterine and breast cancer services, and immunization services.

Restrictions on state use of funds were reduced with the abolishment of the set-aside for hypertension programs in fiscal year 1985. The cost ceiling on administrative costs and the set-aside for rape prevention and services to rape victims have not changed. (See table III.5.)

Appendix III
Changes in Set-Asides and Cost Ceilings

**Appendix III
Changes in Set-Asides and Cost Ceilings**

Table III.5: PHHS Block Grant

Restriction/fiscal year Implemented	1982	1983	1984	1985
Ceiling on state administrative costs	10% of allotments ^a	→ ^b	→	→
Set-aside for services to rape victims and for rape prevention	100% of funds allocated on the basis of state population	→	→	→
Set-aside for preventive health programs for hypertension	75% of the amount the state and its entities received in FY 1981 under Section 317 programs for hypertension.	70% of the amount the state and its entities received in FY 1981 under Section 317 programs for hypertension.	60% of the amount the state and its entities received in FY 1981 under Section 317 programs for hypertension.	Repealed
Number of restrictions	3	3	3	2
—Cost ceilings	1	1	1	1
—Set-asides	2	2	2	1
Portion of grant funds restricted by set-asides ^c	23%	20%	18%	4%

**Appendix III
Changes in Set-Asides and Cost Ceilings**

1986	1987	1988	1989	1990	1991
→	→	→	→	→	→
→	→	→	→	→	→
2	2	2	2	2	2
1	1	1	1	1	1
1	1	1	1	1	1
4%	4%	4%	4%	4%	5%

*There are two allotments to states under PHHS. By law, at least \$3.5 million of the PHHS appropriation is allotted to states based only on population (for rape prevention and services set-aside), and the remainder is allotted based on each states' previous funding under the categorical grant programs replaced by the PHHS block grant.

^bAn "→" indicates that the requirement continued to be in effect for these years. Blank spaces appear for any year in which the restriction was not in effect.

^cFigures are based on national averages we estimated. For the rape services set-aside, the national average is about 4 percent of state allotments each year. For the hypertension set-aside, the national average ranged from 19 percent in 1981 to 14 percent in 1983.

**Community
Development
(Entitlement and
Small Cities) (CDBG)**

Recipients receive CDBG funds to develop viable urban communities by providing decent housing and a suitable living environment and expanding economic opportunities, principally for low- and moderate-income persons. Eligible cities and urban counties receive entitlement grants directly from the federal government. States operate the Small Cities program and distribute funds for eligible projects in qualified communities.²

Additional restrictions were placed on entitlement cities and state grantees through new set-asides including a significant provision, added in fiscal year 1984, requiring that grant funds be spent in areas that provide benefits primarily to low- and moderate-income persons. However, other restrictions were relaxed slightly through higher cost ceilings on using grant funds for public services and for administrative costs. (See table III.6.)

²Hawaii and New York do not operate Small Cities programs. The Department of Housing and Urban Development administers the programs and distributes funds in these states.

Appendix III
Changes in Set-Asides and Cost Ceilings

**Appendix III
Changes in Set-Asides and Cost Ceilings**

Table III.6: CDBG Block Grant

Restriction/fiscal year implemented	1982	1983	1984	1985
Ceiling on funds used to provide public services ^a (waiver available)	10% of funds received by local governments	→ ^b	15% of funds received ^c	→
Ceiling on application of grant funds to loan repayments ^d	Up to 20% of grant	→	→	→
Ceiling on funds used for planning and management development and administration	20% of grant	→	→	→
Set-aside for activities benefiting low and moderate income persons			51% of funds received	→
Requirements Affecting States That Administer Small Cities Programs				
Ceiling on deduction of administrative costs from grant funds	50% of administrative costs, not to exceed 2% of funds received	→	\$102,000 plus 50% of administrative expenses over \$100,000, the latter portion not to exceed 2% of funds received	Second grant program included. ^e Previous provision remains the same
Set-Aside for meeting water, sewage, and housing needs of residents of "colonias" ^g (applies to AZ, CA, NM, and TX only)				
Number of restrictions	4	4	5	5
—Cost ceilings	4	4	4	4
—Set-asides	0	0	1	1
Portion of grant funds restricted by set-asides	0%	0%	51%	51%

**Appendix III
Changes in Set-Asides and Cost Ceilings**

1986	1987	1988	1989	1990	1991
→	→	→	→	→	For Small Cities grant recipients, 15% of funds received state-wide by these communities including program income
→	→	→	→	→	→
→	→	→	→	→	→
→	→	60% of funds received	→	70% of funds received	→
→	→	\$100,000 plus 50% of administrative expenses over \$100,000 the latter portion not to exceed 2% of funds received ^f	→	→	→
					10% of funds received
5	5	5	5	5	6
4	4	4	4	4	4
1	1	1	1	1	2
51%	51%	60%	60%	70%	70% ^h

(Table notes on next page)

Appendix III
Changes in Set-Asides and Cost Ceilings

^aThis limit, in effect since the CDBG program began, applies to public services, such as crime prevention, education, and health care, in communities that have not provided them for the 12 months before submitting a statement of objectives and use of funds to the Department of Housing and Urban Development (HUD). HUD may make exceptions to the 12 month limit for communities that were unable to provide such services due to circumstances beyond their control.

^bAn "→" indicates that the requirement continued to be in effect for these years. Blank spaces appear for any year in which the restriction was not in effect.

^cIf a community used more than 15 percent of its grant for public services—because it received a waiver under the initial 10 percent ceiling—in fiscal years 1982 or 1983, this amendment allowed for a higher ceiling in 1984 and subsequent years. The community was permitted to use (1) the percentage of or (2) the dollar amount of, its 1983 grant funds used for public services, whichever was higher. In addition, the Congress exempted funds appropriated under the 1983 Emergency Jobs Appropriations Act from this ceiling.

^dHUD may apply grant funds to repayment of temporary loans made to the recipient under the Urban Renewal Program.

^eDeductions must be made from the combined administrative costs of the Small Cities program and the state-administered component of the Rental Rehabilitation and Development Grants program.

^fAdministrative cost deductions may be made for administrative costs of the Small Cities program and the Urban Homesteading Program.

^gColonias are rural, unincorporated subdivisions along the U.S.-Mexican border characterized by conditions, such as substandard housing, inadequate roads and drainage, and substandard or no water and sewer facilities.

^h80 percent for Small Cities program in Arizona, California, New Mexico, and Texas, where states must set aside funds for needs of colonias.

**Elementary and
Secondary Education
(Chapter 2)**

States receive grants to assist state and local educational agencies to improve elementary and secondary education. Specifically, funds may be used for students at risk of failure in or dropping out of school, instructional materials, school-wide improvements, effective schools programs, training and professional development, personal excellence of students and student achievement, and enhancement of the educational program and school climate.

In fiscal year 1988 two amendments added restrictions: a ceiling on the amount of grant funds that could be used for administrative costs, and a set-aside for effective schools programs (from which a waiver could be obtained). States continuously have had to distribute most funds (80 percent) to local educational agencies. (See table III.7.)

**Appendix III
Changes in Set-Asides and Cost Ceilings**

Table III.7: Education (Chapter 2) Block Grant

Restriction/fiscal year implemented	1982	1983	1984	1985
Celling on state administrative costs				
Set-aside (pass-through) for local educational agencies (LEAs)	80% of allotment	→	→	→
Set-aside for effective schools programs (waiver available)				
Number of restrictions	1	1	1	1
—Cost ceilings	0	0	0	0
—Set-asides	1	1	1	1
Portion of grant funds restricted by set-asides	80%	80%	80%	80%

**Appendix III
Changes in Set-Asides and Cost Ceilings**

1986	1987	1988	1989	1990	1991
		25% of funds available after pass-through to LEAs	→ ^a	→	→
→	→	→	→	→	→
		20% of funds available after pass-through to LEAs	→	→	→
1	1	3	3	3	3
0	0	1	1	1	1
1	1	2	2	2	2
80%	80%	84%	84%	84%	84%

^aAn "→" indicates that the requirement continued to be in effect for these years. Blank spaces appear for any year in which the restriction was not in effect.

Job Training Partnership Act (Title II-A) (JTPA)

States receive JTPA block grants to provide job training and related assistance to economically disadvantaged individuals, and others who face significant employment barriers. The goal of the act is to move trainees into permanent, self-sustaining employment.

Among the 11 block grants, JTPA has one of the highest number of restrictions—a total of 11. While the number and size of JTPA set-asides and cost ceilings remained the same in the period we reviewed, the types of activities that could be provided and the populations that could be served were expanded under three set-asides affecting local service delivery areas (SDAs). Under the set-aside for services to eligible youth, the definition of eligible youth was expanded in fiscal year 1987 to allow SDAs to serve younger teenagers. Under the set-aside for services to economically disadvantaged individuals and the set-aside for education services, SDAs were authorized to provide several additional services to eligible participants as of fiscal year 1987. (See table III.8.)

**Appendix III
Changes in Set-Asides and Cost Ceilings**

Table III.8: JTPA Block Grant

Restriction/fiscal year implemented	1983	1984	1985	1986
Provisions affecting states^a				
Set-aside (pass-through) for local service delivery areas (SDAs)	78% of allotment	→ ^b	→	→
Set-aside for state education programs	8% of allotment	→	→	→
Set-aside for training programs for older individuals	3% of allotment	→	→	→
Set-aside for incentive grants to SDAs that exceed their performance standards	6% of allotment ^c ; must include incentives to programs serving hard-to-serve individuals	→	→	→
Set-aside for auditing and administrative, and planning and coordinating activities	5% of allotment	→	→	→
Provisions affecting local SDAs				
Set-aside for services to eligible participants through cooperative agreements between state and local education agencies and SDAs	80% of state education funds received to be used as the federal share of costs for these services	→	→	→
Set-aside for services to economically disadvantaged individuals	75% of state education funds allocated to SDAs to provide services to eligible participants	→	→	→
Set-aside for services to eligible youth	40% of funds set aside for services to the economically disadvantaged ^d	→	→	→
Ceiling on use of funds for coordinating education and training services for eligible participants	20% of funds received for state education programs	→	→	→
Ceiling on administrative costs	15% of funds received	→	→	→

**Appendix III
Changes in Set-Asides and Cost Ceilings**

1987	1988	1989	1990	1991
→	→	→	→	→
→	→	→	→	→
→	→	→	→	→
Amounts not used for incentive grants may be used to develop and implement data collection systems ^d	→	SDAs must give particular attention to serving increased numbers of long-term welfare recipients in order to receive incentives. Previous provisions remain the same	>	>
→	→	→	→	→
80% of state education funds received to be used as the federal share of costs for (1) these services and (2) certain other services ^e	→	→	→	→
75% of state education funds allocated to SDAs to provide (1) services to eligible participants and (2) certain other services ^e	→	→	→	→
Eligible youth expanded to include 14 and 15 year olds in addition to 16 to 21 year olds. ^g Previous provisions remain the same	→	→	→	→
→	→	→	→	→
→	→	→	→	→

(continued)

**Appendix III
Changes in Set-Asides and Cost Ceilings**

Restriction/fiscal year implemented	1983	1984	1985	1986
Ceiling on use of funds for administrative costs and expenditures for certain work experience, supportive services, and needs-based projects (waiver available)	30% of funds received	→	→	→
Number of restrictions	11	11	11	11
—Cost ceilings	3	3	3	3
—Set-asides	8	8	8	8
Portion of grant funds restricted by set-asides (state level only) ^h	100%	100%	100%	100%

**Appendix III
Changes in Set-Asides and Cost Ceilings**

1987	1988	1989	1990	1991
→	→	→	→	→
11	11	11	11	11
3	3	3	3	3
8	8	8	8	8
100%	100%	100%	100%	100%

^aThe percentages shown are not minimum requirements but fixed levels. Because the percentage amounts add up to 100, states are prevented from setting aside higher levels of their allotment for any of these purposes.

^bAn "→" indicated that the requirement continued to be in effect for these years. Blank spaces appear for any year in which the restriction was not in effect.

^cIf the full amount is not needed for incentive grants, the state must use the remainder to provide technical assistance to SDAs that do not qualify for incentive grants.

^dData collection systems are to be used to track the post-program experiences of participants. Federal funds may be used for no more than two program years.

^eThese services may include any combination of literacy training, dropout prevention and enrollment services, or state-wide school-to-work transition programs.

^fDOL may adjust this percentage, through regulation, based on the extent the ratio of disadvantaged youth to adults in the SDA differs from the national ratio.

^gYouth 14 and 15 years old must be enrolled in pre-employment training.

^hThe Department of Labor did not provide data on the level of set-asides affecting SDAs.

Federal Transit Act (Large and Small Urban Areas) (FTA)

Urbanized areas receive FTA³ block grants to assist in financing the acquisition, construction, planning, cost-effective leasing, and improvement of facilities and equipment for use in mass transportation service, and the payment of operating expenses to improve or to continue this service.

Beginning in fiscal year 1987, restrictions were modified under the ceiling on operating costs for areas that became urbanized after the 1980 census. The new provision limited their use of funds for operating costs to an amount equalling two-thirds of their first full year's grant instead of 40 percent of their grant in the same year it was received. Restrictions on small urban areas (less than 200,000 population) were also modified beginning in fiscal year 1988 to increase the amount of funds they could use for operating assistance every year based on inflation.⁴

Also, beginning in fiscal year 1987, a provision enacted as part of the Department of Transportation's annual appropriations further limited the total level of funding that could be used for operating assistance to about 50 percent of all funds appropriated for FTA block grants. These limits ranged from about 43 percent of total funds in fiscal year 1987 to 51 percent in fiscal year 1989. We were not able to obtain data from Department of Transportation detailing how these limits affected operating assistance limits for different size urbanized areas, or for individual urbanized areas. (See table III.9.)

³Formerly the Urban Mass Transportation block grant.

⁴This did not apply to fiscal year 1988 when the increase was about 32 percent.

Appendix III
Changes in Set-Asides and Cost Ceilings

**Appendix III
Changes in Set-Asides and Cost Ceilings**

Table III.9: FTA Block Grant

Restriction/ fiscal year implemented	1983	1984	1985	1986
Ceiling on use of funds for operating assistance.	(1) 80% of FY 1982 allotment for urbanized areas with population of more; (2) 90% for areas with 200,000 to less than 1 million; (3) 95% for areas with less than 200,000; (4) 40% for grantees that became urbanized for the first time as a result of the 1980 census.	→ ^a	→	For grantees that became urbanized as a result of the 1980 census, no more than the same amount of funds received for operating assistance in FY 1985. Other provisions remain the same.
Ceiling on funds for operating assistance after transfers from Section 5 capital assistance funds	Not more than the total amount of funds received under Section 5 in FY 1982	→		
Ceiling on total funds appropriated for operating assistance for all urbanized areas ^b				
Number of restrictions	2	2	1	1
—Cost ceiling	2	2	1	1
—Set-asides	0	0	0	0
Portion of grant funds restricted by set-asides	0%	0%	0%	0%

**Appendix III
Changes in Set-Asides and Cost Ceilings**

1987	1988	1989	1990	1991
For grantees that became urbanized as a result of the 1980 census, 2/3 the amount of their first full year's allotment. Other provisions remain the same.	For areas with less than 200,000 in population, the amount shall be increased by 32.2% above the FY 1987 level. Other provisions remain the same.	For areas with less than 200,000 in population, the amount shall be increased each year by a percentage equal to the percentage increase in the Consumer Price Index for the most recent year. Other provisions remain the same.	→	→

Repealed

\$847 million (43 percent) of \$1983.1 million ^c ; \$563.5 million of this amount for urbanized areas with a population of 1 million or more	\$804.7 million (47 percent) of \$1,719.3 million ^c	\$804.7 million (51 percent) of \$1,582.0 million ^c	\$804.7 million (50 percent) of \$1608.4 million ^c	\$802.3 million (51 percent) of \$1587.0 million ^c
2	2	2	2	2
2	2	2	2	2
0	0	0	0	0
0%	0%	0%	0%	0%

*An "→" indicates that the requirement continued to be in effect for these years. Blank spaces appear for any year in which the restriction was not in effect. This table does not include changes enacted under the Federal Transit Act Amendments of 1991 (P.L. 102-240, Title III).

^bWe were unable to obtain sufficient data to calculate the cost ceiling for individual urbanized areas.

^cWe calculated these figures by subtracting funds earmarked for assistance to non-urbanized areas (Section 18 grants) from the total appropriation for FTA formula grants.

GAO Reports Related to Block Grants

Block Grants

Transportation Infrastructure: States Benefit From Block Grant Flexibility
(GAO/RCED-90-126, June 8, 1990)

Block Grants: Federal-State Cooperation in Developing National Data Collection Strategies (GAO/HRD-89-2, Nov. 29, 1988)

Block Grants: Federal Data Collection Provisions (GAO/HRD-87-59FS, Feb. 24, 1987)

Block Grants: Overview of Experiences to Date and Emerging Issues
(GAO/HRD-85-46, Apr. 3, 1985)

State Rather Than Federal Policies Provided the Framework for Managing Block Grants (GAO/HRD-85-36, Mar. 15, 1985)

Block Grants Brought Funding Changes and Adjustments to Program Priorities (GAO/HRD-85-33, Feb. 11, 1985)

Public Involvement in Block Grant Decisions: Multiple Opportunities Provided But Interest Groups Have Mixed Reactions to State Efforts
(GAO/HRD-85-20, Dec. 28, 1984)

A Summary and Comparison of the Legislative Provisions of the Block Grants Created by the 1981 Omnibus Budget Reconciliation Act
(GAO/IPE-83-2, Dec. 30, 1982)

Federal Agencies' Block Grant Civil Rights Enforcement Efforts: A Status Report (GAO/HRD-84-82, Sept. 28, 1984)

Early Observations on Block Grant Implementation (GAO/GGD-82-79, Aug. 24, 1982)

Allocation of Funds for Block Grants With Optional Transition Periods
(GAO/HRD-82-65, Mar. 26, 1982).

Maternal and Child Health Services

Maternal and Child Health: Block Grant Funds Should Be Distributed More Equitably (GAO/HRD-92-5, Apr. 2, 1992)

Maternal and Child Health Block Grant: Program Changes Emerging Under State Administration (GAO/HRD-84-35, May 7, 1984)

Preventive Health and Health Services

States Use Added Flexibility Offered by the Preventive Health and Health Services Block Grant (GAO/HRD-84-41, May 8, 1984)

Social Services

States Use Several Strategies to Cope With Funding Reductions Under Social Services Block Grant (GAO/HRD-84-68, Aug. 9, 1984)

Low-Income Home Energy Assistance Program

Low-Income Home Energy Assistance: Observations on HHS's Administration of the Program (GAO/HRD-91-119FS, Sept. 30, 1991)

Low-Income Home Energy Assistance: States Cushioned Funding Cuts But Also Scaled Back Program Benefits (GAO/HRD-91-13, Jan. 24, 1991)

Low-Income Home Energy Assistance: A Program Overview (GAO/HRD-91-1BR, Oct. 23, 1990) States Fund an Expanded Range of Activities Under Low-Income Home Energy Assistance Block Grant (GAO/HRD-84-64, June 27, 1984)

Alcohol, Drug Abuse, and Mental Health Services

ADMS Block Grant: Drug Treatment Services Could Be Improved by New Accountability Program (GAO/HRD-92-27, Oct. 17, 1991)

ADMS Block Grant: Women's Set-Aside Does Not Assure Drug Treatment for Pregnant Women (GAO/HRD-91-80, May 6, 1991)

Block Grants: Federal Set-Asides for Substance Abuse and Mental Health Services (GAO/HRD-88-17, Oct. 14, 1987)

States Have Made Few Changes in Implementing the Alcohol, Drug Abuse, and Mental Health Services Block Grant (GAO/HRD-84-52, June 6, 1984)

Community Services

Community Services: Block Grant Helps Address Local Social Service Needs (GAO/HRD-86-91, May 7, 1986)

Community Services Block Grant: New State Role Brings Program and Administrative Changes (GAO/HRD-84-76, Sept. 28, 1984)

**Elementary and
Secondary Education
(Chapter 2)**

Education Block Grant: How Funds Reserved for State Efforts in California and Washington Are Used (GAO/HRD-86-84, May 13, 1986)

Education Block Grant Alters State Role and Provides Greater Local Discretion (GAO/HRD-85-18, Nov. 19, 1984)

**Job Training
Partnership Act**

Job Training Partnership Act: Racial and Gender Disparities in Services (GAO/HRD-91-148, Sept. 20, 1991)

Job Training Partnership Act: Inadequate Oversight Leaves Program Vulnerable to Waste, Abuse, and Mismanagement (GAO/HRD-91-97, July 30, 1991)

Job Training Partnership Act: Services and Outcomes for Participants With Differing Needs (GAO/HRD-89-52, June 9, 1989)

Job Training Partnership Act: Summer Youth Programs Increase Emphasis on Education (GAO/HRD-87-101BR, June 30, 1987)

Dislocated Workers: Exemplary Local Projects Under the Job Training Partnership Act (GAO/HRD-87-70BR, Apr. 8, 1987)

Dislocated Workers: Local Programs and Outcomes Under the Job Training Partnership Act (GAO/HRD-87-41, Mar. 5, 1987)

Job Training Partnership Act: Data Collection Efforts and Needs (GAO/HRD-86-69BR, Mar. 31, 1986)

The Job Training Partnership Act: An Analysis of Support Cost Limits and Participant Characteristics (GAO/HRD-86-16, Nov. 6, 1985)

Job Training Partnership Act: Initial Implementation of Program for Disadvantaged Youth and Adults (GAO/HRD-85-4, Mar. 4, 1985)

Federal Transit Act

Mass Transit Grants: Risk of Misspent and Ineffectively Used Funds in FTA's Chicago Region (GAO/RCED-92-53, Mar. 4, 1992)

Mass Transit Grants: Noncompliance and Misspent Funds by Two Grantees in UMTA's New York Region (GAO/RCED-92-38, Jan. 23, 1992)

Mass Transit Grants: Improved Management Could Reduce Misuse of Funds in UMTA's Region IX (GAO/RCED-92-07, Nov. 15, 1991)

Mass Transit Grants: Scarce Federal Funds Misused in UMTA's Philadelphia Region (GAO/RCED-91-107, June 13, 1991)

20 Years of Federal Mass Transit Assistance: How Has Mass Transit Changed? (GAO/RCED-85-61, Sept. 18, 1985)

Urban Mass Transportation Administration's New Formula Grant Program: Operating Flexibility and Process Simplification (GAO/RCED-85-79, July 15, 1985)

UMTA Needs Better Assurance That Grantees Comply With Selected Federal Requirements (GAO/RCED-85-26, Feb. 19, 1985)

Community Development

Community Development: HUD Oversight of the Dallas Block Grant Program Needs Improvement (GAO/RCED-92-3, Nov. 27, 1991)

Community Development: Oversight of Block Grant Monitoring Needs Improvement (GAO/RCED-91-23, Jan. 30, 1991)

States Are Making Good Progress in Implementing the Small Cities Community Development Block Grant Program (GAO/RCED-83-186, Sept. 8, 1983)

Rental Rehabilitation With Limited Federal Involvement: Who is Doing It? At What Cost? Who Benefits? (GAO/RCED-83-148, July 11, 1983)

Block Grants for Housing: A Study of Local Experiences and Attitudes (GAO/RCED-83-21, GAO/RCED-83-21A, Dec. 13, 1982)

HUD Needs to Better Determine Extent of Community Block Grants' Lower Income Benefits (GAO/RCED-83-15, Nov. 3, 1982)

Lessons Learned From Past Block Grants: Implications for Congressional Oversight (GAO/IPE-82-8, Sept. 23, 1982)

The Community Development Block Grant Program Can Be More Effective in Revitalizing the Nation's Cities (GAO/RCED-81-76, Apr. 30, 1981)

Major Contributors to This Fact Sheet

Human Resources
Division,
Washington, D.C.

George F. Poindexter, Assistant Director, (202) 512-7213
Joel R. Marus, Evaluator-in-Charge
Carol E. Cohen, Advisor

Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are \$2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

**U.S. General Accounting Office
P.O. Box 6015
Gaithersburg, MD 20877**

Orders may also be placed by calling (202) 275-6241.

**United States
General Accounting Office
Washington, D.C. 20548**

**Official Business
Penalty for Private Use \$300**

**First-Class Mail
Postage & Fees Paid
GAO
Permit No. G100**