

Federal Budget Cuts in North Carolina

Part II



A Report by
The North Carolina Center for Public Policy Research

Federal Budget Cuts in North Carolina Part II

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EXECUTIVE SUMMARY

The North Carolina Center for Public Policy Research finds that the State of North Carolina has lost about 241 million dollars in federal funds due to budget cuts during federal Fiscal Year 1982 (October 1, 1981 - September 30, 1982). This report details those cuts in 13 departments in the executive branch, the university system, and other programs receiving federal funds outside the state budget, such as Legal Services of North Carolina.

A major finding of this report is that block grants accounted for only \$28.9 million, or 12%, of the reduction in federal funds. The other major cuts came in federal aid to highways, employment programs under the Comprehensive Employment and Training Act, and entitlement programs like Medicaid, Food Stamps, and Aid to Families with Dependent Children. Thus, though public attention has centered on block grants, they are not the source of the largest federal budget cuts in North Carolina. The ten largest cuts in federal aid to North Carolina are as follows:

Ten Largest Cuts in Federal Aid to North Carolina—Largest to Smallest

Program	State Division/Department	Amount Cut (millions of dollars)	Impact
1. Federal Aid for Highways (construction and maintenance)	Highway Division, Dept. of Transportation	\$41.7	Construction projects slowed considerably; maintenance now a higher priority.
2. CETA Titles IID & VI (public service employment)	Employment and Training Division, Dept. of Natural Resources and Community Development	31.3	All 8,079 participants lost public service jobs.
3. Child Nutrition (school lunch and breakfast, commodity procurement)	Child Nutrition, Dept. of Public Instruction; Food Distribution, Dept. of Agriculture	28.2	102,000 fewer children participating in lunch program than in 12/80; 48,000 fewer children participating in breakfast program than in 12/80.
4. Medicaid	Medical Assistance Division, Dept. of Human Resources	Total program cut: 27.6 Federal share of cut: 16.9	Limit on drug prescriptions affected 21,442 persons; limit on visits to physicians/clinics affected 12,161 persons.
5. Construction Grants (water & sewer facilities)	Environmental Management Division, Dept. of Natural Resources and Community Development	16.6	Substantial reduction in completion of projects; 26 out of 70 projects will not receive federal funds in FY 82.
6. Social Services (Title XX) Block Grant	Plans and Operations Division, Dept. of Human Resources	14.4	Reduced service delivery in day-care, training, and most optional and purchased services.
7. Food Stamps	Social Services Division, Dept. of Human Resources	9.1	As of 2/82, 7,111 persons lost food stamp benefits and 81,767 persons had benefits reduced.
8. CETA Title IVA (youth training and work experience)	Employment and Training Division, Dept. of Natural Resources and Community Development	8.8	An estimated 8,651 youth lost employment and training opportunities.
9. Aid to Families with Dependent Children (AFDC)	Social Services Division, Dept. of Human Resources	8.6	Reduced financial assistance to needy families; as of 3/11/82, 21,578 persons lost AFDC benefits and 9,403 persons had benefits reduced.
10. Employment Service Program (job placement)	Employment Security Commission, Dept. of Commerce	8.0	Fewer persons aided in job placement.

The state's response to federal budget cuts is detailed in Chapter One. The major events since President Ronald Reagan launched his initiative to reduce federal spending are:

August 13, 1981 Congress passed the Omnibus Budget Reconciliation Act, creating nine block grants and making extensive cuts in many other federal programs.

September 8, 1981 Governor James B. Hunt, Jr. sends Instructions on Block Grants to members of his cabinet, saying "program funds will be reduced *in direct proportion* to the reductions imposed by the Reagan Administration" [emphasis added], thereby adopting a state policy of "Passing Along the Cuts."

September 23, 1981 The state accepts six of the seven block grants available during FY 82 — (1) maternal and child health services, (2) preventive health and health services, (3) social services, (4) low income energy assistance, (5) alcohol and drug abuse and mental health services, and (6) community services. The remaining block grant available during FY 82, community development, will also be accepted when federal regulations are finalized. The state plans to accept one of the two grants available in FY 83; the education block will be accepted, while the primary care block will be rejected, thus leaving it to be administered by the federal government.

October 5-10, 1981 The North Carolina General Assembly convenes for a short session to adjust the state budget to federal budget cuts and, for the most part, also adopts the policy of passing along the federal cuts to state and local programs.

The General Assembly also creates a new committee, the Joint Legislative Committee to Review Federal Block Grant Funds, and gives it extensive powers in reviewing proposals for allocating federal block grant funds.

February 16, 1982 The N.C. Supreme Court issues an advisory opinion—upon request of the Governor, Lieutenant Governor, and Speaker of the House—that the new legislative Block Grant Committee is unconstitutional.

February 25, 1982 In compliance with federal law, appointments are made to a new Governor's Advisory Committee on Education Block Grants.

March 22 - April 1, 1982 The Governor's Office of Citizen Affairs holds six public hearings across the state in order to "explain the new federal 'Block Grants' program and to listen to the concerns of citizens regarding the use of 'Block Grant' funds." No proposals for how the state actually plans to allocate funds within these block grants are released at these public hearings.

Chapter Two of the report details the five methods used by the President and Congress in reducing federal spending. Thus, federal budget cuts were accomplished through the following methods: (1) creating block grants; (2) changing the eligibility criteria in entitlement programs like Medicaid, Food Stamps, and AFDC; (3) placing ceilings on funding in programs like CETA; (4) raising the interest rates on federal loans to students, farmers and small businesses; and (5) imposing user fees, such as a new fee for the grading of tobacco. The funding for block grants is summarized in the Table below.

Block Grants

Block Grant ^a	N.C. Dept. That Will Administer the Block ^b	Amt. of Funding for FY 81 under Categorical System	Amt. of Funding for FY 82 under Block Grant System
- (millions) -			
1. Social Services Title XX Social Services, Day-Care, and Training	DHR	\$76.3	\$61.9
2. Maternal and Child Health (MCH) MCH Crippled Children, Sudden Infant Death Syndrome, SSI-Disabled Children, Adolescent Pregnancy, Hemophilia, Genetic Disease, and Lead-based Paint Poisoning	DHR	11.8	9.8
3. Health Prevention Services Hypertension Control, 314(d) Health Incentive Grants, Health Education Risk Reduction, Fluoridation, Emergency Medical Services, Rodent Control, Rape Crisis, and Home Health	DHR	3.2	2.3
4. Primary Care Community Health Centers	DHR	9.6	8.4
5. Alcohol & Drug Abuse & Mental Health Hughes Funds (community services), Decrim- inalization/Alcoholism, Community-based Alcohol Program, State Drug Abuse Prevention, 409 Funds (crisis intervention and prevention), 410 Funds (drug abuse treatment), Occupational Alcohol Program, and Community Mental Health Centers	DHR	12.9	9.0
6. Low-Income Energy Assistance Low-Income Energy Assistance, Crisis Inter- vention, and Weatherization	DHR	37.4	34.8 ^c
7. Community Services Community Action Agencies	NRCD	13.3	9.4
8. Education Title IV-B (libraries & learning resources), Title IV-C (support & innovation), Title V-B (state education agencies), Title II (basic skills), Career Education, Federal Teacher Centers, National Diffusion Network (information dissemination), Gifted & Talented, Emergency School Aid, Arts in Education, Pre-college Science Teacher Training, Teacher Corps, Com- munity Education, Metric Education, and Law- Related Education	DPI	15.4 ^d	10.0 ^d
9. Community Development Existing Community Development Programs	NRCD	41.0	46.4 (small cities share)

Notes:

^aBlock grant numbers 1-7 are administered by the U.S. Dept. of Health and Human Services, number 8 by the U.S. Dept. of Education, and number 9 by the U.S. Dept. of Housing and Urban Development. Under each block grant heading are listed the programs consolidated into that block. All of the blocks are available for state administration in FY 82 except Primary Care and Education, which are available in FY 83.

^bAll block grants are administered through a state department—either the Department of Human Resources (DHR), the Department of Natural Resources & Community Development (NRCD), or the Department of Public Instruction (DPI).

^cAn additional \$1.9 million for weatherization program in Energy Division, Department of Commerce, comes from monies outside the block grants.

^dThese figures, \$15.4 and \$10.0, represent funds for school years 1980-81 and 1981-82 respectively. The education budget is forward funded.

Chapter Three discusses the Twenty Largest Cuts in Federal Aid to North Carolina. The impact of these cuts on five groups is then documented. At this time, the groups or programs most affected by federal budget cuts in North Carolina are:

- low-income citizens,
- children,
- handicapped citizens,
- education programs, and
- employment programs.

Chapters Four and Five take special looks at federal budget cuts from two perspectives. Chapter Four looks at the changing scene through the eyes of local officials in North Carolina, particularly county commissioners. Chapter Five concentrates on how the cuts in one important program, Medicaid, were made and the effects of those cuts on the state's citizens.

Chapter Six discusses the legal issues that have arisen as a result of this shift in power between the federal, state, and local governments. The constitutional questions revolving around the separation of powers struggle are reviewed first. Then, the Center raises questions about the state's compliance with federal law and regulations implementing the block grants. The three legal requirements to be met are:

(1) The state must conduct *public hearings on the proposed use and distribution of funds* for FY 83 under six block grants — (a) community services, (b) preventive health and health services, (c) alcohol and drug abuse and mental health services, (d) primary care, (e) low-income energy assistance, and (f) community development block grants. This requirement has not been met.

(2) The legislature *must conduct the hearings* on at least four of these block grants — (a) community services, (b) preventive health and health services,

(c) alcohol and drug abuse and mental health services, and (d) primary care. At this writing, this requirement has also not been met.

(3) The Governor must appoint an *advisory committee* for the education block grant. This mandate has been satisfied.

Following the narrative portions of the report are tables for 19 state government departments, as well as the university system and Legal Services of North Carolina. These tables show the amount of funding reductions which occur in 13 of the 19 departments and each division or program as a result of federal budget cuts. They also report the impact in terms of jobs lost, services lost, or benefits reduced.

Finally, in the Appendices, the report provides copies of documents which are critical to North Carolina's adjustment to federal budget cuts. These documents include letters accepting the block grants, the Governor's instructions on block grants, federal regulations implementing the block grants, and proposed plans for allocation of block grant funds in North Carolina in FY 83.

This report explains the methods of federal budget cuts and provides an overview of events and detailed descriptions of impacts in North Carolina. It compiles division- or program-level amounts and impacts of federal budget cuts throughout state government. Finally, it gives the user a compilation of major documents relating to federal budget cuts in the state. It is the hope of the North Carolina Center for Public Policy Research that this report—*Federal Budget Cuts in North Carolina: Part II*—will provide factual assistance to the executive branch, the legislature, local government officials, the media, and the general public in analyzing federal budget cuts and their effect on North Carolina.

Chapter One

The Omnibus Budget Reconciliation Act and Its Aftermath: A Chronology of Responses to Federal Budget Cuts in North Carolina

by Ran Coble



When President Ronald Reagan convinced the U.S. Congress to make large reductions in federal spending in the summer of 1981, the resulting Omnibus Budget Reconciliation Act marked both a conclusion and a commencement in American politics. The Act represented a conclusion to the President's 1980 campaign promises by making large cuts either in actual federal budgets or in the rate of growth in federal spending. At the same time, it represented the beginning of a complex process. In North Carolina, this process has already brought a loss of federal funds that now totals about 241 million dollars.

The President and the nation hope that this reduction in federal spending will help balance the federal budget and get the American economy out of its moribund state. Because of the magnitude of the federal cuts and the likelihood that more reductions will be passed by the Congress in the future, the N.C. Center for Public Policy Research decided to focus its attention on the effect of those federal budget cuts on North Carolina. This report represents an eight-month effort by the Center to painstakingly document the state programs that felt the federal ax, and to document the effects of these cuts in terms of persons who lost their jobs, received fewer services, or had their benefits reduced. It is an effort that carried the Center through all 19 departments in state government toward a product that is unique in North Carolina and in the South. While Governor James B. Hunt, Jr. and the N.C. General Assembly were doing all they could just to react to the events in Washington, Center researchers were asking state officials to help document the extent of the change in state programs and dollars available to those programs.

Before entering this world of budgets and numbers, it is useful to review the events of the last eight months. As in any period of fundamental change, the events stumble over themselves in rapid succession, giving political leaders little time to reflect on what has occurred.

August 1981 The President signed the Omnibus Budget Reconciliation Act on August 13, 1981. One immediate decision for each state was whether to accept the nine block grants created by Congress within the Reconciliation Act (See Table 1 on page 6). Since two of the nine blocks were not available for state takeover until the federal fiscal year beginning October 1, 1982 (FY 83), the decision on those two—the Primary Care and the Education Block Grants—could be postponed.

September 1981 In late September, Governor Hunt notified the federal government of the state's intent to accept six of the block grants available on October 1, 1981 (FY 82). Letters of acceptance of the following blocks can be found in Appendix A of this report:

- the Maternal and Child Health Services Block Grant;
- the Preventive Health and Health Services Block Grant;
- the Social Services Block Grant;
- the Low-Income Energy Assistance Block Grant;
- the Alcohol and Drug Abuse and Mental Health Services Block Grant; and
- the Community Services Block Grant.

As of this writing, state officials indicate that North Carolina will accept the Community Development Block Grant when federal regulations are finalized later in 1982, as well as the Education Block Grant in FY 83, but will not accept the Primary Care Block Grant. Should the state choose not to administer the Primary Care Block, the U.S. Department of Health and Human Services will continue to fund community primary health care centers directly.

Earlier in September, the Governor sent detailed "Instructions on Block Grants" to all members of his Cabinet. These "Instructions" are included as Appendix B of this report and contain this key principle on page 2:

"For reasons of fairness and equity, program funds will be reduced *in direct proportion* to the reductions imposed by the Reagan administration and the Congress, unless otherwise specified by law" (emphasis added).

Though these instructions applied only to block grants, the principle was applied by the Governor and the General Assembly to all programs receiving federal cuts, not just block grants. This principle represented the second major event or decision at the state level—a conscious decision to adopt a policy of "Passing Along the Cuts." That is, if Congress cut a program 25 percent in the Reconciliation Act, the Governor and the legislature were going to pass that cut along at the same 25 percent level to state and local programs. No attempt would be made to offset federal cuts with state or local appropriations.

There were three simple reasons for adoption of this policy. First, if the cuts were passed along, the Governor and legislature would be protected from the charge that the state would get the blame

for acts committed instead by the President and Congress. "Passing Along the Cuts" thus meant that the President and Congress would then either get the credit or the blame, depending on the public reaction to the federal changes. Second, this pass-along policy appealed to state officials who were being overwhelmed by events. Things were simply moving too fast for them to decide how they might offset federal cuts with state funds. State legislators asked how they could be expected to react in an October legislative budget session to what had only occurred in mid-August. Third, even if legislators had wanted to offset federal cuts, the North Carolina revenue picture looked grim. Having just been through a political bloodbath in a successful attempt to raise the gas tax by three cents per gallon in order to bail out an ailing Highway Fund, legislators were in no mood to discuss further tax increases in October.

October 1981 When the N.C. General Assembly did convene for an October 5-10, 1981 "budget" session, the main task to be undertaken was to rebalance the state budget in reacting to the federal cuts and declining state revenues. For the most part, the "Pass Along the Cuts" policy was carried out by the legislative leadership. In a few cases, however, the legislature did attempt to offset federal cuts or went further than the federal government had gone in cutting a program. One example of offsetting was that the legislature raised the standard of need for welfare, thereby allowing about 450 families to remain eligible for Aid to Families with Dependent Children.¹ The legislature also "raised the payment for foster care and extended Medicaid to unborn children so that a poor woman with her first pregnancy could qualify for prenatal care."² The Medicaid program was cut slightly *more* than just passing along the federal cut would have dictated. The federal cut would have dictated a total Medicaid program cut of \$24.6 million at the state level; instead the legislature cut \$27.6 million from the state's Medicaid budget. (See Chapter Five for a full explanation of the state's choices in reacting to federal reductions in the Medicaid program.) Later, some organizations with contracts to deliver Title XX social services—such as the Children's Home Society, which places children in adoptive homes—would get cut off entirely by the executive branch, with legislators' concurrence. This represented a 100 percent cut to those organizations, instead of the twenty percent cut that had been included in the federal Social Services Block Grant. Still, by and large, the pass-through policy was maintained.

The most significant reaction by the General Assembly, however, was tucked away in the special provisions in the back of the Appropriations Bill.³ In these sections the legislature created a Joint Legislature Committee to Review Federal Block Grant Funds, or in legislative shorthand, the Block Grant Committee (see legislation in Appendix F in this report). The legislators recognized that the federal changes signaled a

great increase in the *state's* ability to decide how to allocate *federal* funds, and the legislators set up this new committee to ensure that they, and not the Governor alone, would have a piece of the action. What had been 57 categorical federal programs—targeted for very specific purposes or populations like emergency medical services, crippled children, or drug abuse prevention—were now nine block grants delivered in a package to the states. The package came with a neat bow around it and the message, "Distribute as the state sees fit." Heretofore, the legislators took little action and had even less interest in federal funds because there was little flexibility available in how the funds could be spent. The block grant mechanism, while including twenty percent cuts, did have a great deal more flexibility for the states. The creation of a legislative Block Grant Committee was thus a signal that this new flexibility was not only for the Governor to use but for the General Assembly as well.

This October action triggered a quick reaction, as the Governor recognized not only a move toward more legislative involvement in the allocation of federal funds, but also a possible intrusion by the legislative branch into the executive branch's constitutional powers. Both the separation of powers provision⁴ in the North Carolina Constitution and the governor's power to *administer* the budget⁵ were involved. After much behind-the-scenes maneuvering and negotiation, the Governor, Lieutenant Governor (who is, by virtue of his office, President of the N.C. Senate), and Speaker of the N.C. House of Representatives agreed to ask the third branch of government for an advisory opinion as to the constitutionality of these new budget provisions and of the legislative Block Grant Committee. The N.C. Supreme Court had already issued a landmark decision in January on the separation of powers principle, so this request for an advisory opinion came in the wake of that opinion.⁶

February 1982 The Court answered the request with an advisory opinion on February 16, 1982 that the legislative Block Grant Committee

¹Welfare eligibility is now limited to families with incomes not exceeding 150 percent of "standard of need." When the standard of need was raised, an income level which had not fallen under the old standards did fall under the new standard. Therefore, the increase in the standard of need resulted in fewer persons losing their eligibility for AFDC.

²Ferrel Guillory, "Managing Budget Cuts at the State Level," in N.C. Insight, Vol. 4, No. 4 (January 1981), p. 30.

³Chapter 1127 of the 1981 Session Laws (House Bill 1392), Sections 62-77.

⁴"The legislative, executive, and supreme judicial powers of the State government shall be forever separate and distinct from each other." Article I, Section 6, the N.C. Constitution.

⁵"The Governor shall prepare and recommend to the General Assembly a comprehensive budget of the anticipated revenue and proposed expenditures of the State for the ensuing fiscal period. The budget as enacted by the General Assembly shall be administered by the Governor..." Article III, Section 5(3), the N.C. Constitution.

⁶State ex rel. Wallace v. Bone, 304 N.C. —, 286 S.E. 2d 79 (1982).

was unconstitutional (see Appendix G for a copy of this opinion). In the words of the Court,

"...those parts of Section 63 of Chapter 1127 of the 1981 Session Laws [codified as Sections 120-84.1 through 120-84.5 in the 1981 Supplement to the 1981 Replacement Volume 3B of the General Statutes] which purport to vest a legislative committee with certain powers over federal block grants when the General Assembly is not in session constitute an unconstitutional delegation of legislative power, and also violate Section 6 of Article I and Section 5(3) of Article III of our State Constitution."

This opinion will not end the legislative involvement in the allocation of federal funds. However, it does mean that the General Assembly will have to find a constitutional vehicle to accomplish its aims.

The other noteworthy event in February was the appointment of the Governor's Advisory Committee on Education Block Grants. Establishment of this 14-member committee was required under federal law (also see Chapter Six and Appendix I). The members were appointed by the Governor and its purpose is to give advice regarding how education block grant funds should be allocated in North Carolina.

March 1982 Events in March shifted to scenes outside Raleigh, for beginning on March 22, a series of six public hearings on block grants were held in various locations across the state. From March 22 through April 1, Cabinet officials and other executive branch employees conducted public hearings in Wilmington, Washington, Raleigh, Winston-Salem, Charlotte, and Waynesville. The news release from the Governor's Office (see Appendix C) said that the purpose of the hearings was to "explain the new federal 'Block Grants' program and to listen to the concerns of citizens regarding the use of 'Block Grant' funds." A thirteen-page booklet (reproduced as Appendix D) was prepared to explain each of the nine block grants, and the types of services for which the funds could be used. The hearings were very well attended with an estimated 500 persons attending the hearing in Wilmington, 600 in Washington, and nearly 1,000 in Raleigh. Local agency employees like Community Action Agency directors asked that they continue to receive the funds that once came directly to localities from the federal government. Interest groups like the N.C. Hunger Coalition urged that the state target funds for the poorest citizens first. Professional groups like the N.C. Health Directors Association warned they would be watching to see whether a lot of money was skimmed off for administration in Raleigh. Minorities sent representatives to speak on behalf of the Indian population and other groups. And, citizens with no interest group, agency, or professional interest in mind, showed

up to voice their individual hopes and complaints. The hearings were held partly to try to comply with federal requirements for a public comment process (see Chapter Six of this report) and partly to help prepare the executive and legislative branches for the major adjustments in the state budget that will be necessary in the "short session" of the General Assembly that begins June 2, 1982.

As March drew to a close, the three departments in state government charged with administering the nine block grants—the Department of Human Resources, the Department of Natural Resources and Community Development, and the Department of Public Instruction—were feverishly working on proposed plans for how the state would allocate block grant funds in FY83. At the time this report went to press, these plans were still very much in the preliminary stages, but the Center was able to obtain drafts of the proposed plans for the eight block grants that the state will administer (assuming the Primary Care Block will not be accepted). These draft plans are enclosed as Appendix J and are reproduced as submitted to Department Secretaries; they *are not* final plans. The plans are expected to be modified after comments from the public hearings (March 22 to April 1) have been reviewed. The proposed plans are provided in this report as a service to the reader and the public to illustrate the kind of decisions that have to be made before a new fiscal year begins.

While all of the foregoing actions were being taken by the state in reaction to the first round of federal cuts, Congress and the President were not sitting still. At the President's behest, Congress was passing appropriations bills that contained further cuts in federal programs. At this writing, Congress had passed 10 of the 13 major appropriations bills (see Appendix H for a listing). Among the appropriations bills that have become federal law is Public Law 97-102, which contained large cuts in transportation programs. Thus, while state government's and the public's attention was focused on block grants, another very significant ballgame—the appropriations process and cuts in programs other than block grants—was being played on a different field.

The next chapter of this report details the many ways in which the President went about cutting federal expenditures. The President and Congress had found more than one way to skin the budgetary cat.

Chapter Two

How Federal Budget Cuts Were Accomplished: Using the Block, the Ax, the Eligibility Criteria, the Interest Rates, and User Fees

by Robin Hudson and Ran Coble



When President Reagan signed the Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35) on August 13, 1981, he signaled the beginning of far-reaching changes in the nature and extent of federally-funded programs. Using a variety of fiscal techniques such as block grants, funding ceilings, elimination of entire programs, altered eligibility standards, higher interest rates, and user fees, the Reconciliation Act set the maximum amount of money that Congress could appropriate for a wide range of programs. It was an "authorization" bill, which only set limits on the amount of federal dollars potentially available for programs administered at the state and local levels. Congress then had to pass *appropriations* bills which set the actual amount of money available for each program; by late spring, Congress had passed 10 of its 13 appropriations bills (see Appendix H), sending the states a second round of cuts. Consequently, the actual amounts appropriated were in many cases much less than the limits set in the Reconciliation Act.

Since the federal government began its 1982 fiscal year (FY) on October 1, 1981, it has had to operate primarily through a series of "continuing resolutions," a stop-gap legislative technique that keeps the government in business. Public Law 97-92 was the most important of these; it continued federal spending through March 31, 1982. From there, another continuing resolution was passed (P.L. 97-161). The measure provided funding through September 30, 1982 for seven federal departments—Labor, Education, Commerce, Justice, State, Treasury, and Health and Human Services—and a number of independent agencies. The funding level in this continuing resolution reflects the four percent reduction included in the previous resolution (P.L. 97-92) approved in December 1981.

The Reconciliation Act reduced the amount of federal dollars available to North Carolina through five basic techniques: (A) by consolidating into nine block grants some federal programs which had been funded individually; (B) by changing funding formulas and eligibility criteria for public assistance ("entitlement") programs; (C) by placing a ceiling on the amount of money that Congress could appropriate for a program (in some cases the "ceiling" was zero, which effectively eliminated the program entirely); (D) by raising the interest rates in federal loan programs, such as loans to university students or

farmers; and (E) by imposing user fees.

A. Block Grants. The Reconciliation Act combined into nine block grants some 57 "categorical" programs for which federal money had previously been specifically earmarked. In the past, the state had been required to spend the money in certain categories like emergency medical services, crippled children's services, or drug abuse prevention. These new block grants contain groups of programs that the Reagan administration had determined to be related in purpose. The Act also passed the responsibility for administering these block grants to the states, seven of them during FY 82 and the other two (Education and Primary Care) in FY 83. Most importantly, the amount of money available to most block areas will be approximately 20 percent less than the total amount formerly available for the consolidated categorical programs within each block.⁷ Thus the states now have the authority and discretion to decide how to apportion the money among the categoricals within each block, but must do so with much less money. Table 1 below lists the nine block grants, the programs which were consolidated, the estimated amount available to North Carolina under each block in federal FY 82, and the federal allocations during federal FY 81.

⁷The Community Development Block Grant increases slightly.

Table 1. Block Grants

Block Grant ^a	N.C. Dept. That Will Administer the Block ^b	Amt. of Funding for FY 81 under Categorical System	Amt. of Funding for FY 82 under Block Grant System
- (millions) -			
1. Social Services Title XX Social Services, Day-Care and Training	DHR	\$76.3	\$61.9
2. Maternal and Child Health (MCH) MCH Crippled Children, Sudden Infant Death Syndrome, SSI-Disabled Children, Adolescent Pregnancy, Hemophilia, Genetic Disease, and Lead-based Paint Poisoning	DHR	11.8	9.8
3. Health Prevention Services Hypertension Control, 314(d) Health Incentive Grants, Health Education Risk Reduction, Fluoridation, Emergency Medical Services, Rodent Control, Rape Crisis, and Home Health	DHR	3.2	2.3
4. Primary Care Community Health Centers	DHR	9.6	8.4
5. Alcohol & Drug Abuse & Mental Health Hughes Funds (community services), Decrim- inalization/Alcoholism, Community-based Alcohol Program, State Drug Abuse Preven- tion, 409 Funds (crisis intervention and pre- vention), 410 Funds (drug abuse treatment), Occupational Alcohol Program, and Com- munity Mental Health Centers	DHR	12.9	9.0
6. Low-Income Energy Assistance Low Income Energy Assistance, Crisis Inter- vention, and Weatherization	DHR	37.4	34.8 ^c
7. Community Services Community Action Agencies	NRCD	13.3	9.4
8. Education Title IV-B (libraries & learning resources), Title IV-C (support & innovation), Title V-B (state education agencies), Title II (basic skills), Career Education, Federal Teacher Centers, National Diffusion Network (information dis- semination), Gifted & Talented, Emergency School Aid, Arts in Education, Pre-college Science Teacher Training, Teacher Corps, Community Education, Metric Education, and Law-Related Education	DPI	15.4 ^d	10.0 ^d
9. Community Development Existing Community Development Programs	NRCD	41.0	46.4 (small cities share)

Notes:

^aBlock grant numbers 1-7 are administered by the U.S. Dept. of Health and Human Services, number 8 by the U.S. Dept. of Education, and number 9 by the U.S. Dept. of Housing and Urban Development. Under each block grant heading are listed the programs consolidated into that block. All of the blocks are available for state administration in FY 82 except Primary Care and Education, which are available in FY 83.

^bAll block grants are administered through a state department—either the Department of Human Resources (DHR), the Department of Natural Resources & Community Development (NRCD), or the Department of Public Instruction (DPI).

^cAn additional \$1.9 million for weatherization program in Energy Division, Department of Commerce, comes from monies outside the block grants.

^dThese figures, \$15.4 and \$10.0, represent funds for school years 1980-81 and 1981-82 respectively. The education budget is forward funded.

B. Changing the Eligibility Criteria in Entitlement Programs. Entitlement Programs are those in which a person must be provided the program's benefits if the person meets proper eligibility standards. While entitlement programs operate in very different ways, all are designed to help the needy—the poor, elderly, ill, blind, and disabled. The largest entitlement programs affected by the federal actions are Medicaid, Aid to Families with Dependent Children (AFDC), food stamps, and some of the Title XX (social services) programs under the Social Security Act. The techniques used to cut these programs are primarily new federal and state regulations which reduce the number of people entitled to benefits.

The Medicaid program uses federal, state, and local appropriations to reimburse health care providers for medical services performed for eligible persons. The Reconciliation Act reduced the federal percentage of the reimbursement and thereby increased the share required from state and local governments, should they choose to maintain existing program levels. In October, the General Assembly passed regulations limiting the kind and number of services covered by the program. This gave the legislature a way to avoid increasing state and local payments for Medicaid above the amount in the biennial budget passed in June. The federal and state actions together meant that the Medicaid reductions were the fourth highest of any federal funding cut in N.C. for FY 82 (see chart on page 9 for the top twenty cuts). Chapter Five (on pages 25-30) explains how the Medicaid program was cut.

The AFDC and food stamp programs both give benefits directly to eligible low-income persons. The cuts in these programs were made by tightening eligibility standards so as to eliminate people from the program. Some counties have thus far not experienced as deep a reduction as expected in the number of people eligible for AFDC and food stamps. In Lee County, for example, Director of Social Services Donn Gunderson reported in November 1981 that out of 1,584 eligible households, only 16 had been terminated and 134 had had benefits reduced. But by March 11, 1982, the state Division of Social Services reported that 8,631 households had their AFDC benefits terminated and 3,761 households had their AFDC benefits reduced. In October 1981, the General Assembly softened the impact of federal cuts somewhat for AFDC recipients by raising the standard of need (see footnote 1 in Chapter 1, page 2 for an explanation of how such an action effectively results in fewer persons losing their eligibility). The changes in eligibility standards also affect some Title XX programs because people receiving certain entitlement-program benefits also qualify for some Title XX programs. Thus, the eligibility standards for some Title XX benefits were also changed.

C. Funding Ceilings. The funding ceilings put on various federal programs resulted in the largest money losses to North Carolina. Of the

twenty largest federal cuts, the top three came as a result of funding ceilings. One of these—the CETA (Titles IID and VI) public service employment program—was totally eliminated through this fiscal technique.

D. Raising the Interest Rates. The fourth method used to reduce federal spending was to raise the interest rates on federal loans. Historically, the federal government had offered low-interest loans (or repayment guarantees) to farmers, students, and small businesses. For example, the Guaranteed Student Loan Program in the 16-campus University of North Carolina system had its loan volume reduced about 5.1% from 1980-81 levels. The program provides interest subsidies and repayment guarantees which help students to obtain low-interest loans from private lenders to allow the students to attend colleges and universities. These increased interest rates and reduced commitments in repayment guarantees—while not an actual federal reduction in dollars sent to the state—will have a very real impact on potential borrowers.

E. Imposing User Fees. The fifth way of slicing federal expenditures was to impose user fees in areas where the federal government once provided a particular service free of charge. User fees have long been utilized at the federal and state levels in helping to defray the cost of toll bridges or ferries in transportation programs or of hunting and fishing programs in wildlife management. The President and Congress decided to borrow this idea and use it in other areas as well. The best example of this practice in terms of its effect in North Carolina was the imposition of a new user fee on the grading of tobacco, a service performed by U.S. Department of Agriculture personnel. The funding mechanism was changed from a free to a fee system. What once was paid for by the federal government now is paid for by the tobacco producers marketing a crop. (A fee is taken out of the producer's proceeds at the warehouse floor and paid to the federal government by the warehouseman.)

Through these five methods—block grants, changes in eligibility criteria in entitlement programs, placing ceilings on funding, raising interest rates on federal loans, and imposition of new user fees—Congress and the Reagan administration have reduced the amount of federal dollars available for North Carolina to spend through the state budget process. Yet there are other types of federal reductions which will not show up in the state budget but which are real cuts nonetheless. For example, reductions are still under consideration for such programs as Medicare and Social Security. These programs involve federal payments directly to health care providers or to individual citizens and thus bypass the state budget.

This chapter has shown *how* the cuts were accomplished. Chapter Three shows what *effects* these cuts have had in North Carolina.

Chapter Three

How Federal Budget Cuts Affected North Carolina by Ran Coble, Lacy Maddox, and Jim Bryan



In FY 82, the state of North Carolina received *241.39 million dollars* less than it had received from the federal government in FY 81. This large reduction in funds had a significant impact on many programs that can be understood only by careful study of the Tables of Cuts, by state government department and program, which follow Chapter Six. This chapter will highlight the programs which received the biggest slice in that \$241 million cut. It will also discuss which citizens or

which program areas were most affected by the cuts.

If one adds all the reductions in the Tables in Part VII of this report, the gross reduction in federal funds would be approximately \$269.60 million. This figure includes only the federal share (\$16.9 million) of the Medicaid program reduction. A few programs were fortunate enough to receive slight increases, which totaled just over \$28 million. This leaves a net reduction of \$241 million.

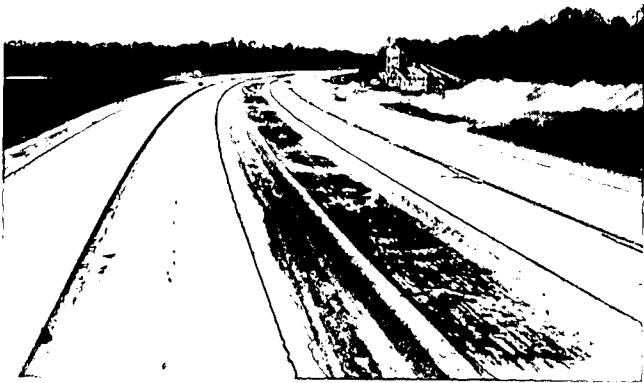
**Table 2. Twenty Largest Cuts in Federal Aid to North Carolina
Largest to Smallest**

Program	State Division/Department	Amount Cut (millions of dollars)	Impact
1. Federal Aid for Highways (construction and maintenance)	Highway Division, Dept. of Transportation	\$41.7	Construction projects slowed considerably; maintenance now a higher priority.
2. CETA Titles IID & VI (public service employment)	Employment and Training Division, Dept. of Natural Resources and Community Development	31.3	All 8,079 participants lost public service jobs.
3. Child Nutrition (school lunch and breakfast, commodity procurement)	Child Nutrition, Dept. of Public Instruction; Food Distribution, Dept. of Agriculture	28.2	102,000 fewer children participating in lunch program than in 12/80; 48,000 fewer children participating in breakfast program than in 12/80.
4. Medicaid	Medical Assistance Division, Dept. of Human Resources	total program cut: 27.6 Federal share of cut: 16.9	Limit on drug prescriptions affected 21,442 persons; limit on visits to physicians/clinics affected 12,161 persons.
5. Construction Grants (water & sewer facilities)	Environmental Management Division, Dept. of Natural Resources and Community Development	16.6	Substantial reduction in completion of projects.
6. Social Services (Title XX) Block Grant	Plans and Operations Division, Dept. of Human Resources	14.4	Reduced service delivery in day-care, training, and most optional and purchased services.
7. Food Stamps	Social Services Division, Dept. of Human Resources	9.1	As of 2/82, 7,111 persons lost food stamp benefits and 81,767 persons had benefits reduced.
8. CETA Title IVA (youth training and work experience)	Employment and Training Division, Dept. of Natural Resources and Community Development	8.8	An estimated 8,651 youths lost employment and training opportunities.

Program	State Division/Department	Amount Cut (millions of dollars)	Impact
9. Aid to Families with Dependent Children (AFDC)	Social Services Division, Dept. of Human Resources	8.6	Reduced financial assistance to needy families; as of 3/11/82, 21,578 persons lost AFDC benefits and 9,403 persons had benefits reduced.
10. Employment Service Program (job placement)	Employment Security Commission, Dept. of Commerce	8.0	Fewer persons aided in job placement.
11. Appalachian Regional Development (area development)	Appalachian Regional Commission, Dept. of Administration	7.1	Most community development projects closed out; an estimated 3,000 (out of 5,000) persons not served.
12. Education Block Grant (elementary and secondary)	Office of Federal Relations, Dept. of Public Instruction	5.4	Fewer library resources and career education programs; Fewer locally-initiated improvement programs, and even less for basic skills and the arts.
13. Impact Aid (high federal impact area)	Office of Federal Relations, Dept. of Public Instruction	5.0	Reduced general funds to school systems in high federally-impacted areas (e.g., counties with military reservations).
14. Alcohol and Drug Abuse and Mental Health Block Grant (community mental health centers)	Mental Health, Mental Retardation and Substance Abuse Services Division, Dept. of Human Resources	3.9	Curtailed services at Community Mental Health Centers for alcoholics, drug abusers and mentally ill. Funds carried over from previous fiscal year are helping programs maintain close-to-FY 81 levels of operation.
15. Community Services Block Grant (community action agencies)	Economic Opportunity Division, Dept. of Natural Resources and Community Development	3.9	Reduced services to low-income people through community action agencies.
16. Capitation Grants (medical and nursing schools)	University of North Carolina System	3.5	Reduced funds for encouraging additional enrollment in nursing and medical schools.
17. Land and Water Conservation (land acquisition and capital)	Parks and Recreation Division, Dept. of Natural Resources and Community Development	3.3	No more federal funds for land acquisition or capital improvements; deteriorating park water systems.
18. CETA Title IVC (summer youth employment)	Employment & Training Division, Dept. of Natural Resources and Community Development	2.8	An estimated 2,285 youths cut from summer employment service.
19. Vocational Rehabilitation (Basic, SSI, and SSDI)	Vocational Rehabilitation Services Division, Dept. of Human Resources	2.7	16% fewer persons served in total Vocational Rehabilitation program; 5,000 of most severely handicapped lost special SSI and SSDI service that assists in employment.
20. Low-Income Energy Assistance Block Grant (supplemental payments)	Social Services Division, Dept. of Human Resources	2.6	Reduced average payment to low-income households from \$155 to \$147; fewer homes weatherized.

A. The 20 Largest Federal Budget Cuts

A look at the twenty largest federal budget cuts in Table 2 provides a revealing look at which programs suffered most. The program suffering the largest reduction (in terms of net dollars lost, not percentage of budget) was the highway construction and maintenance program, which lost \$41.7 million. This program was especially hard hit because the federal cut came on top of state reductions in Department of Transportation programs caused by declining gasoline tax revenues. In its January to July 1981 session, the N.C. General Assembly had to increase the gas tax by three cents per gallon just to "run in place" on existing highway projects. The federal cut thus makes an already bad situation worse.



Highway construction site, Wake County.

If one had to pick a program that was hit with major body blows by the President and Congress, the CETA (Comprehensive Employment and Training Act) program would certainly be on everyone's list. Three of the top twenty cuts in North Carolina involved CETA employment programs. The second largest cut was the \$31.3 million reduction brought about by the total elimination of the public service jobs component (Title IID & Title VI) of CETA. The eighth largest cut, \$8.8 million came in the youth training and work experience component (Title IVA). And, the eighteenth largest was the summer youth employment component (Title IVC), which lost \$2.8 million. In all, 8,079 North Carolinians lost their public service jobs, an estimated 8,651 youths lost employment training opportunities, and there will be 2,285 fewer participants in the summer program.

The third largest reduction in federal funds to date is in the child nutrition programs—known to most people as the school lunch and school breakfast programs. The amount of money involved here is \$28.2 million, but the impact becomes more real by discussing the school children that are affected. The Department of Public Instruction provided very good data on participation levels that compared December 1981 (after cut) with December 1980 (before cut). In December 1981, 102,000 fewer children participated in the school lunch program in North Carolina than in December 1980; 48,000 fewer children participated in the school breakfast program.



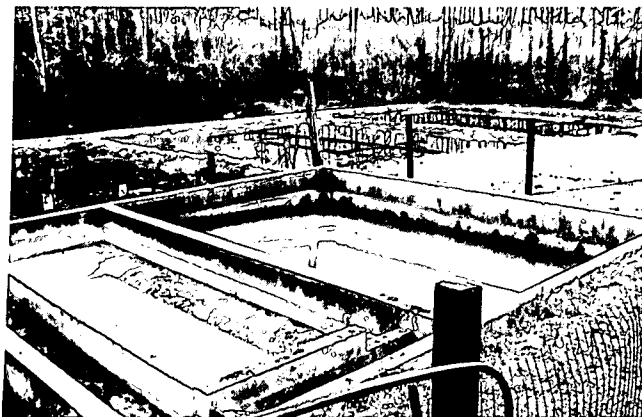
School lunch program participant.

The manner in which reductions were made in the Medicaid Program (which received the fourth largest cut) is detailed in Chapter Five. Those cuts affect thousands of low-income and elderly citizens in the state who depend on Medicaid to pay for their health care. The best estimates available are that 12,161 people have been affected by the limit on the number of visits (eighteen per year) that a recipient can make to his or her doctor. Drug prescriptions are now limited to four per recipient per month, and this affected an estimated 21,442 North Carolinians.



Medicaid recipient receives drug prescription.

The fifth largest cut was in construction grants for water and sewer facilities, a reduction of \$16.6 million. Many local communities in North Carolina have depended on these grants



Wastewater treatment plant, Youngsville. Upgrading, originally planned for 1982, will not be done this year because of federal budget cuts.

under the Clean Water Act for improving wastewater treatment plants, sewer interceptors, and pumping stations. This program is expected to face further reductions in FY 83.

With all the furor over block grants, it is important to note that one has to read down to number six on the Twenty Largest Cuts list before finding a block grant, the Social Services Block. In the top 10 cuts, only 1 is a block grant. And the net reductions from all nine block grants (crossing FY 82 and FY 83) total \$28.9 million, which is only 12% of the total federal cut in North Carolina. Because block grants have been getting so much attention, one would expect that this is where the big cuts are. But, a major finding by the North Carolina Center for Public Policy Research is that *block grants are not the source of the largest reductions in federal funding in North Carolina*. By contrast, three of the top ten cuts are in entitlement programs—Medicaid, Food Stamps (\$9.1 million) and Aid to Families with Dependent Children (\$8.6 million). Of the nine block grants now enacted into law, the Social Services Block Grant contains the most significant cuts. This \$14.4 million loss will mean that less day-care will be available and in-home services for the elderly will also be reduced.

B. Who Is Most Affected by Federal Budget Cuts

A list of government programs and dollars lost sometimes does not tell the full story. The North Carolina Center for Public Policy Research looked behind some of those numbers to see who was actually served by various programs. Or, put another way, "Who is hit the hardest in North Carolina by federal budget cuts?"

1. Low-Income Citizens

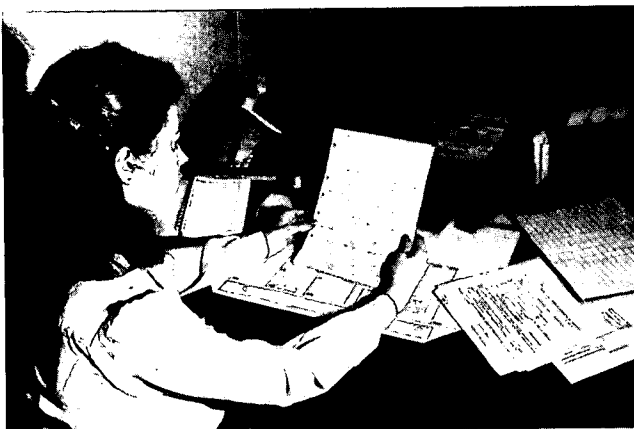
Table 3 shows that low income citizens seem to be hit the hardest by federal budget cuts enacted thus far. Medicaid pays for health care for the poor, the Social Services Block Grant provides a lot of day-care, food stamps provide the food, and AFDC program provides basic income. Cuts in the Low-Income Energy Assistance Block Grant affected the aid given to the poor to defray the

cost of heating their homes in the face of rising fuel bills. The reductions in Legal Aid funding meant that if any of the benefits above were improperly reduced or terminated, there were fewer legal services available to help correct the problem.

Many of the employment programs listed in Table 7 also primarily benefit low-income citizens. CETA programs and the Employment Security Commission offices are especially targeted to serve the poor and unemployed.



Home weatherization done by technicians from a local council on aging.



Social Services Eligibility Specialist reviews Aid to Families with Dependent Children (AFDC) monthly eligibility report.

Table 3. Federal Budget Cuts Affecting Low-Income Citizens

Program	Amount of Federal Funds Cut in FY 82	Reduction in % from FY 81 Budget	Effect of Cut
1. Medicaid	\$16.9/27.6 mil.*		Limited drug prescriptions (21,442 persons affected) and visits to physicians/clinics (12,161 persons affected)
2. Social Services Block Grant	14.4 mil.	18.9%	Reduced service delivery in day-care, training, and most optional and purchased services
3. Food Stamps	9.1 mil.	3.1%	As of 2/82, 7,111 persons lost benefits entirely and 81,767 persons had benefits reduced
4. Aid to Families with Dependent Children (AFDC)	8.6 mil.	8%	Reduced assistance to needy families; as of 3/11/82, 21,578 persons (12% of total) lost all benefits and 9,403 persons (5% of total) had benefits reduced
5. Community Services Block Grant	3.9 mil.	29.6%	Reduced services for low-income persons through Community Action Agencies
6. Low-Income Energy Assistance Block Grant	2.6 mil.	7%	Reduced average payment to low income households from \$155 to \$147; fewer homes weatherized
7. Maternal and Child Health Block Grant	2.0 mil.	17%	Lowered level of prenatal care for low-income mothers and preventive services for infants and children; less specialized care for chronically handicapped children
8. Legal Services of North Carolina	1.8 mil.	27%	Reduced legal services to the poor; 46 staff lost at all levels directly due to budget cuts

*The reduction in *federal funds only* is \$16.9 million. However, the total Medicaid program cut (federal, state, and local combined) is \$27.6 million.

2. Children

Children under twenty-one years of age also felt the brunt of federal funding decisions. Infants were affected by the reduction in funds for preventive services coming through the Maternal and Child Health Block Grant. Young children were affected by the Social Services Block Grant reduction, which reduced the amount of day-care

available. School-age children saw fewer free school breakfasts and lunches and higher prices for those meals. And older youths entering the job market found that the summer or permanent jobs once available through CETA or the Youth Conservation Corps were no longer there. The effects of the federal cuts on children's programs are summarized in Table 4.

Table 4. Federal Budget Cuts Affecting Children (Under Age 21)

Program	Amount of Federal Funds Cut in FY 82	Reduction in % from FY 81 Budget	Effect of Cut
1. Child Nutrition (school lunch and breakfast programs)	\$28.2 mil.	18.1%	All meal costs rising; 102,000 fewer children in 12/81 participating in lunch program than in 12/80. 48,000 fewer children in 12/81 participating in breakfast program than in 12/80.
2. Social Services Block Grant	14.4 mil.	18.9%	Optional services likely to be cut first —e.g., day-care for children with developmental needs, delinquency prevention; other affected services are protective and foster care for children, general day-care.
3. CETA* Title IVA & IVC	11.6 mil.	35%	Estimated 10,936 youths will not receive employment training service.
4. Aid to Families with Dependent Children (AFDC)	8.6 mil.	8%	Reduced assistance to needy families with dependent children; as of 3/11/82, 21,578 persons (12% of total) lost all benefits and 9,403 persons (5% of total) had benefits reduced.
5. Maternal and Child Health Block Grant	2.0 mil.	17%	Fewer preventive services for infants and children; less special care for handicapped children.
6. Young Adult Conservation Corp. (YACC)**	1.5 mil.	100%	All 125 enrollees lost year-round employment and training.
7. LEAA*** (juvenile justice and delinquency prevention)	500,000	31%	Reduced funds for in-school suspension program, group homes and police juvenile units.
8. Immunization	368,519	48%	Fewer children immunized so effort focused on infants and preschoolers
9. Youth Conservation Corp. (YCC)**	286,000	100%	All 189 enrollees lost summer employment and training.

*Comprehensive Employment and Training Act

**Ages of participating youth range from 16 to 25 years old

***Law Enforcement Assistance Administration

3. Handicapped Citizens

The physically disabled, blind, crippled children and mentally ill were the third group which seem especially hard hit by the 1981-1982 actions. Sixteen percent fewer handicapped citizens were served in the total Vocational Rehabilitation program. The blind met with reductions in Title XX services (e.g., in-home and chore services), fewer readers for the blind, and loss of special training

and education for blind retarded children. Crippled children's programs suffered a 19% cut, while the mentally ill are already beginning to feel the force of a 30% cut in services at local mental health centers. Handicapped students both in the public schools and in correctional institutions saw fewer teacher aides in their classrooms. See Table 5 for the facts and figures on services to the handicapped.

Table 5. Federal Budget Cuts Affecting Handicapped Citizens

Program	Amount of Federal Funds Cut in FY 82	Reduction in % from FY 81 Budget	Effect of Cut
1. Alcohol and Drug Abuse and Mental Health Services Block Grant	\$3.9 mil.	30%	Curtailed services at Community Mental Health Centers for alcoholics, drug abusers, and mentally ill.
2. Basic Vocational Rehabilitation (VR): Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI)	2.7 mil.	10.6%	16% fewer persons served in total VR program; 5,000 of most severely handicapped lost the special SSI and SSDI service that assists in employment.
3. Title V Crippled Children	644,503	19%	Reduced evaluation, treatment, and care for handicapped children.
4. Title XX Program for Blind	620,489	19%	Some clients lost or had reduced in-home chore services; training in adjustment services reduced.
5. Basic Services for the Blind, SSI and SSDI	541,291	10%	Reader services for blind cut back, tuition fee payments will have a ceiling amount.
6. Centers for the Retarded	218,768	100%	160 blind/retarded children lost special training and education services.
7. SSI Disabled Children	141,708	18%	Some SSI children will not receive transportation and/or educational portions of developmental day-care services.
8. ESEA* Title I (disadvantaged handicapped children)	105,193	4.2%	Teachers and teacher aides for handicapped students cut.
9. ESEA Title VI B (handicapped youth in correctional center)	30,000	45%	Reduced education services to handicapped youths in prison.

*Elementary and Secondary Education Act

4. Education Programs

Regardless of where a child was in school in North Carolina, the federal cutbacks were showing up in the classrooms. Fifteen thousand children were affected by the loss of 450 teacher aides once paid for with CETA funds, and there was a loss of over 1200 teachers and/or teacher aides to serve disadvantaged children through ESEA (Elementary and Secondary Education Act), Title I funds. If the child went to the library, he or she would find fewer program services available there due to cuts under the Library Sciences and Construction Act and ESEA, Title IV-B. And, the cuts were disproportionately high in certain areas of the state. Eastern counties were more affected

by the cuts in "impact aid," since those counties are the main ones which receive the most impact aid (so called because of the impact a military reservation can have in generating large numbers of children into local schools). Children in western counties once learned computer skills paid for with Appalachian Regional Development Act funds, but that program has been sharply reduced.

Higher education was not immune from federal cutbacks either. Cuts in capitation grants in the health sciences particularly affected enrollments in nursing and medical schools, at a time when there is a general shortage of nurses in North Carolina. Table 6 details the reductions in education programs.

**Table 6. Federal Budget Cuts in Education Programs
for School Year '81-82**

Program	Amount of Federal Funds Cut	Reduction in % from FY 81 Budget	Effect of Cut
1. Education Block Grant	\$5.4 mil.	33%	Fewer library resources and career education services; fewer locally-initiated improvement programs, and even less for basic skills and the arts.
2. CETA*	5 mil.	49%	15,000 children affected by loss of 450 teacher aides; 500 high school youth affected by loss of 50 teachers and aides in education work experience.
3. Impact Aid	5 mil.	47.6%	Reduced general funds to school systems in high federally-impacted areas (e.g., counties with military reservations).
4. Capitation Grants in Health Sciences	3.5 mil.	Not Available	Reduced funds for encouraging additional enrollment in nursing and medical schools.
5. ESEA** Title I (disadvantaged children)	2.4 mil.	2.6%	Reduced educational services to disadvantaged children.
6. Vocational Education	2.0 mil.	9.1%	Reduction in curriculum development, equipment and material purchase.
7. Guaranteed Student Loan Program	2.0 mil.	5.1%	Fewer loans available to college students.
8. Appalachian Regional Development Act (pilot computer projects)	606,022	86%	No new projects to instruct western N.C. children through computers; considerable reduction in existing projects.
9. LSCA*** Title I (public libraries)	377,420	25%	Fewer programs for children, elderly, handicapped and poor.

*Comprehensive Employment and Training Act; funds come from several CETA Titles

**Elementary and Secondary Education Act

***Library Sciences and Construction Act

5. Employment Programs

A strange logic prevailed in federal budget cuts in the employment programs summarized in Table 7. First, some programs which actually provided jobs—such as CETA public service jobs—were sharply cut back. But, when those newly unemployed arrived at their local Employment Security Commission office, there were fewer employees available there to help them look for work.

Even stranger logic was operating elsewhere. The Work Incentive Program, which is designed to move people from welfare rolls to permanent employment, lost almost 30% of its funds. The North Carolina WIN program has been rated the most successful in the nation for last five years by the U.S. Department of Health and Human Services in terms of the percentage of AFDC recipients placed in jobs. State officials decided to discontinue WIN programs in 39 of 45 counties that had programs; programs remained in only the 6 most populous counties—Mecklenburg, Guilford, Wake, Forsyth, Durham and Cumberland. Thus, the very program which helps to reduce government welfare payments was itself reduced by \$1.6 million. And, as was seen in Table 3 above, there were sizeable cuts made in the entitlement/welfare programs themselves. Overall, a person could have a public service job and lose it due to federal budget cuts; he or she could then go to the

Employment Security Office to look for a job and find no one there to help; the person might then be forced to go on welfare but receive reduced benefits there; and finally, once on welfare, if he or she wanted to become employed again, the WIN program in the county might have been one of those discontinued.

The next chapter provides a similar look at federal budget cuts at the county level, this time as viewed through the eyes of various county officials.



Desk formerly used by an Employment Security Commission Job Service employee who was laid off due to federal budget cuts, ESC office, Raleigh.

Table 7. Federal Budget Cuts in Employment Programs

Program	Amount of Federal Funds Cut in FY 82	Reduction in % from FY 81 Budget	Effect of Cut
1. CETA* Title IID & Title VI (public service employment)	\$31.3 mil.	100%	All 8,079 participants lost service.
2. CETA Title IVA (youth training and work experience)	8.8 mil.	65.2%	Estimated 8,651 youths will not receive employment training service.
3. Employment Service Program (Employment Security Commission)	8 mil.	29.6%	Fewer persons aided in job placement.
4. CETA Title IIB, C & Governor's Special Grants (comprehensive program)	2.8 mil.	6.7%	Estimated 453 participants will not receive comprehensive employment training.
5. CETA Title IVC (summer youth employment)	2.8 mil.	14.4%	Estimated 2,285 youths will not receive summer employment services.
6. WIN Program (work incentive)	1.6 mil.	29.8%	Estimated number of participants cut in half from last year's 40,000. Participating counties dropped from 45 to 6 urban counties with highest concentration of AFDC** recipients.

*Comprehensive Employment and Training Act

**Aid to Families with Dependent Children

Chapter Four

The Trickle-Down Theory of Government

by Durward Gunnells and Patrice Roesler

This chapter originally appeared as an article in a special section on federal budget cuts in *N.C. Insight*, Vol. 4, No. 4 (December 1981/January 1982). With the permission of the authors, it is reprinted here in order to provide an understanding of the effect of federal budget cuts on local officials in North Carolina.



For the last seven years, John Link has gone through the laborious process of getting a budget approved for the agency which he directs, the Stanly County Department of Social Services (DSS). Every spring since the midseventies, Link has presented a projected budget to the Stanly County Board of Social Services, an independent body that oversees the operation of the county DSS. After approving Link's figures, this board then has sent them to the N.C. Department of Human Resources for that agency's okay. Finally, each year the Stanly County Board of Commissioners has incorporated the DSS needs into the overall county budget, which by state law has to be in operation by July 1, the beginning of the state and county fiscal year.

In the spring of 1981, when it came time to start the budget process, even an experienced administrator like John Link had to begin a guessing game that continues to this day. President Reagan had just announced his intention to cut federal funding for a wide range of social service and education programs administered at the county level. "Last April, all of us (DSS directors) based our budget on cuts of 15-20 percent in federal funding," explained Link. But since the spring, Reagan has asked Congress for increased cuts in domestic programs. As the end of 1981 approached—already three months through the federal fiscal year that began October 1—Reagan and Congress had still not agreed on the level of spending for services for this federal fiscal year, services which are ultimately delivered by people like John Link.

"The President and Congress are still acting on programs for this fiscal year, even though we're already into the year," says Link. "That puts a great burden on county and municipal government." In recent years, over three-quarters of county budgets in North Carolina have gone to fund federal and state prescribed programs, particularly in the education and human resources areas. The county budget which took effect last July 1 must accommodate the federally-mandated programs still under debate. "If there are additional cuts made," Link pondered in a late November interview, "I and most of my colleagues would face a shortfall. We would have insufficient county funds."

Since the President began his campaign to cut federal spending and reduce federal controls over states and localities—the "new federalism"—most analysis and attention have focused on the macroeconomic questions being debated in Washington and on the politics of this fiscal "revolution" at the federal and state levels. But while the "trickle-down" theory of economics may lie behind the Reagan economic goals, there is a "trickle-down" reality to how government operates as well—from the federal to the state and finally to the county level. Consequently, the results of the federal actions hit the counties last.

"The full impact of the cuts isn't known yet," said Grover C. Lancaster, Craven County commissioner and president of the N.C. Association of County Commissioners (NCACC), in a December, 1981 interview. "Most commissioners realize the cuts had to be made, that the spending levels couldn't continue. But we don't know yet what the consequences will be when we get to next July and the 1982 budgets."

In Washington, Congress and the Reagan administration are still negotiating the budget for a federal fiscal year already one-half gone. And in Raleigh, the legislative leaders and the Hunt administration are only beginning to hammer out new mechanisms for coping with block grants and other new fiscal measures. Down in Albemarle, the Stanly County seat, how can John Link and other county officials even begin to cope with the realities of paying the bills? How can they keep enough social workers on staff—paid for out of that county budget approved back in July—to administer new and complex welfare requirements? "We're faced with reacting to those cuts while still trying to run a program on a day-to-day basis," said Link.

What will happen if Congress passes additional food stamp cuts, for example, and Stanly County runs out of money for the food stamp program? How will Link and his staff cope? And what lies down the road?

Durwood Gunnells is staff counsel for the N.C. Association of County Commissioners, Patrice Roesler is the intergovernmental coordinator for the Association.

Reacting at the County Level

County officials, particularly county commissioners, are generally of a conservative fiscal bent. By state law, the county budget must be balanced, and each year the commissioners in every county levy a property tax—a highly visible and unpopular tax—just high enough to meet its annual budget. In North Carolina, revenues from the property tax amount to about 80 cents of every dollar collected by the county for locally-assessed taxes (the one-cent, local-option sales tax amounts to another 15 cents of each dollar). In May of 1980,

The Best Federal Programs... and the Worst? Looking Through the Commissioners' Eyes

In May of 1980, the N.C. Association of County Commissioners surveyed commissioners throughout the state regarding the programs that they felt could be cut in funding at the federal level. The survey was conducted at a time when reductions in federal revenue sharing were under active consideration by Congress. These responses reflect the commissioners' mood at that time, before Ronald Reagan was elected.

Below is a summary of the responses, ranked according to the most important and the least important federal programs. In the most important list, the percentage indicates the portion of the respondents who indicated "no reduction" in funding for a particular program. In the least important list, the percentage indicates the portion who indicated "reduce" or eliminate" a particular program.

These responses are printed with permission of the N.C. Association of County Commissioners.

Most Important Program	"No Reduction" (% Response)
1. General Revenue Sharing	92
2. Child Support Enforcement	80
3. Elementary/Secondary Education	69
4. Vocational Education	61
5. Highway Construction	60
6. Medicaid	57
7. Public Health	54
8. Drug Abuse	53
9. Aging Grants	53
10. Maternal/Child Health	52

Least Important Program	"Reduce"	"Eliminate"
	(% Response)	
1. CETA Grants	33	63
2. Community Action Agencies	40	52
3. Law Enforcement (LEAA) Grants	29	42
4. Work Incentive Program	26	36
5. Personnel Act (IPA) Grants	36	30
6. Women, Infants, Children Nutrition	39	27
7. Health Planning	54	26
8. Section 8 Housing	52	21
9. Outdoor Recreation Grants	52	19
10. Community Development Grants	58	14

even before Ronald Reagan was elected, NCACC surveyed the commissioners throughout the state regarding potential federal budget reductions. "Commissioners favored cuts in most existing physical development assistance grants and loans, some of the smaller human service programs, and those programs in which there is noticeable waste, red tape, or inefficiency," the NCACC reported in its newspaper, *County Lines*, on May 14, 1980. "In general, commissioners did not favor major reductions in programs that allow a high level of local control, those that are important to the main service functions of counties, or are useful in reducing welfare costs." Commissioners particularly favored continuation of federal revenue sharing with state and local governments, a program which has allowed counties in North Carolina to receive "non-earmarked" federal dollars and has been used mainly for financing one-time capital expenditures such as jails, courtroom facilities, and schools. (See box on this page for a summary of the survey results.)

In responding to the NCACC survey, most commissioners not only identified potential cuts but also felt that a "reduction in funding for certain programs should be accompanied by a reduction in federal and state-mandated activities. Without a reduction of mandates, any cutbacks in appropriations may simply shift additional costs to the states and counties," Commissioners singled out Title XX social services, food stamps, and Aid to Families with Dependent Children (AFDC) as programs where mandated services should be reduced.

Since President Reagan took office, the commissioners have gotten far more cuts than they wanted. At the federal level, funds for mandated programs like Medicaid, AFDC, and food stamps are being reduced to a greater extent than are the services. Consequently, counties or states have to either find new funds to cover mandated services or cut the existing level of services. In addition, the reduction of one service may actually cause an increase in another; as AFDC eligibility standards are tightened, for example, some additional people are qualifying for food stamps.



Photo courtesy of the N.C. Assn. of County Commissioners
The N.C. Association of County Commissioners' 1981 annual meeting.

The vast reductions in federal funds and the apparent shifts in program responsibility away from Washington have precipitated a greatly increased role for the states, counties, and municipalities. In some cases, services are already being cut at the state level to accommodate the federal cuts, such as the reductions in Medicaid services passed by the General Assembly in October, 1981. The October "budget" session provided an early glimpse of how state officials will cope with changes in programs caused by federal actions. More federal cuts are coming, particularly in the second year of Reagan's economic program.

The Washington-based National Association of Counties (NACo), in the October 5, 1981 issue of its *County News*, identified the central transition taking place: "In a few short months, the federal government has dumped responsibilities on state and local governments... (which it) had assumed gradually in the half century since the depression. State and local governments will not have 50 years, or maybe even 50 weeks, to adjust to 'going it alone.' For counties, the changes come cold turkey." The tone of the NACo report marks a shift from the early county-level support for federal cuts, expressed to some extent in the NCACC survey results in 1980. And the NACo bulletin sounded an alarm without speculating on the precise changes ahead.

In September 1981, the U.S. Advisory Commission on Intergovernmental Relations identified an important arena where county officials might have to adjust their way of doing business: "One of the most significant features of block grants is the designation of the state as primary recipient and decision maker. Many of the superseded categoricals involved a federal-local relationship, but all nine of the new (block grant) programs are directed to the state level... In the future, the states will be responsible for administering more programs and with fewer federal dollars."

The state's role has increased suddenly and dramatically to that of primary actor in distributing funds and making programmatic decisions for most intergovernmentally-funded programs. Consequently—and quite naturally—legislative leaders and the Hunt administration have begun a tug-of-war to gain control over as many federal funds as possible. While Congress and the President haggle in Washington and state officials vie for increased power in Raleigh, county administrators must go about the day-to-day business of certifying families for AFDC, delivering meals to the elderly, and subsidizing day-care for low-income, working mothers.

The state of flux in the Washington-Raleigh corridor accentuates the hazy lines of responsibility that stretch from Raleigh into Albemarle and the other 99 county seats. The principal actors at the county level range from the board of county commissioners to the county manager, from the local social services and mental health boards to

the directors of the local social services and mental health agencies. As funding and program decisions filter through the intergovernmental strainer down to the county seat, these various actors—along with their municipal counterparts—must somehow determine who has the power and discretion either to cut services or find more county money. "In North Carolina, we have a county-administered, state-supervised (social services) set up," explained Link. "The crux is going to be: How much can we do at the county level?"

County officials have begun the important task of defining the legitimate boundaries of responsibility between the various local actors. And they have begun to develop new working relationships with state officials as well.

Last summer, for example, John Link and three other county officials joined with two division directors in the state Department of Human Resources (DHR) as an Ad Hoc Block Grant Committee to plan for changes resulting from federal cuts.⁸ A week before the legislature convened for its October session, this Committee, sponsored jointly by NCACC and DHR, released its report. The Committee recommended specific ways to cope with the block grants in the health and human service areas and with changes in AFDC and Medicaid. It also endorsed four general principles: 1) joint planning between local agencies and the state; 2) minimizing administrative overhead so as to maximize services; 3) in the first year, keeping funding allocations to the counties as they are now rather than shifting program funds as a result of the cuts; and 4) cutting all programs within block grants on an equal basis for the first year rather than transferring funds from one program to another.

Recent events in Stanly and Edgecombe Counties illustrate how officials have decided that certain administrative functions are within their power and have acted accordingly. In Stanly, John Link has made several administrative changes to reduce the workload of the DSS social workers. For example, with the approval of the county board of social services, he changed the way the county determined eligibility for Title XX funds from a "verification" to a "declaration" method, from verifying a client's income sources to taking the client's word on income. Consequently, Link has neither had to fill positions open because of attrition nor hire new staff at a time when strict new AFDC regulations from Washington are causing social workers to spend substantially more administrative time per client. Since Link does not have enough funds in the budget passed by Stanly County Commissioners in July

⁸The other five members of the Committee were: Henry E. Dick, Craven County manager, Larry Thompson, director, Blue Ridge Mental Health Center and president of the Area Mental Health Directors Assn.; Hugh Young, health director, Edgecombe County; Barbara Matula, director, Division of Medical Assistance, DHR; and Robert Fitzgerald, director, Division of Plans and Operations, DHR.

1981 to hire more social workers, such streamlining of workload is extremely important.

In Edgecombe, as in many other North Carolina counties, the commissioners passed a resolution saying that the county would not pick up any reductions resulting from federal cuts. "This (resolution) was a signal to me not to go to them for extra money," said Hobart Freeman, the director of the Edgecombe DSS. When the federal fiscal year began October 1, 1981 Freeman knew he didn't have the funds to maintain all the services of the previous year. Consequently, with the approval of his board of social services, he has quit funding a group home for pre-delinquent girls and has reduced day-care services. While services have been reduced somewhat, no staff have been laid off; four positions, however, have been terminated through attrition.

1982 and Beyond

In the immediate future, county officials must live with the uncertainties that remain both in Washington and in Raleigh. In October, 1981, the legislature limited some optional services and put a lid on the rate at which hospitals could increase reimbursement fees, estimating that such actions would save enough money to make up for the federal reduction in the Medicaid reimbursement formula. But if the estimates upon which the October actions were taken are too low, Medicaid provider groups might well come to county commissioners asking for additional funds. Or county-supported hospitals will have to absorb losses in Medicaid revenues and then recover those losses from the county general fund.

In the 1983 and 1984 fiscal years, much deeper budget cuts are forecast at the federal level. While county-level officials have to juggle uncertainties today, they may have to face wide-scale hardship in the not too distant future. Truly needy people will feel the effects of the cuts at the local level. And county and municipal officials will be under tremendous pressure to heal the wounds.

County commissioners, however, lack the flexible financial resources for the most part to make up for cuts that have already come, much less for those that lie ahead. County commissioners have to adopt a balanced budget and levy a property tax every year. Increasing county budgets to make up for cuts at the federal or state level means raising the property tax, a step which hardly any county commissioner favors. In addition, commissioners have little flexibility to transfer funds between programs within the year. Finally, commissioners control only about 25 cents of every county dollar they appropriate. In

"Commissioners are skeptical of picking up anything else (by using) the property tax."

Grover Lancaster

North Carolina, about 75 cents of each county dollar funds services prescribed by federal or state law.

Grover Lancaster, NCACC president, identifies the catch-22 that county commissioners feel. "Most of the commissioners I've talked with are supportive of the cuts, but there's always a proviso: 'If it doesn't impact on me—if the state doesn't say (to me) to pick up the cuts.' Commissioners are skeptical of picking up anything else (by using) the property tax."

County commissioners have two principal avenues of action available to help them with their funding dilemma: 1) mount a sophisticated lobbying effort at the state level; and 2) institute major innovations at the county level. Using both these means together may help minimize the coming hardships.

Raleigh will become a far more important power center than it has been in the past. Under the new federalism, state legislators and administrators have extended powers and responsibilities by:

- appropriating and allocating funds that previously had been distributed from Washington;
- shaping program design in Title XX, Medicaid, and other social services areas;
- directing counties in how to determine eligible recipients, keep records, and meet other administrative requirements originating in Washington; and
- deciding the county share of funding formulas (i.e., how many county dollars must be spent in support of state-mandated programs).

To have a voice at the "front-end" of policy-making, county officials must direct their attention to Raleigh. The previously mentioned Ad Hoc Block Grant Committee composed of local or state officials demonstrates one means of state and county cooperative planning. The report from that committee is already serving as a lobbying tool. In addition, individual boards of county commissioners must develop closer working relationships with their own legislators and other state officials. Finally, there are collective ways to voice local concerns in Raleigh, through groups like the N.C. Association of County Commissioners and the N.C. League of Municipalities.

While efforts to influence policies in Raleigh are important, county officials ultimately must cope with budget cuts at home. If food stamp funding runs out, county officials must find a way to keep people from going hungry. Trimming services and streamlining administrative costs will help, but counties may have to take the difficult step of beginning to charge fees for services that have been free, from adoption to day-care to mental health. "Next year will be extremely difficult," cautioned John Link. "There's a lot of talk about fees. How much can we do that's free versus how much that may require a fee? That's the crucial question."

The federal cuts have been felt at the local level, even before Congress completes the 1982



Photo courtesy of the N.C. Assn. of County Commissioners

Grover Lancaster, president of the N.C. Association of County Commissioners.

budget. Social workers have to follow more stringent rules in certifying a person eligible to receive AFDC. Counties can no longer afford to provide subsidized day-care to some low-income working mothers. The trickle-down reality of how government operates is at work. And the trickle is just beginning. As John Link and his counterparts across the state began to shape their budgets this spring, they anticipate the trickle turning into a torrent.

When hardship hits at the county level, the people who holler the loudest or twist arms the hardest will be the ones who soften the blow of the cuts. County commissioners may, in fact, be moving into an era ruled not by federal rules and regulations but by that age-old political philosophy: "The squeaky wheel gets the oil." But it's becoming clearer every day that there won't be enough oil to go around. Some wheels will keep on squeaking.

Chapter Five

Axing Entitlement Programs: Focus on Medicaid

by Leslie Winner

This chapter originally appeared as an article in a special section on federal budget cuts in *N.C. Insight*, Vol. 4, No. 4 (December 1981/January 1982). With the permission of the author, it is reprinted here in order to provide an understanding of the federal budget cuts in Medicaid, a complex entitlement program that is funded by all three levels of government—federal, state, and local.



The first phase of President Reagan's new economic policies has caused significant reductions in North Carolina's Medicaid program. Given the escalating cost of health care and the additional cuts which will be implemented by the federal government in subsequent years, North Carolina legislators are faced with a problem of major dimensions. They must either find new ways of funding health care or they must bring spiraling health care costs under control. If they can do neither, a bleak alternative lies ahead: a decrease in health care services for the poor—children, elderly, and others who in fact are North Carolina's "truly needy."

Anticipating the problems ahead for Medicaid, Gov. James B. Hunt, Jr. testified on March 10, 1981, before the U.S. House of Representatives Subcommittee on Health in his capacity as chairman of the Committee on Human Resources of the National Governor's Association (NGA). He pleaded with Congress not to make absolute and insensitive cuts in the Medicaid budget but rather to make substantive reforms in the program which would save as much or more federal dollars:

We [the NGA] sincerely believe we can offer you an interim solution to the problem of rapidly escalating Medicaid costs without sacrificing essential health care services or denying care to the elderly poor and the needy children of this nation.... The need for health care will not disappear along with the dollars to fund it. Someone will have to meet those needs, and I fear that it will fall to our community and state institutions to care for those people perhaps in a setting or at a level that is both costly and inappropriate, but the only one available to them. My concern, then, is that we reduce Medicaid program costs, but that we do so in a way that will preserve a balanced health care package for our poorest citizens at the least cost to the taxpayer.

Despite Gov. Hunt's statement, and similar pleas by others, Congress took a sizable bite out of the Medicaid program. In the Omnibus Budget

Reconciliation Act of 1981, Congress reduced by three percent the portion of the states' Medicaid programs paid for by the federal government for federal fiscal year (FY) 1982, which began on October 1, 1981. This action would then cause North Carolina to lose over the nine affected months of the state FY 82 (October 1981 to June 1982, the end of the state's fiscal year) an estimated \$8.7 to \$24.6 million in Medicaid funds, depending on the action taken by the General Assembly. And the losses would get larger in future years as the federal percentage declined further (4 percent in federal FY 83 and 4.5 percent in FY 84).

This cut hit the state during what was already one of the worst budget crises in years. Revenue estimates were low, highway funds and transportation budgets were in desperate straits, and there was not enough money to give teachers and other state employees a decent cost of living raise. Given the political difficulty encountered increasing the gasoline tax in the spring of 1981, no legislator wanted to raise other taxes. And because the federal budget cuts affected many programs, Medicaid was competing with other programs for additional appropriations.

Thus, President Reagan and the U.S. Congress had saddled the General Assembly with a sizable problem—one not of its own choosing or making. The N.C. legislature, in its October budget session, had to decide whether to appropriate new *state funds* of some \$8.7 million and avoid any reductions in services or to reduce the program and absorb a total cut resulting from *federal actions* of \$24.6 million (see box on pages 28-29 for an explanation of these figures).

The General Assembly did not respond by increasing the state's Medicaid appropriation; instead it limited services, changed reimbursement rates, and limited the number of recipients

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eligible to participate in the program. In the Medicaid portion of the Appropriations Act,⁹ the legislature included seven provisions, which for the first time:

- 1) limited the number of physician, clinic, and out-patient visits to 18 per recipient per year, with very few exceptions;
- 2) limited the number of mental-health clinic visits to 18 per recipient per year;
- 3) limited the number of drug prescriptions to four per recipient per month;
- 4) eliminated 19 and 20 year-old students from AFDC-related Medicaid coverage;
- 5) froze reimbursement rates for doctors, optometrists, clinics, and other practitioners at June 30, 1981 payment levels;
- 6) changed the system for setting hospital reimbursement rates from a cost basis to a flat rate, effective November 1, 1981; and
- 7) froze the number of authorized new nursing home beds in the state.

These new provisions will cause severe hardships on both Medicaid recipients and other North Carolinians. A person who is dependent on receiving weekly psychiatric help at a mental health clinic, for example, can now make only 18 such visits a year. And if the person denied access to a mental clinic ends up in an institution, the cost to the state will be more than the savings netted by the change in the Medicaid coverage. For another type of hardship, consider the revenues lost from decreased reimbursements for public and non-profit hospitals. These hospitals must make up the losses in Medicaid reimbursements through either increased rates charged other patients or additional appropriations from the taxpayers or charities supporting the hospital.

What made the state take these dramatic actions instead of other alternatives? Why did doctors, institutions, and recipients let these actions happen? What are the implications of future federal budget cuts and rising health care costs for North Carolina's Medicaid program?

Answering these questions requires first an understanding of the basic structure of Medicaid. A federally regulated, medical assistance program for the poor, Medicaid is paid for by federal, state, and local funds, according to a formula established by Congress. Each year, the Division of Medical Assistance in the Department of Human Resources, which administers Medicaid in North Carolina, estimates what each aspect of the program—from nursing home care to dental needs—will cost. Then, the General Assembly sets the amount for the whole program, according to the projected costs for the upcoming state fiscal year.

Federal law requires the state to provide funds for some services (such as hospital care), but the state has the power to determine the availability of other services (such as dental care). Similarly, some groups of persons (such as those receiving Aid to Families with Dependent Children) automatically receive all Medicaid services, but the state can choose whether to include others



Photo by Paul Cooper

Rep. Billy Watkins (l) talks with Lt. Gov. Jimmy Green and Rep. George Hux (r) during October 1981 session.

(such as Social Security recipients with very high medical bills). Once persons are determined to be eligible for Medicaid, they are guaranteed—i.e., entitled to receive—all the approved services, regardless of cost; that is why Medicaid is called an “entitlement” program. Since the legislature can never know to what extent Medicaid recipients will use their “entitled” benefits during a fiscal year, the General Assembly approves an appropriation which is only an estimate of what the state will spend. The federal government reimburses the state for about two-thirds of its Medicaid costs. Thus, for every dollar the state appropriates and spends of its own money, the federal government matches that with about two more dollars of federal money.

The move to cut the federal Medicaid budget resulted in part from President Reagan's general effort to balance the federal budget at the expense of social programs and in part because Medicaid is one of the fastest increasing items in both the state and federal budgets. The elderly, who are increasing in number faster than any other segment of the population, account for the largest part of the Medicaid budget. Almost one-third of the program in North Carolina pays for long-term care in nursing homes alone, and this does not include the cost of long-term care for the mentally retarded Medicaid recipients, which is also very expensive. In addition, the reimbursement rates to Medicaid providers—doctors, hospitals, dentists, nursing homes, etc.—are tied to the accelerating rates of health care costs in general.

Faced with a federally-initiated, funding-versus-services crisis, the state had several options. In June, the General Assembly had approved \$580.6 million for the total Medicaid budget for state FY 82. This amount included the federal, state, and local share, and provided the basis from which to compute the federal share of the funds. After the reduction in the federal share, signed into law in August, the General Assembly had three choices. It could:

- 1) appropriate an additional \$8.7 million in state funds and hold the program at its current

⁹Chapter 1127 of the 1981 Session Laws (HB 1392), Section 22.

level of services;

2) vote no additional state money and reduce services by \$24.6 million; or

3) vote some additional money and reduce services by an amount less than \$24.6 million.

Why did the legislature decide to cut services by an estimated \$27.6 million when the state could have kept the loss resulting from federal actions to only \$8.7 million?¹⁰

Barbara Matula, director of the Division of Medical Assistance for the state, agreed that the legislators had these three options. "But I was not asked as to whether the state could make up [the cuts with] appropriations or absorb the cuts," she said. "The [state] decision was made in the spring. I was asked to present all the possible options to cut costs. At no point did they say to me, 'How much money do we need to bail out the feds?'"

As early as February 1981, Deputy State Budget Officer Marvin Dorman wrote a memorandum to the Lt. Governor, Speaker of the House, and other legislative leaders informing them that Gov. Hunt's position was that "federal cuts cannot be picked up with state funds."

The Governor's position fit in well with the partisan attitude prevailing in the legislature. The legislative leadership decided that the Democrats in Raleigh would not bail out the Republicans in Washington. As many legislators said in private, "The people need to feel the effect of the Republican cut."

In addition, there was a considerable amount of confusion about exactly what the state had to do to avoid cutting back the Medicaid program. On Thursday of the week-long October 1981 session, the legislature was debating the Appropriations Act. The Joint Appropriations Committee had responded to the federal budget cut by recommending the service and reimbursement cuts listed above. For the first time the proposal was presented to the full House of Representatives. One of the recommended cuts—limiting the number of prescriptions available to four per recipient per month—upset some members, and an amendment was offered to change the limitation from four to six.

When the chairman of the House Appropriations Expansion Budget Committee, Rep. Billy Watkins (D-Granville), rose to defend the committee's action on prescription drugs, the confusion about the Medicaid budget cut was apparent, even among the most knowledgeable and powerful of the legislators. A persuasive member of the House leadership, Watkins had to respond on the spur of the moment to an amendment which involved the complex calculations of the Medicaid appropriation. Faced with

this immediate and difficult task, he mistakenly said the amendment would cost the state an extra \$2.3 million, an amount the legislature would have to delete from some other budget item, if the amendment passed. While the overall cost of increasing the number of prescriptions would have been about \$2.3 million, in fact, the state's share would have been only about \$800,000. In other words, if the General Assembly appropriated an extra \$800,000, the prescription limit could have been increased. The rest would be paid by the federal government. Told that the amendment would cost \$2.3 million by the influential Watkins—who even in good faith had his figures wrong—the House defeated the amendment.

Representative Watkins' error was typical of the confusion which prevailed. Part of that confusion resulted from the complexity of the Medicaid program, which few legislators other than those involved in the human resources appropriation process understand very well. For example, during a January 1981 meeting of the House Health Committee, the members were debating some amendments to the North Carolina statute affecting Medicaid. One committee member asked quietly what the difference between Medicaid and Medicare is.¹¹

Contributing to the general lack of knowledge about the program was confusion over an early Reagan proposal for cutting the Medicaid budget. In his initial attack on Medicaid costs, Reagan proposed to limit the growth of the federal reimbursement to five percent per year, a federal "cap" for a program increasing at nearly a 20 percent annual rate. Since Medicaid is an entitlement program, total Medicaid payments cannot be limited; the covered health care treatment of all eligible people must be reimbursed. Consequently, if Reagan's proposed cap had been enacted, the state would have had to pay 100 percent of the cost increases over the federal five-percent ceiling. During the spring 1981 session of the General Assembly, legislators grappled with the question of how to deal with a federal cap if it were enacted by Congress, an action that would have resulted in a loss to North Carolina of some \$39 million. Adding the state and local match to the loss would have meant reductions in services of some \$58 million. The proposed cap would have absolutely limited federal reimbursement, and anything above that cap would have had to be paid totally out of state and local funds. This proposed cap proved to be politically unacceptable to hospitals, doctors, nursing home operators, and state governments, and Congress rejected it. But the memory of the proposed cap was still fresh in October and added

¹⁰The \$27.6 million reduction exceeded even the worst option of a \$24.6 million cut. Legislative sources attribute this fact to the fear that the original savings estimated for each of the program reductions were too high, and thus the total cuts needed to be higher than the \$24.6 million. Also, costs were increasing faster than originally projected, especially for hospitals.

¹¹These two programs have similar origins and names, but they operate in entirely different fashions for very different groups of people. Medicare provides major health care services for people eligible for Social Security, as a private insurance plan does, under a premium/co-payment/deductible system. Medicaid functions as an entitlement program for needy people.

another layer of misunderstanding to the Medicaid debate.

All these sources of confusion contributed substantially to the final Medicaid appropriation that cut services in three areas and reimbursement rates in three others, effectively reducing the program in North Carolina by \$27.6 million for the state FY 82, from an estimated \$580.6 million to \$553.0 million. Few legislators understood that an appropriation of only \$8.7 million in state funds would have avoided any cuts in services at all.

In addition to partisanship and confusion, other forces contributed to the legislature's choice of the most drastic option. Legislators saw the Medicaid cuts as a chance to start controlling reimbursements to nursing homes, doctors, and hospitals—the parts of the program that legislators fear are getting out of control. Limiting the cost of inpatient treatment in hospitals and the

number of long-term care beds available in nursing homes gave the legislature a foot in the door. Prior to October a combination of federal regulations and political pressure from the health care establishment had prevented the General Assembly from enacting significant controls on health care costs. The threat of even more drastic cuts in future years gave the state new leverage with these groups. Moreover, no significant pressure came from recipients, who are neither well organized nor politically powerful, to protest the limitations on services. Legal Services of North Carolina represented its clients in the October session but had little help from other groups. Since no powerful pro-Medicaid lobby was functioning in October, the legislative leaders were able to make the stringent cuts.

But even in cutting services worth \$27.6 million, the legislature demonstrated some

How Medicaid Cuts are Calculated

To understand the way in which the figures used in this chapter are calculated, follow the explanation below, step by step. The figures are estimates because no one knows the exact extent to which this entitlement program will be used by eligible recipients during the year. Unlike a direct appropriation, Medicaid budgets are approximations of the cumulative reimbursements to be paid for services rendered during the upcoming year.

1. Prior to any federal cuts, and prior to the beginning of state FY 82, the state Division of Medical Assistance and the General Assembly compiled the Medicaid costs to be incurred in North Carolina during the state FY 82. The state fiscal year starts on July 1; the federal fiscal year on October 1. The federal cuts became effective on October 1, 1981, the beginning of federal FY 82. Therefore, only the last nine months—i.e., three quarters of state FY 82 (Oct.-Dec., Jan.-March, and April-June)—are affected by the federal cuts. This three-quarter period, then, becomes the basis for calculating the effective federal cut for N.C. FY 82.

Source of Medicaid Funds Prior to Federal Budget Cuts

		<u>Full Year</u>	<u>Three Quarters^b</u>
		(in million dollars)	
Projected federal share	(66.6%) ^a	386.6	290.1
Projected non-federal (state and county) share	(33.4%) ^a	<u>194.0</u>	<u>145.5</u>
Projected total costs for the N.C. Medicaid program before any federal cuts	(100.0%)	580.6	435.6

2. The Omnibus Budget Reconciliation Act of 1981, signed into law by President Reagan in August 1981, reduced the federal reimbursement for federal FY 82 by three percent. This action reduced the federal reimbursement rate of Medicaid costs in North Carolina by two percent, and at the same time increased the state and local share by two percent.

Notes:

^a Before federal action in 1981, the federal share of the state FY 82 projected cost was 66.6 percent and the state/local share was 33.4 percent.

^b These figures result from rounding.

sensitivity. It chose to reduce services rather than to limit substantially the group of people eligible to receive Medicaid. Those persons receiving Aid to Families with Dependent Children (AFDC) or Supplemental Security Income (SSI) must be included in the North Carolina Medicaid program. But the "medically needy"—often retired or disabled persons whose only income is Social Security and whose medical bills are very high—could have been eliminated entirely from the program by the General Assembly but were not.

Under the current federal legislation, the federal share of the formula decreases again next year, even as Medicaid costs keep increasing. In its budget session this June, just before the state's FY 83 begins on July 1, 1982, the General Assembly must again cope with the federal cuts. If the legislature chooses the same action it did last October—appropriate no additional money to

cover the decreasing federal share—services must be reduced by some \$48 million, almost twice as much as this year. And the federal reductions could get even worse.

The Secretary of the U.S. Department of Health and Human Services, Richard S. Schweiker, in a letter to David A. Stockman, director of the Office of Management and Budget, said that an interagency study group had approved a proposal to finance long-term institutional care, now paid for under Medicaid, through a block grant. If this proposal is accepted by Congress, long-term care would no longer be reimbursed by the federal government as an entitlement service. Instead of the federal government reimbursing the state a percentage of the expenditures for this service, it would appropriate a fixed sum to each state. The effect is the same as a Medicaid cap. The entire amount spent above the federal allocation

Federal reimbursement rate prior to reduction	66.6%
Multiplied by percent reduction from federal action	<u>x 3%</u>
Equals decrease in federal reimbursement	1.99 or 2.0%

Consequently, the federal reimbursement rate declined from 66.6 percent to 64.6 percent:

Federal reimbursement rate prior to reduction	66.6%
Minus decrease in federal reimbursement rate	<u>-2.0%</u>
Equals reduced federal reimbursement rate	64.6%

And, the state/local share increased from 33.4 percent to 35.4 percent:

Non-federal (state/local) rate prior to federal reduction	33.4%
Plus increased state/local share resulting from federal action	<u>+2.0%</u>
Equals increased state/local payment rate	35.4%

3. The federal action would cause North Carolina to lose over the three-quarter period in state FY 82 an estimated \$8.7 to \$24.6 million in Medicaid funds, depending on the action of the General Assembly. The calculations of these figures follow. Both calculations are for three quarters of the state fiscal year.

a. \$290.1 million	federal reimbursement before federal cuts
<u>x 3%</u>	amount of reduction in federal reimbursement
\$ 8.7 million	decrease in federal reimbursement

Thus, one option was for the legislature to appropriate an additional \$8.7 million in state funds to make up for the decreased federal reimbursement.

b. The other option was not to increase the state appropriation but to limit the program to the existing state and local appropriations. To do that, the existing non-federal share had to cover 35.4 percent of the program costs instead of 33.4 percent (see step 2 above).

Existing non-federal share = \$145.5 million.

Non-federal portion of costs after the cut = 35.4%.

\$145.5 million = 35.4%(x)
x = \$145.5 ÷ 35.4%
x = \$411.0 million—size of Medicaid program after cut if no additional state appropriation is made
\$435.6 million—size of Medicaid program before cut
<u>- 411.0 million</u> —size of Medicaid program after cut
\$ 24.6 million—reduction in size of Medicaid program

Thus, this option required cutting the Medicaid program by \$24.6 million.

This was the option chosen by the General Assembly in its October 1981 budget session.

must be paid for by the state. Thus, if long-term care is placed under a block grant, the state may have to cope with budget cuts for Medicaid services even larger than the currently estimated \$48 million.

The state has traditionally considered four methods for cutting costs in the Medicaid program:

1) *Limit administrative costs and fraud.* Several minor changes were enacted by the legislature in July 1981, but no one has come up with any way to save substantial amounts by this method.

2) *Limit the services which are covered by Medicaid.* Although eliminating dentures and glasses from coverage probably will not kill anyone, growing old without them is humiliating and painful. Limitations in other services, such as the number of days in the hospital which are compensable, will undoubtedly deprive people of necessary health care or will simply shift the cost to local governments or other patients.

3) *Cut the reimbursement rate paid to Medicaid providers.* This will work only to a limited extent. At some point doctors and hospitals will opt not to participate in the program, risking a separate health care system for the poor. And, to the extent that treatment is provided by county hospitals, clinics, or mental health centers, the lost Medicaid reimbursement must be replaced by county funds. Finally, physicians, nursing homes, and hospitals have powerful lobbyists who will, as a matter of political reality, limit this option.

4) *Limit the group of people eligible to receive Medicaid.* The only group that can be cut is the medically needy, including those people who worked for a living but in retirement have high medical bills and little income. Depriving them of health care is a drastic measure.

Using a variety of budget mechanisms—from changing eligibility standards to reducing the federal share of a funding formula to considering putting some portions of an entitlement program into a block grant—the Reagan administration and Congress are slowly but surely whittling away those programs on which the poor depend for survival. State officials from throughout the country, even from traditionally conservative areas, have protested these federal actions. In a joint U.S. House Subcommittee field hearing held in Memphis on November 9, 1981, representatives from Mississippi, Tennessee, and Arkansas explained their dilemma as a choice between cutting welfare and Medicaid benefits for the poor or increasing state taxes. And, as the director of the Arkansas Department of Human Services put it: "There is simply no sentiment of any kind for a tax increase."¹²

If the federal government continues on its current path of eroding basic social programs, then the state will either have to pick up some additional part of the cost or it will have to commence serious efforts to create new cost

saving options that do not fit into the traditional list of cost saving solutions.

Last October, the N.C. legislature instructed the Division of Medical Assistance to study some dramatic changes in health care delivery to the poor. These included increased home-based and community-based care, prepaid contracts for medical services, and statewide fee schedules for physicians, dentists, and others.

Alternatives such as these must be taken seriously. Others must be developed. Future cost raising factors must be identified and brought under control early. For example, what effect will the increasing prevalence of for-profit, proprietary hospitals have on Medicaid costs? Changes in health care delivery must be examined before it is too late to influence them.

Unless the state takes the advice Gov. Hunt gave to Congress and breaks out of its traditional mold, it will have only two choices: Appropriate substantially more money for Medicaid or deny necessary health care treatment to people who have no other way to get it.

¹²Joint Field Hearing of the U.S. House Ways and Means Subcommittee on Public Assistance and Unemployment Compensation, House Ways and Means Subcommittee on Oversight, and House Energy and Commerce Subcommittee on Health and the Environment. The chairman of the Public Assistance Subcommittee, Rep. Harold Ford (D-Tn), from Memphis, chaired this hearing.

Chapter Six

The Legal Issues Surrounding Federal Budget Cuts in North Carolina

by Ran Coble



As with any major societal change, some of the struggles for money and power occur in courtrooms, the third branch of government. In the last eight months, two types of legal issues have surfaced in North Carolina. The first type is the struggle between the executive and legislative branches of government for power and control of federal funds. The second type of legal issue is compliance by the state with the federal mandates concerning the process of allocating block grant funds.

A. Constitutional Issues Involving Separation of Powers Principles

The struggle between the Governor and the General Assembly for control over federal funds is not so much a personal struggle as it is an institutional one. Neither the executive branch nor the legislature seem to question the legislature's constitutional authority to appropriate funds and enact a budget or the governor's constitutional authority to administer the budget. The dispute concerns where one function ends and the other begins. The legislation creating the Joint Legislative Committee to Review Federal Block Grant Funds prohibited the executive branch from taking the following actions without prior legislative approval:

- (1) acceptance of federal block grants,
- (2) determination of pro rata reduction procedures and amounts for State programs,
- (3) determination of distribution formulas,
- (4) transfer of funds between block grants,
- (5) intradepartmental transfer of block grant funds,
- (6) encumbrance of anticipated block grant funds,
- (7) adoption of departmental rules relating to federal block grant funds,
- (8) contracting between State departments involving block grant funds, and
- (9) any other final action affecting acceptance or use of federal block grant funds."¹³

The North Carolina legislators' response to federal block grants was consistent with a national trend. The Advisory Commission on Intergovernmental Relations reported that 15 states had already made changes in the authority of the legislature over block grants by December 15, 1981.¹⁴ What was unusual about the North Carolina action was the extent of the legislative encroachment upon the powers of the executive

branch. The N.C. Supreme Court issued an advisory opinion on February 16, 1982, saying that the legislation above was unconstitutional:

"In several of the instances set forth in G.S. 120-84.5 the committee would be exercising legislative functions. In those instances there would be an unlawful delegation of legislative power. In the other instances the committee would be exercising authority that is executive or administrative in character. In those instances there would be a violation of the separation of powers provisions of the Constitution and an encroachment upon the constitutional power of the Governor. As stated above, our Constitution vests in the General Assembly the power to *enact* a budget—to appropriate funds—, but after that is done, Article III, Section 5(3) explicitly provides that the Governor shall administer the budget as enacted by the General Assembly."

Thus, the Court found the legislation unconstitutional on three grounds—(1) as an unlawful delegation of the whole General Assembly's legislative power to one committee, the Block Grant Committee; (2) as a violation of the separation of powers principle in Article I, Section 6 of the state constitution; and (3) as a violation of the governor's authority to *administer* the budget under Article III, Section 5(3) of the constitution.

One important aspect of this development is that this was an *advisory opinion* by the N.C. Supreme Court, not a *decision* made by the Court as a result of an appeal of an earlier lawsuit. The normal process of a plaintiff suing a defendant in a lower court and the losing party appealing to the upper levels of the court system was not used in this matter. Instead, the Governor, Lieutenant Governor, and Speaker of the House sent a request for an advisory opinion in the form of a letter directly to the N.C. Supreme Court. The seven justices then replied in a letter with their advice on the questions asked. Though there is no constitutional or statutory provision that specifically authorizes the Court to issue advisory opinions, the Court has chosen to issue such opinions on infrequent occasions (the last being in 1968). February 16, 1982 was just such an occasion. Though the opinion is not binding and is only advisory upon the parties making the

¹³G.S. 120-84.5, as enacted in Chapter 1127 of the 1981 Session Laws (HB 1392, Section 63).

¹⁴Jean Lawson and Carl W. Stenborg, "Rebalanced Federalism: The States' Role and Response," in *Intergovernmental Perspective*, Vol. 8, No. 1 (Winter 1982), p. 32.

request, it would probably be fruitless for executive officials or legislators to actually take the matter to court. Any court case would ultimately end up back in front of the same Supreme Court which issued the advisory opinion in the first place.

The ramifications of this advisory opinion do not end with the Joint Legislative Committee to Review Federal Block Grant Funds, however. In an earlier decision involving the Environmental Management Commission, the N.C. Supreme Court had decided that legislators could not constitutionally serve on this executive branch body because it would violate the separation of powers provision.¹⁵ Thus the advisory opinion on the Block Grant Committee came in the wake of a landmark opinion by the Court on separation of powers principles.

The two opinions taken together call into question a third group that also has a great deal of power in making decisions on federal funds—the Advisory Budget Commission. This 12-member group has 10 legislators, 8 of whom serve as a result of a statutory requirement and two who serve as a result of appointments by the governor (as part of his four appointments). Since the Advisory Budget Commission, like the Environmental Management Commission, has powers which are executive or administrative in nature, it is likely that its exercise of those powers is also unconstitutional under the reasoning of the *State ex rel. Wallace v. Bone* decision and Block Grant Committee advisory opinion. Indeed, the Attorney General's office has reached exactly that conclusion. On February 19, 1982, Attorney General Rufus L. Edmisten wrote the legislators on the Advisory Budget Commission and, as their legal counsel, suggested that "all functions and duties exercised by the Commission which are other than purely advisory in nature cease immediately."¹⁶ Thus the very group to whom power might have devolved when the Block Grant Committee was advised to be unconstitutional on February 16, was itself said to be acting in an unconstitutional manner three days later. The legal questions surrounding the proper role of the legislature in receiving, appropriating, and allocating federal funds is thus one of the major issues yet to be resolved in the spring of 1982.

B. Compliance with Federal Law and Regulations Concerning Block Grants

The other set of legal issues revolve around the state's compliance with federal laws and regulations implementing the block grants. There are at least three legal requirements to be met by the state:

(1) the state must conduct *public hearings on the proposed use and distribution of funds* for FY 83 under six block grants—(a) community services, (b) preventive health and health services, (c) alcohol and drug abuse and mental health services, (d) primary care, (e) low-income home energy assistance, and (f) community development;

(2) the legislature must conduct the hearings

on at least four of these block grants—(a) community services, (b) preventive health and health services, (c) alcohol and drug abuse and mental health services, and (d) primary care; and

(3) The Governor must appoint an *advisory committee* for the education block grant.

These legal requirements were levied by the U.S. Congress in the Omnibus Budget Reconciliation Act, Public Law 97-35, which became law on August 13, 1981.¹⁷ On October 1, 1981, the U.S. Department of Health and Human Services issued *interim final* regulations on the seven block grants under its control. These regulations, included as Appendix E of this report, spelled out exactly what the states must do to receive federal block grant funds. The U.S. Department of Education issued *proposed rules* on the education block grant on February 12, 1982, which are also included in Appendix E. Regulations for the remaining block grant (community development) have not been issued at this writing.

¹⁵*State ex rel. Wallace v. Bone*, 304 N.C. ___, 286 S.E. 2d 79 (1982).

¹⁶Letter from N.C. Attorney General Rufus L. Edmisten to legislators serving on the executive branch boards and commissions, February 19, 1982, p. 4.

¹⁷The requirements in this statute for each block grant are as follows:

- 1) COMMUNITY DEVELOPMENT: "Sec. 302(b)... the grantee shall—publish a proposed statement [of community development objectives and projected use of funds] in such manner to afford... an opportunity to examine its content and to submit comments on the proposed statement... [and] hold one or more public hearings to obtain the views of citizens on community development and housing needs."
- 2) EDUCATION: "Sec. 564.(a) Any State... shall... [provide] for a[n]... advisory committee, appointed by the Governor and determined by the Governor to be broadly representative of the educational interests and the general public in the State, including persons representative of—
 - (A) public and private elementary and secondary schoolchildren;
 - (B) classroom teachers;
 - (C) parents of elementary and secondary schoolchildren;
 - (D) local boards of education;
 - (E) local and regional school administrators (including principals and superintendents);
 - (F) institutions of higher education; and
 - (G) the State legislature;to advise the State educational agency on the allocation... of funds... reserved for State use... for the formula for the allocation of funds to local educational agencies, and on the planning, development, support, implementation, and evaluation of State programs assisted under this chapter."
- 3) COMMUNITY SERVICES: "Sec. 675.(b)... no funds shall be allotted to [a] State for any fiscal year... unless the legislature of the State conducts public hearings on the proposed use and distribution of funds to be provided... for such fiscal year."
- 4) PREVENTIVE HEALTH AND HEALTH SERVICES: Sec. 901 of P.L. 97-35 amends the Public Health Services Act as follows: "Sec. 1905.(b)... no funds shall be allotted to [a] State for any fiscal year... unless the legislature of the State conducts public hearings on the proposed use and distribution of funds... for such fiscal year."
- 5) ALCOHOL AND DRUG ABUSE AND MENTAL HEALTH SERVICES: Sec. 901 of P.L. 97-35 amends the Public Health Services Act as follows: "Sec. 1915.(b)... no funds shall be allotted to [a] State for any fiscal year... unless the legislature of the State conducts public hearings on the proposed use and distribution of funds to be provided... for such fiscal year."

The regulations for the seven block grants available from the U.S. Department of Health and Human Services were published in the October 1, 1981 *Federal Register*.¹⁸ The regulations apply to the following blocks:

- preventive health and health services;
- maternal and child health services;
- social services;
- alcohol and drug abuse and mental health services;
- low-income home energy assistance;
- community services; and
- primary care.

In the summary provisions, these regulations state that the Omnibus Budget Reconciliation Act “requires the States to subject the various plans and descriptions of intended uses [of block grant funds] to public comment.” The manner in which a state obtains public comment is said to be at the state’s discretion.

However, it is clear from the regulations that the states are to make available for public comment definite plans for how the state intends to allocate the money it receives under each block

grant. Such plans were not made available to the public at the public hearings conducted by the Governor’s Office of Citizen Affairs from March 22 through April 1.

This does not mean that those hearings were not useful; they were. They served as a useful forum for giving basic information to citizens about block grants. However, it does mean that as of April 1, the state of North Carolina had not complied with the federal requirement that the public be allowed to comment on a plan that actually showed how FY 83 block grant funds were proposed to be spent. And, coupled with the requirements under the state Administrative Procedure Act (APA)¹⁹, such plans would need to go to a second set of public hearings.

The state APA requires all significant policies to be codified as “rules,” which it defines as any agency “regulation, standard or statement of general applicability that *implements* or *prescribes law or policy*...”²⁰ [emphasis added]. Since the plans for how the state will allocate block grant funds will implement law or policy (the federal block grant laws), the state APA thus levies a further requirement that these allocation plans be published as rules, taken to a public hearing after notice is given to the public, and that citizens be given “an opportunity to present data, views, and arguments” on the rules.²¹ Thus, if the Governor’s Office should take the position that the March 22 - April 1 hearings fulfill all legal requirements under the October 1, 1981 federal block grant regulations and the state Administrative Procedure Act, the N.C. Center for Public Policy Research believes that position would be in error.

The second compliance issue is the requirement that public hearings be conducted *by the state legislature* on four of the block grants—community services, preventive health and health services, alcohol and drug abuse and mental health services, and primary care.²² Since North Carolina does not plan to pick up the primary care block, that leaves three blocks on which the General Assembly must hold hearings. It is assumed that the June 1982 legislative session would be the logical time for these hearings to be held, but as of this writing, no such hearings have been scheduled. It is important to note that the state could kill three birds with one stone and (1) release the plans for allocating block grant funds at (2) legislative hearings after (3) proper notice to the public under the state Administrative Procedure Act. The other option for meeting *all* legal requirements is to hold a second set of executive branch hearings on proposed alloca-

¹⁷ continued

- 6) PRIMARY CARE: Sec. 901 of P.L. 97-35 amends the Public Health Services Act as follows: “Sec. 1927.(b)...no funds shall be allotted to [a] State for any fiscal year...unless the legislature of the State conducts public hearings on the proposed use and distribution of funds to be provided...for such fiscal year.”
- 7) MATERNAL AND CHILD HEALTH SERVICES: Sec. 2192 of P.L. 97-35 amends Title V of the Social Security Act as follows: “Sec. 505...a State must prepare... (1) a report describing the intended use of payments the State is to receive...; and (2) a statement of assurances...that the State will provide a fair method...for allocating funds... The description and statement shall be made public within the State in such manner as to facilitate comment from any person...during development of the description and statement and after its transmittal [to the Secretary of the U.S. Department of Health and Human Services].
- 8) SOCIAL SERVICES: Sec. 2352(a) of P.L. 97-35 amends Title XX of the Social Security Act as follows: “Sec. 2004...the State shall report on the intended use of the payments the State is to receive...including information on the types of activities to be supported and the categories or characteristics of individuals to be served. The report shall be...made public within the State in such manner as to facilitate comment by any person...during development of the report and after its completion.”
- 9) LOW-INCOME ENERGY ASSISTANCE: “Sec. 2605.(a)(2) ...no funds shall be allotted to [a] State for any fiscal year...unless such State conducts public hearings with respect to the proposed use and distribution of funds to be provided...for such fiscal year.”

Summary—Four levels of public input are mandated under the Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35) for the nine Block Grants. First, the State is generally required to have public hearings (Community Development and Low-Income Energy Assistance). Secondly, the State legislature is specifically required to have public hearings (Community Services, Preventive Health and Health Services, Alcohol and Drug Abuse and Mental Health Services, and Primary Care). Thirdly, the State is required to set up an Advisory Committee (Education). Fourth, the State has a general requirement to provide for public comment during development and implementation of the proposed plan for use of the block grant funds (Maternal and Child Health Services and Social Services).

¹⁸“Block Grant Programs: Final Rules on Implementation, Revocation of Categorical Health Grant Regulations; and Changes in Requirements,” published in *Federal Register*, Vol. 46, No. 190 (October 1, 1981), p. 48581 ff., 45 C.F.R. 16, 74, and 96. (Copy enclosed as Appendix E of this report.)

¹⁹G.S. Chapter 150A.

²⁰G.S. 150A-10.

²¹G.S. 150A-12.

²²*Federal Register*, Vol. 46, No. 190 (October 1, 1981), p. 48583.

tions of block grant funds under proper APA procedures and then follow those executive hearings with legislative hearings.

The third legal requirement on the state is appointment of an advisory committee for the education block grant. Under the U.S. Department of Education regulations,²³ the Governor is required to appoint a committee whose purpose is

“to advise the State educational agency on the allocation among authorized functions of funds...reserved for State use..., on the formula for the allocation of funds to local educational agencies, and on the planning, development, support, implementation, and evaluation of State programs assisted under this chapter.”²⁴

This committee is required to include persons representative of public and private elementary and secondary schoolchildren; classroom teachers; parents of elementary and secondary schoolchildren; local boards of education; local and regional school administrators; institutions of higher education; and the State legislature.

Governor James B. Hunt, Jr. met this legal requirement in March 1982 when he appointed 14 persons to the Governor's Advisory Committee on Education Block Grants. The list of appointees and which of the categories above they represent is included as Appendix I of this report. It is interesting to note that appointment of an advisory committee is required for only one block—the education block grant.

²³34 CFR 298.6, published as proposed rules in *Federal Register*, Vol. 47, No. 30 (February 12, 1982) p. 6602.

²⁴P.L. 97-35, Section 564(a)(2).

VII. TABLES: THE AMOUNT AND IMPACT OF FEDERAL BUDGET CUTS, BY DEPARTMENT AND PROGRAM WITHIN NORTH CAROLINA STATE GOVERNMENT

by Jim Bryan and Lacy Maddox

The following pages include a summary, by state government department and division, of each program or group of programs whose funding has been or will be reduced as a result of federal budget cuts. The charts include a brief description of the programs, their federal funding status, and the estimated impact of reductions. The FY 1982 figures and impact projections are subject to change depending on future legislation, but at this time they total about \$241 million in lost federal funds. The charts include summaries from the following Departments and the university system, and they include all programs about which budget cut information was available.

- Administration
- Agriculture
- Auditor
- Commerce
- Correction
- Crime Control and Public Safety
- Cultural Resources
- Governor's Office
- Human Resources
- Labor
- Natural Resources and Community Development

- Public Instruction
- Transportation
- University of North Carolina System

Also surveyed were the following Departments which showed either no federal money or no federal budget reductions:

- Insurance
- Justice
- Lieutenant Governor's Office
- Revenue
- Secretary of State
- Treasurer

Though not funded through the state budget, we have also included a table showing the effects of federal budget cuts on Legal Services of North Carolina (Legal Aid) and independent colleges.

Our purpose has been to make this information available in summary form to those in policy-making positions in North Carolina, in hopes that it will provide assistance both in analyzing the cuts and in setting priorities for future spending.

DEPARTMENT OF ADMINISTRATION

Admin. 1

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$ 1980-81 (FY 81)	FEDERAL \$ 1981-82 (FY 82)	REDUCTION %/AMOUNT	PROJECTED IMPACT OF CUT
I. Office of Policy and Planning					
A. Appalachian Regional Commission (ARC)	<p>Pilot programs with two main categories designed to spur growth in the Appalachian areas</p> <p>1. Area Development programs</p> <ul style="list-style-type: none"> -Health and child development: Day care, health departments. Day care program serves 2,000 children and their families -Community Development: building projects in 6 communities <p>2. Appalachian Corridor Highway Project—to link mountains to rest of interstate system for market access. Amounts are included in Department of Transportation section, see p. 105.</p>	9,600,000	2,500,000	74%/7.1 mil.	<p>It is possible the President will release impounded FY 81 funds of 1.1 mil. On-going Community Development projects will be slowed or eliminated. Only one Area Development program (Child Development) out of 50-60 will operate in FY 82. In all, probably will serve little more than 2,000 persons out of 5,000 previously served. Highway project will not be completed. ARC not in the proposed FY 83 budget.</p>

Net Loss, Department of Administration: 7.1 mil.

DEPARTMENT OF AGRICULTURE

Agri. 1

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$ 1980-81 (FY 81)	FEDERAL \$ 1981-82 (FY 82)	REDUCTION %/AMOUNT	PROJECTED IMPACT OF CUT
I. Markets Division A. Federal-State Market Improve- ment Program	Provides grants to develop new ways of marketing agricultural products—e.g. auctioning animals by telephone link-up	38,765	0	100%/38,765	New projects canceled. When FY 81 grant money runs out, program will terminate, probably no layoffs.

Net Loss, Department of Agriculture: 38,765

DEPARTMENT OF AUDITOR

Aud. 1

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$ 1980-81 (FY 81)	FEDERAL \$ 1981-82 (FY 82)	REDUCTION %/AMOUNT	PROJECTED IMPACT OF CUT
I. Auditing Division					
A. CETA* audit	Staff does yearly audits of CETA contracts; about 500 this year		No direct authorization	Amount cannot be determined	Staff of 36 reduced to 22; will probably be a few displaced due to elimination of CETA public service program. CETA cuts will reduce money available for reimbursing auditors.
B. Single Audit (Circular 120, Attachment P)	Starting 10/1/81, state required to audit all federal funds in this state involving compliance audits and financial audits. In recent years, approximately one-quarter of annual budget (4.5 mil.) spent auditing federal funds and making special reports, e.g., student financial aid.				This new responsibility means an estimated 12 additional positions are needed to comply with changes. Legislation is pending for funds (\$361,639) for these positions. Without this appropriation, department may move from annual to two-year audits.

*Comprehensive Employment and Training Act

DEPARTMENT OF COMMERCE

Com. 1

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$ 1980-81 (FY 81)	FEDERAL \$ 1981-82 (FY 82)	REDUCTION %/AMOUNT	PROJECTED IMPACT OF CUT
I. Energy Division					
A. Energy Conservation	30+ programs in industrial, commercial, residential sectors to encourage energy conservation	869,100	516,400	41%/352,700	Not yet determined how reduction will be felt
B. Energy Extension Service	5 programs giving specialized assistance to small energy users, e.g., home builders, farmers	390,200	206,800	47%/183,400	Not yet determined how reduction will be felt
C. Weatherization	Contracts with Community Action agencies to provide insulation, home repair, storm windows, caulking, weatherstripping for low-income homes, priority to elderly and handicapped. 5,000 homes received assistance last year.	2,870,000	4,130,000*	144%/+1.26 mil. increase	Projected decrease in homes served from 5,000 to 3,400 is due to additional labor costs. Loss of CETA labor will force transfer of service money to cover labor expenses.
D. Institutional Buildings Program	Energy audits, technical assistance for engineering studies and retrofitting activities in institutional buildings, e.g., local government, schools, hospitals	3,330,000	1,310,000	61%/2.02 mil.	Reduction is discouraging participation, number of applicants has dropped, number of institutions receiving grants dropped from 285 last year to 80 this year.
E. 1-Year Project Grants	Short grants for such projects as emergency building temperatures and solar support	125,426	0	100%/125,426	No new projects

*Includes \$2.23 mil. funds from Low Income Energy Assistance Block Grant Weatherization program in Dept. of Human Resources, See p. 68.

DEPARTMENT OF COMMERCE

Com. 2

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$ 1980-81 (FY 81)	FEDERAL \$ 1981-82 (FY 82)	REDUCTION %/AMOUNT	PROJECTED IMPACT OF CUT
II. Employment Security Commission					
A. Employment Service Program	Helps people find jobs by matching skills to needs, provides testing and referral. 190,000 people placed in jobs last year	27,000,000	19,000,000	30%/8 mil.	Staff of 625 dropped to 519. Part of staff reduction due to absorbing loss in the mandated Disabled Veterans Outreach Program (detailed below); all 85 offices continue to operate.
B. Disabled Veterans Outreach Program	Hires disabled veterans who in turn help other disabled veterans seek employment; since program is mandated by law and must have at least 46 disabled veterans specialists on hand, funding would have to be from employment service program.	450,000	0	100%/450,000	All federal funds cut, but program is mandated by law, so money will have to be diverted from other areas.
C. CETA	Contracts with prime sponsor to do intake, referral assessment, job placement. Funds come via Employment & Training Division, Dept. of Natural Resources & Community Development.	25,000,000	21,000,000	16%/4 mil.†	160 jobs lost out of 320; non-personnel sources reduced, e.g., office supplies, materials.
D. Food Stamp Program (see also DHR)	Registration referral and placement	3,000,000	1,500,000	50%/1.5 mil.†	50 jobs lost out of 110, with corresponding loss of services.
E. WIN Program (work incentive)	Gives special attention to disadvantaged in finding jobs. Employment Security Commission handles manpower aspect - job counseling & training placement. Dept. of Human Resources, Div. of Social Services determines eligibility through AFDC criteria. AFDC recipients are required to register in WIN program. Welfare mothers make up largest portion of participants.	5,393,394	3,784,146	30%/1,609,248	Approximately 1/2 of 40,000 participants will lose service. Program reduced from 45 participating counties to the 6 urban counties of highest concentration of AFDC recipients.

Net Loss, Department of Commerce: 11.48 mil.

†This figure is added in the net loss in another department.

DEPARTMENT OF CORRECTION

Cor. 1

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$ 1980-81 (FY 81)	FEDERAL \$ 1981-82 (FY 82)	REDUCTION %/AMOUNT	PROJECTED IMPACT OF CUT
I. Prisons					
A. CETA Title II B, C	Funds come via Employment & Training Division, Dept. of Natural Resources & Community Development.				
1) Cleveland Co. Project	Subcontracts with Cleveland Tech- assists retraining 100 prisoners a year	289,000	286,000	1%/3,000†	Loss of 1-2 clerical positions; reduction in services
2) Charlotte C.R.T.C.	Charlotte-Community Readiness Train- ing (CRT) Counseling for return to society, 405 inmates a year	453,000	448,000	1%/5,000†	Loss of 1-2 clerical positions
3) Women's Project	Offered skill training, i.e. secretarial science for 128 women/year, then sent them to CRT (above)	200,000	0	100%/200,000†	Program terminated
B. ESEA* Title I	Basic reading and math program for youth under age 22 in 9 prison facilities. Levels K-3. served 1,000 in 1980, probably 1,200 in 1981; 37 staff in various locations	779,063	613,429	21.3%/165,634†	Some staff positions have been frozen, carry-forward funds are helping to absorb reduction; real effect will be next year. Teacher aides likely to be cut out first.
C. ESEA Title VIB Exceptional Children	Funds for handicapped services for people under 22 in prisons; 3 staff posi- tions serve 400-800 youth per year	67,000	37,000	45%/30,000	Reduction in services, reduction in teacher positions summer 1981

Net Loss, Department of Correction: 30,000

*Elementary and Secondary Education Act, funds coming via Department of Public Education

†This figure is added in the net loss in another department.

DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY

CCPS 1

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$ 1980-81 (FY 81)	FEDERAL \$ 1981-82 (FY 82)	REDUCTION %/AMOUNT	PROJECTED IMPACT OF CUT
I. Highway Patrol					
A. Highway Patrol	Project grants to pay overtime expenses for enforcement of 55 MPH speed limit and driving under the influence (DUI) statute	800,000	492,890	38%/307,110	FY 82 funds already spent, fewer patrolmen spending overtime on this assignment; state will have to fund overtime if it elects to have overtime
II. Governor's Crime Commission					
A. LEAA*	Juvenile justice and delinquency prevention	1,600,000	1,100,000	31%/.5 mil.	Less money for in-school suspension program, group homes and police juvenile units. No funds anticipated for FY 83.
III. National Guard					
A. Army National Guard	Combat units training for mobilization and deployment	47,147,684	49,271,800	+4.5%/ +2,124,116 increase	Funds for payment allowances increasing, National Guard is becoming better prepared for mobilization
B. Air National Guard	9 C-130 aircraft to support the active Air Force, communication squadron for worldwide contact	11,505,285	9,799,400	15%/1,705,885	Anticipating full funding by end of FY 82
IV. Emergency Management Section					
A. Emergency Management Assistance	Normal office expenses (salaries, benefits) for Emergency Management state and local agencies	1,002,600	1,145,900	+14.3%/ +143,300 increase	In recent past, a comprehensive emergency management plan emphasized both civil defense and natural disaster plans. Now policy has shifted away from natural disaster preparedness to a more civil-defense related effort.
B. Maintenance and Service	Repair and maintenance of communication warning equipment and of emergency operating centers	17,000	24,900	+46.5%/ +7,900 increase	
C. Nuclear Civil Protection	Funds for relocating people in case of pending nuclear war from high risk to low risk areas, maintenance for community shelter programs (fallout shelters)	191,979	274,269	+43%/ +82,290 increase	
D. Radiological Systems Maintenance	Maintenance of radiation detection devices	71,000	79,000	+11.3%/+8,000 increase	

*Law Enforcement Assistance Administration

DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY

CCPS 2

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$ 1980-81 (FY 81)	FEDERAL \$ 1981-82 (FY 82)	REDUCTION %/AMOUNT	PROJECTED IMPACT OF CUT
E. Radiological Defense Officer	Planner position to design and imple- ment a radiation defense plan	0	21,000	+21,000 increase	
F. Emergency Management Training	Specialized training to local agencies in radiation monitoring, damage assess- ment and shelter management	41,706	44,000	+5.5%/+2,294 increase	
G. Natural Disaster Improvement Grant	Keep state and local natural disaster plans updated	25,000	25,000	0	
	<i>Emergency Management Total:</i>	1,349,285	1,614,069	+20%/+264,784 increase	

Net Loss, Department of Crime Control & Public Safety: 124,095

DEPARTMENT OF CULTURAL RESOURCES

DCR 1

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$ 1980-81 (FY 81)	FEDERAL \$ 1981-82 (FY 82)	REDUCTION %/AMOUNT	PROJECTED IMPACT OF CUT
I. Library Sciences					
A. LSCA* Title I	Public libraries - outreach, materials acquisition, programs for children, elderly, handicapped and poor; foreign language programs, film services	1,503,693	1,126,273	25%/377,420	49% of FY 82 amount has not been received yet. More difficult for library to fund statewide services especially children summer reading and foreign language programs, film services and special services for blind and physically handicapped. Smaller county libraries will suffer more; state funds not available to absorb cuts. FY 83 funds may be totally cut.
B. LSCA Title III	Reference & interlibrary services provided by State Library, maintenance of N.C. Union Catalogue (list of books on microfilm & card catalogue in 100+ libraries), communication projects among all types of libraries, on line access to reference & information data	287,928	292,028	+1.4%/+4,100 increase	49% of FY 82 amount has not been received yet. FY 83 funds may be totally cut. Reduced funds could severely hamper program effectiveness.
II. Archives & History					
A. Historic Preservation	Comprehensive preservation planning to develop statewide plan; continue statewide inventory of archaeological, historical and architectural resources; predevelopment technical assistance (non-construction oriented)	737,064	566,475	23%/170,589	66% funds reduction since FY 80. Construction phase of preservation eliminated, present network of National Register property owners is breaking down, level of technical assistance reduced. Staff positions frozen.
III. Arts					
A. Arts Council	National Endowment for the Arts funds - 3 grant areas				
	1) basic state grant - artist fellowships, salary assistance, scholarships, internships, etc.	359,080	360,080	+3%/+1,000 increase	FY 83 funds will be less.
	2) dance touring program grant - helps sponsor and pay dance companies	94,928	113,129	+19%/+18,201 increase	
	3) Arts and Education grant funds artist-in-residence in schools up to secondary level	76,300	68,900	9.7%/7,400	Fewer grants awarded.

*Library Sciences and Construction Act

Net Loss, Department of Cultural Resources: 532,108

GOVERNOR'S OFFICE

Gov. 1

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$ 1980-81 (FY 81)	FEDERAL \$ 1981-82 (FY 82)	REDUCTION %/AMOUNT	PROJECTED IMPACT OF CUT
I. State Budget Office A. Housing Finance Office					
1) Section 8 Sub- sidized Housing	Assistance in housing payments for new construction and substantial rehabilitation of low-income homes, helps bring rent payments down for households with income 80% of median income in the area. 450 housing units subsidized last year.	1,900,000	1,000,000	47%/900,000	FY 82 funds have not been allocated yet. Rescission of funds is possible. No federal money authorized for FY 83. Fewer low income families can afford public housing.
2) Appalachian Regional Development Housing Program	Provides grants and loans to develop housing in Appalachian Regional Development area. Funds come via Office of Policy and Planning, Department of Administration.	1,050,000	1,000,000	4.7%/50,000†	Carry-forward funds from FY 81 help maintain current levels of operation. FY 83 funds will be considerably less.

Net Loss, Governor's Office: 900,000

†This figure is added in the net loss in another department.

DEPARTMENT OF HUMAN RESOURCES

DHR 1

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$ 1980-81 (FY 81)	FEDERAL \$ 1981-82 (FY 82)	REDUCTION %/AMOUNT	PROJECTED IMPACT OF CUT
I. Facility Services Division (in conjunction with Plans & Operations Division)					
A. State Health Planning Section & Certificate of Need Section	Develops state health plan, runs Certificate of Need program, reviews "proposed uses of federal funds" (PUFF review). (Amounts are for State fiscal year.)				
	Planning Program	464,810	335,574	28%/129,236	Since future funding for HSAs is uncertain, Agency will have to maintain Certificate of Need program without HSA assistance. Beginning in '82, no longer do PUFF review. Funding for '83 is expected to be \$375,221.
	Certificate of Need Program	412,190	300,300	27%/111,890	Will have to maintain Certificate of Need program without HSA assistance
B. Health Systems Agencies (HSAs)					
1) HSA #1 - Western North Carolina/ Morganton	Six regional programs funded directly by federal government work with communities to develop and implement plan for health services and facilities; they make recommendations to the state on Certificate of Need applications. FY 81 funds based on 1978 population estimates, FY 82 funds based on 1980 census.	306,008	163,274	47%/142,734	
2) HSA #2 - Piedmont/ Greensboro		338,492	178,939	47%/159,553	
3) HSA #3- Southern Piedmont/ Charlotte		301,236	159,841	47%/141,395	
4) HSA #4 - Capitol/ Durham		256,991	131,246	49%/125,745	
5) HSA #5 - Cardinal/ Lumberton		270,462	144,090	47%/126,372	

DEPARTMENT OF HUMAN RESOURCES

DHR 2

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$ 1980-81 (FY 81)	FEDERAL \$ 1981-82 (FY 82)	REDUCTION %/AMOUNT	PROJECTED IMPACT OF CUT
6) HSA #6 - Eastern North Carolina/ Greenville		324,841	165,614	49%/159,227	
	<i>Health Systems Agencies Net Loss</i>	1,798,030	943,004	47.5%/855,026	Per capita funding dropped from 32¢ in FY 81 to estimated 16¢ in FY 82. Reduced ability to plan for health services and facilities. Certificate of Need recommendations will be emphasized. Loss of benefit of local perspective on analysis of health care plan. Possible elimination of FY 83 funds
II. Health Services Division					
A. Primary Care					
Primary Care Block Grant consolidates:	Primary Care Block Grant Total: Located in medically underserved area, providing first contact for medical out-patient care.	9,600,000	8,400,000	13%/1.2 mil.	Marginal centers will be closed. There will be greater attention to private medical community.
B. Migrant Projects	Clinics providing health care to migrant farm workers. Six projects: Tarboro, Hendersonville, Newton Grove in Sampson County, Snow Hill in Greene County, Swan Quarter in Hyde County, and Raleigh.	639,522	711,802	+11%/72,280 increase	Continued support for migrant health.

DEPARTMENT OF HUMAN RESOURCES

DHR 3

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$ 1980-81 (FY 81)	FEDERAL \$ 1981-82 (FY 82)	REDUCTION %/AMOUNT	PROJECTED IMPACT OF CUT
C. Health Assurance Section					
Health Prevention and Health Service Block Grant* consolidates:					
1) Hypertension	Health Prevention and Health Service Block Grant Total: Screening, diagnosis, and prevention of hypertension, 27 projects	3,221,793	2,289,286	29%/932,507	Able to maintain 90% level of current programs due to carry forward of \$81,000 from FY 80. This is an effective cut in total funding of 36%/191,045. Cuts will be felt more in FY 83.
2) Health Education Risk Reduction	Local intervention projects for children on smoking and alcohol	440,179	330,134	25%/110,045	Amounts are for new allocations. Actual services are at a higher level due to carry forward money.
3) Emergency Medical Services (EMS)	Develops comprehensive and coordinated regional EMS systems; provides staffing and funds to the 3 regional EMS organizations; develops critical care subsystems	260,560	260,560	0	90% funding level maintained for current programs due to carry forward money.
4) Fluoridation	School health fluoride program; water system fluoride program	1,428,191	1,097,250	23%/330,941	Significant cut, will have to discontinue some school health fluoride programs and assistance to local/ city/county water systems for fluoride.
5) Health Incentive Grants (314-D)	Non-categorical aid to county health departments to augment delivery of public health services	215,863	161,897	25%/53,966	FY 81 original appropriation was later rescinded by Congress; funding level after the cut was 219,250. Spending during early portion of the year was at budget levels of the original appropriation. When the cut occurred, funding was reduced to each county on a formula basis. There was a substantial decline in services—effect varies from county to county.
6) Rape Crisis	Funds programs for services for rape victims and for the prevention of rape	877,000	362,843	59%/514,157	Allocation came with the Block Grant, had been state funded in the past.
		0	76,602	+76,602 increase	

*FY 82 allocations are estimates—Block grant allocations to various activities except EMS and Rape Crisis not finalized.

DEPARTMENT OF HUMAN RESOURCES

DHR 4

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$ 1980-81 (FY 81)	FEDERAL \$ 1981-82 (FY 82)	REDUCTION %/AMOUNT	PROJECTED IMPACT OF CUT
Health Prevention and Health Service Block Grant* cont'd.					
7) Rodent Control	Collects data to ascertain problems; develops strategies and intervenes for residential, industrial, and agricultural rodent control	0	0		State funded
8) Home Health Service	Identify needs and encourage better utilization of home health services	0	0		State funded
9) Indian Services	Public health services to the Indian population	0	0		No effect on services since this population is covered by other ongoing public health-services.
D. Maternal & Child Care Section					
Maternal & Child Health Block Grant** consolidates:	Maternal & Child Health Block Grant Total:	\$11,831,800	\$9,796,909	17%/ 2,034,891	
1) Sudden Infant Death Syndrome	Grief counseling for parents, community education & training	76,000	76,000	0/0 25% cut in FY 83	Fewer counselors trained; travel reduced; end SIDS Advisory Council
2) Lead-based paint poisoning	Screening & treatment of lead-poisoned persons; follow-up and abatement of sources of poisoning. Cabarrus County is sole N.C. recipient.	60,000	50,600	16%/9,400	In '83 will trim Cabarrus County staff and also try to serve other counties.
3) Title V (Maternal and Child Health)	Preventive and well-child services to low-income mothers, infants, and children; prenatal care; immunizations	7,092,000	5,852,720	17%/ 1,239,280	Take cuts at state level to minimize impact at local level; 30% reduction in personnel. Agency has phased down a number of special projects. 9% reduction in Maternal and Child Health funding to local health departments.

*FY 82 allocations are estimates—Block grant allocations to various activities except EMS and Rape Crisis not finalized.

**FY 82 allocations are estimates—Block grant allocations to various activities are not yet finalized.

DEPARTMENT OF HUMAN RESOURCES

DHR 5

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$ 1980-81 (FY 81)	FEDERAL \$ 1981-82 (FY 82)	REDUCTION %/AMOUNT	PROJECTED IMPACT OF CUT
Maternal & Child Health Block Grant* cont'd.					
4) Title V Crippled Children	Historically the state has provided two major programs— (1) (Crippled Children's Program) provision of ambulatory and inpatient care for chronically handicapped children; and (2) (Developmental Evaluation Centers) provision of multi-disciplinary evaluation and treatment for multi-handicapped children.	3,416,800	2,772,297	19%/644,503	Cuts on the state and administrative levels were made after a prior year state budget cut. Current cut will require reduction of services offered. Emphasis will be to continue funding ambulatory care clinics. Some hospitalization will not be reimbursed. These are subject to change after the Block Grant Public Hearings.
5) SSI Disabled Children	Provides hospitalization care, special therapy, transportation and developmental day care to SSI recipients.	792,000	650,292	18%/141,708	Some recipients will not receive transportation or the educational portions of developmental day care services.
6) Adolescent Pregnancy	This program is in the Block Grant, but there is no current program or plans for a new one. Problem is addressed in existing programs in Maternal and Child Health and Family Planning.	0	0		
7) Genetics Services	Provides for the regionalization of genetics services through the establishment of satellite clinics across the state. These clinics are served by medical geneticists and staff of the Developmental Evaluation Centers.	395,000	395,000	0	Direct federal-local funding; not cut this year.
8) Hemophilia				0	Direct federal local facility funding; not cut this year.

*FY 82 allocations are estimates—Block grant allocations to various activities are not yet finalized.

DEPARTMENT OF HUMAN RESOURCES

DHR 6

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$ 1980-81 (FY 81)	FEDERAL \$ 1981-82 (FY 82)	REDUCTION %/AMOUNT	PROJECTED IMPACT OF CUT
E. Family Planning					
1) Title X	Supports local projects in the provision of comprehensive family planning service and training.	4,080,490	4,669,344	+14%/+588,854 increase FY 83 20% cut at national level	Each year had additional carry forward funds; no impact this year. (Amounts are for State fiscal year.)
2) Title V	Family planning services	413,484	413,484	0	Actual '82 appropriation is expected to be \$335,956, a 19% cut. Gain in Title X money will offset Title V drop in dollars; central regional offices will absorb remaining cut. Title V money comes under MCH Title V money, which is now in the block grant. Block grant allocations are not yet finalized. (Amounts are for state fiscal year.)
3) Title XX (also see pg. 64)	Social services program, pays for family planning expenses to eligible recipients who earn less than 80% of established income (\$13,002 for family of four).	1,854,575	1,625,784	12%/288,791†	Difficult to assess impact at this point. Title X money is helping out. (Amounts are for state fiscal year.)
4) Title XIX (also see DHR p. 60)	Medicaid reimbursement program for family planning	1,136,282	1,107,665	3%/28,617†	Services have been limited.
F. Environmental Health Branch					
1) Solid Waste & Hazardous Waste Management	Inspect sanitary landfill sites, handle complaints concerning solid waste problems. Manage and track hazardous wastes from creation through transportation, storage, treatment & disposal using a manifest system.	776,660	818,571	+5%/+41,911 increase	All '82 funds are for hazardous wastes. Increases in federal portion of Hazardous Waste Management Program will offset some of the loss; no layoffs, fewer inspections of landfill sites, longer response time to solid waste complaints.

†This figure is added in the net loss in another department.

DEPARTMENT OF HUMAN RESOURCES

DHR 7

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$ 1980-81 (FY 81)	FEDERAL \$ 1981-82 (FY 82)	REDUCTION %/AMOUNT	PROJECTED IMPACT OF CUT
2) Public Water Supply (Safe Drinking Water Act)	Commission for Health Services adopts rules for public water systems governing location of sources of supply, design and construction of facilities, operation of systems and the general protection of systems. Staff inspects, monitors, and enforces the rules and helps system operators in compliance. Service con- tracts to local health departments, sur- veys of non-community public water systems.	1,302,600	1,098,300	16%/204,300	Delays in negotiating contracts with lo- cal health departments. Reduced field consulting and inspection services.
G. Epidemiology Branch					
1) Immunization	Immunizing infants and preschool chil- dren. Massive immunization program for all school children under Carter Admin- istration achieved 98% immunization level; this has allowed existing program to concentrate on infants and preschool- ers. Amounts are for calendar year.	772,119	403,600	48%/368,519	Additional funds anticipated which would bring reduction down to 22%. Field representative staff reduced from 6 to 4, clerical staff from 3 to 2. Program still in good shape but further cuts could be damaging.
2) Venereal Disease Control	Prevent the spread of infectious disease and determine its source, contact tracing and case finding, screening and treat- ment. Funds are for state fiscal year.	884,738	819,183	7.4%/65,555	No layoffs yet, but freeze on hiring since 4/80 has reduced staff for case finding and screening. Reduction in services in areas of marginal expense such as gonorrhea screening.
H. Nutrition Branch/WIC (Women, Infants, Children) Program	Gives nutrition education and supple- mental foods to pregnant and postpar- tum women, infants and children up to 5 years old who are eligible by income and are at nutritional risk.	33,675,506	34,053,387	+1.1%/+377,881 increase	FY 82 amount includes carry-forward funds from FY 81 and is higher than what actually will be spent this year. In FY 80, program served 93,000 people per month and faced no limit to its growth potential. In February 1982, 78,000 people were served and the pro- gram is expected to level out at 80,000 people per month with no further growth.

DEPARTMENT OF HUMAN RESOURCES

DHR 8

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$ 1980-81 (FY 81)	FEDERAL \$ 1981-82 (FY 82)	REDUCTION %/AMOUNT	PROJECTED IMPACT OF CUT
III. Medical Assistance Division A. Medicaid	Reimburses providers of medical services for bills of eligible low-income people who can't afford the cost of health care.			16.9 mil. federal share 27.6 mil. combined federal, state, and local*	Approximately two-thirds of the total Medicaid program is paid for with federal funds. The remainder is paid for by state and local funds. To avoid dramatic increases in state reimbursement liabilities, the General Assembly: 1) limited the number of physician, clinic, and out-patient visits to 18 per recipient per year, with very few exceptions; 2) limited the number of mental-health clinic visits to 18 per recipient per year; 3) limited the number of drug prescriptions to four per recipient per year; 4) eliminated 19 and 20 year-old students from AFDC-related Medicaid coverage; 5) froze reimbursement rates for doctors, optometrists, clinics, and other practitioners at June 30, 1981, payment levels; 6) changed the system for setting hospital reimbursement rates from a cost basis to a flat rate, effective November 1, 1981; and 7) froze the number of authorized new nursing home beds in the state. Estimated impact due to 18-visit limit—12,161 persons; due to 18-visit mental health limit—2,250 persons; due to prescription limit—21,442 persons— See further discussion in narrative pp. 25.

*The federal contribution to the total Medicaid funding was reduced 2%, creating a substantial potential increase in state and local reimbursement liabilities. To avoid this, the state decided to cut both the state and local contribution amount at the same time as the federal government did.

DEPARTMENT OF HUMAN RESOURCES

DHR 9

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$ 1980-81 (FY 81)	FEDERAL \$ 1981-82 (FY 82)	REDUCTION %/AMOUNT	PROJECTED IMPACT OF CUT
IV. Mental Health Mental Retardation and Substance Abuse Services Division					
Alcohol and Drug Abuse, Mental Health Block Grant* consolidates:	Alcohol and Drug Abuse and Mental Health Services Block Grant Total:	12,886,840	8,994,000	30%/3,892,840	Advance funding and block grant money will carry most programs until FY 84.
A. Mental Health Services	Mental health diagnosis and treatment in 41 "catchment areas" across state. Services include inpatient/outpatient partial hospitalization community sup- port and residential programs. Under the Block Grant, inpatient services can no longer be funded.	7,800,000	5,323,549	32%/2,476,451	Reconciliation Act requires states in FY 82-FY 84 to continue funding each community mental health center that received federal funds in FY 81, as long as the center met certain qualifi- cations, had received federal funds in FY 81, and had received federal fund- ing for less than 8 years. Of the total funds N.C. receives under the block grant, the same percentage must be spent on mental health as was spent when the funds were under federal control. Since centers are funded by state, federal, and local money, impact will not be devastating. Layoffs have already occurred, and more are expect- ed. Curtailment is expected in in- patient and outpatient services for the mentally ill, including community support.
Community Mental Health Centers					

*FY 82 Block Grant allocations are not yet finalized.

DEPARTMENT OF HUMAN RESOURCES

DHR 10

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$ 1980-81 (FY 81)	FEDERAL \$ 1981-82 (FY 82)	REDUCTION %/AMOUNT	PROJECTED IMPACT OF CUT
Alcohol and Drug Abuse, Mental Health Block Grant* cont'd.					
Alcohol and Drug Abuse Generally	Alcohol and Drug Abuse portion of the Block Grant Total:	5,086,840	3,670,451	28%/1,416,389	In FY 82, carry-over funding is providing for staffing and services at FY 81 levels. General 15% reduction in funding in all community programs for alcohol and drug abuse in FY 83. Of the amount allotted for the alcohol and drug abuse programs, N.C. must spend 35% on alcoholism and 35% on drug abuse, with use of the remaining 30% up to the state so long as they are used for alcohol and drug abuse programs. Twenty percent of North Carolina's funds must be used for early intervention programs designed to discourage alcohol and drug abuse.
B. Hughes Fund	Grants to all 41 catchment areas of state for prevention, research, etc. of alcohol abuse.	1,497,700	*		In all three alcohol programs, estimated 83 staff will be lost and 4,277 fewer clients will be served in FY 83.
C. Decriminalization/Alcoholism	Provides for detoxification and residential care for alcoholics.	449,000	*		
D. Community-based Alcohol Program	Grants direct from National Institute of Alcoholism and Alcohol Abuse fund. Community programs operated through mental health centers; programs treat alcohol problems with residential care, social setting detoxification, outpatient care, etc.	1,028,621	*		Grant funding periods vary such that many centers will still have unspent money that will supplement the FY 82 program at current levels. 15% cuts will be felt in FY 83, at which time people will lose services, staff will be reduced, fewer programs will operate.
E. State Drug Abuse Prevention	Funds from National Institute of Drug Abuse for prevention activities at early stages of drug abuse; works with schools, churches and social agencies.	200,397	*		FY 81 funding periods vary such that existing unspent money will supplement FY 82 block grant money and will maintain FY 82 programs at current level, cuts will be felt in FY 83 in services offered, and people served.

*FY 82 Block Grant allocations are not yet finalized.

DEPARTMENT OF HUMAN RESOURCES

DHR 11

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$ 1980-81 (FY 81)	FEDERAL \$ 1981-82 (FY 82)	REDUCTION %/AMOUNT	PROJECTED IMPACT OF CUT
Alcohol and Drug Abuse, Mental Health Block Grant* cont'd.					
F. 409 Funds	Crisis intervention in drug abuse, about 10-12 programs statewide, 11 prevention/education programs statewide	889,931	*		Estimated 1050 fewer people reached in crisis intervention, and 16,000 fewer reached in prevention education in FY 83.
G. 410 Funds	Drug abuse treatment - funded on basis of given number of slots for inpatient services.	901,191	*		Will lose 13 slots serving 26 inpatients/year; 184 fewer slots serving approximately 1000 patients/year for FY 83.
H. Occupational Alcohol Program Grant	State staff work with area mental health centers; provide technical assistance relative to the development of occupational programs	120,000	*		No jobs lost as yet; some will be lost in FY 83, but the number is not yet determined.

*FY 82 Block Grant allocations are not yet finalized

DEPARTMENT OF HUMAN RESOURCES

DHR 12

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$ 1980-81 (FY 81)	FEDERAL \$ 1981-82 (FY 82)	REDUCTION %/AMOUNT	PROJECTED IMPACT OF CUT
V. Plans and Operations					
A. Social Services (Title XX) Block Grant	Social Services Block Grant Totals:	76,250,000	61,890,000	18.9%/ 14.4 mil.	Loss of central office position for assisting counties in identifying ser- vices to aging
1) Division of Aging		25,000	0	100%/.025 mil.	Reduced level of technical assistance regarding facilities to agencies con- cerning foster care and residential ser- vices to disturbed, retarded, alcoholics and drug abusers
2) Division of Facility Services		132,000	106,000	20%/.026 mil.	Reduced funds for direct nutrition, child medical evaluation, and family planning
3) Division of Health Services		2,060,000	1,650,000	20%/.41 mil.	Approximately 4.4% of these funds are 100% Day Care funds. Title XX Mental Health services reduced across-the- board
4) Division of Mental Health, Mental Retar- dation and Sub- stance Abuse Services		7,000,000	5,600,000	20%/1.4 mil.	Approximately 6% of these funds are 100% Day Care funds, reduced admin- istrative activities
5) Division of Plans and Operations		1,025,000	820,000	20%/.205 mil.	Approximately 40% of these funds are 100% Day Care funds, reduced admin- istrative activities
a) Title XX Branch		11,290,000	9,270,000	17.9%/2.02 mil.	Reduced administrative activity
b) Day Care Section		347,000	115,000	67.2%/.23 mil.	
6) Secretary of Human Resources Office					

DEPARTMENT OF HUMAN RESOURCES

DHR 13

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$ 1980-81 (FY 81)	FEDERAL \$ 1981-82 (FY 82) -	REDUCTION %/AMOUNT	PROJECTED IMPACT OF CUT
Social Services Block Grant cont'd					
7) Division of Services for the Blind		3,200,000	2,560,000	20%/.64 mil.	Reduction in services, management support costs and personnel. See page 74 for greater detail.
8) Division of Social Services		46,990,000	39,320,000	16%/7.67 mil.	Reduced program funds to county departments of social services for service delivery
9) Division of Youth Services		355,000	284,000	20%/.071 mil.	Reduced funds for therapeutic wilderness camping & residential services for emotionally disturbed youth
10) Special Contracts					70% of special state-level contract funds (detailed below) reduced, greater competition for private funding sources will result
a) NC Commission on Indian Affairs		264,000	210,000	20.5%/.054 mil.	Approximately 29% of these funds is 100% Day Care funds. Day care, chore, meals, transportation services reduced.
b) United Cerebral Palsy		278,000	191,000	31%/.087 mil.	The 100% Day Care portion was cut 19% and regular funds 37%. Developmental Day Care and life enrichment funds reduced, administrative and home services funds terminated.
c) Easter Seal Society		290,000	99,000	66%/.191 mil.	Special needs funds reduced, camping and transportation funds terminated
d) North Carolina State University— Needs Assessment		140,000	0	100%/.14 mil.	Contract terminated
e) Children's Home Society		130,000	0	100%/.130 mil.	Contract terminated

DEPARTMENT OF HUMAN RESOURCES

DHR 14

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$ 1980-81 (FY 81)	FEDERAL \$ 1981-82 (FY 82)	REDUCTION %/AMOUNT	PROJECTED IMPACT OF CUT
Social Services Block Grant cont'd					
f) Florence Crittenton		117,000	26,280	78%/.091 mil.	Contract funds for problem pregnancy and individual/family adjustment services terminated, day care funds reduced.
g) NC Memo- rial Hospital		69,000	0	100%/.069 mil.	Contract terminated
h) Kidney Foundation		61,000	0	100%/.061 mil.	Contract terminated
i) Stanly County Case Management		18,000	0	100%/.018 mil.	Contract terminated
j) Durham Vol- unteer Ser- vices		16,000	0	100%/.016 mil.	Contract terminated
k) NC Bar Association		16,000	0	100%/.016 mil.	Contract terminated
l) Production Agency		3,000	0	100%/.003 mil.	Contract for Title XX weekly radio program terminated
11) Training Funds		2,090,000	1,670,000	20%/.42 mil.	Reduced number of contracts for train- ing in various areas

DEPARTMENT OF HUMAN RESOURCES

DHR 15

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$ 1980-81 (FY 81)	FEDERAL \$ 1981-82 (FY 82)	REDUCTION %/AMOUNT	PROJECTED IMPACT OF CUT
Social Services Block Grant cont'd					
TOTAL REGULAR FUNDS (BASIC)	In all three areas Title XX money funds the following mandated services: adjustment and chore for blind and visually impaired, adoption, day care for children, family planning, protective and foster care for adults and children, health support, in-home and individual/family adjustment. Also funds following optional services: community living, day care for adults and children with developmental needs, delinquency prevention, employment and training support, alcoholic and emotionally disturbed day and resident treatment, home based training for mentally retarded, home improvement, information, referral and family counseling, meals, problem pregnancies, transportation and special needs of aging, disabled and handicapped. Majority of services administered by county departments of social services.	69,050,000	56,130,000	18.7%/12.92 mil.	State has decided to continue to earmark funds for Day Care and Training. Training funds can be spent on services. County departments of Social Services will decide where other cuts will be made; optional services and purchased services (chore) likely to be cut first
TOTAL 100% DAY CARE FUNDS		5,110,000	4,090,000	20%/1.02 mil.	
TOTAL TRAINING FUNDS		2,090,000	1,670,000	20%/ .42 mil.	
TOTAL SOCIAL SERVICES BLOCK GRANT		76,250,000	61,850,000	18.9%/14.4 mil.	

DEPARTMENT OF HUMAN RESOURCES

DHR 16

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$ 1980-81 (FY 81)	FEDERAL \$ 1981-82 (FY 82)	REDUCTION %/AMOUNT	PROJECTED IMPACT OF CUT
VI. Social Services Division					
A. Low-Income Energy Block Grant consolidates:	Low Income Energy Block Grant, Total:				
1) Low-Income Energy Assistance	Direct payments to low-income individuals for home heating costs	37,400,000	34,800,000	7%/2.6 mil.	Average payment dropped from \$155 to \$147. Due to public confusion over program's available money, fewer households signed up. Average payments would have dropped more if more households had applied for assistance.
2) Crisis Intervention	For crisis situations, helps with heating and cooling costs for low-income individuals. County departments of social services decide on method of assistance.	1,300,000	1,300,000	0	
3) Weatherization (see also Commerce Dept. page 43)	Insulation, home repair, storm windows, caulking for low-income homes. Priority to elderly and handicapped households. Energy Division in Commerce Dept. does actual contracting with Community Action agencies.	2,870,000	2,230,000	22%/640,000†	In addition to \$2.23 mil. in Block Grant weatherization funds, \$1.9 mil. in Commerce Dept. Energy Division weatherization program changes total amount of weatherization funds to \$4.13 mil. or a 144% increase in funds. Despite the real increase in weatherization funds, however, there is a projected decrease in homes served from 5,000 to 3,400 due to additional labor costs. Loss of CETA labor will force transfer of service money to cover labor expenses.

†This figure is added in the net loss in another department.

DEPARTMENT OF HUMAN RESOURCES

DHR 17

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$ 1980-81 (FY 81)	FEDERAL \$ 1981-82 (FY 82)	REDUCTION %/AMOUNT	PROJECTED IMPACT OF CUT
B. AFDC (Aid to Families with Dependent Children)	Cash assistance to needy families with children. At least one parent must be deceased, incapacitated or absent from home. State defines standard of need, establishes income and resource limits (within federal guidelines), and sets benefit levels.	106,113,700	97,476,500	8%/8.6 mil.	<p>Changes in eligibility requirements create the \$8.6 mil. reduction. Agency statistics are in numbers of cases. Numbers of people determined by the agency factor of 1 case = 2.5 persons. Thus, numbers of cases are actual, numbers of people are close estimates.</p> <p>1) Income limit - eligibility limited to families with income not exceeding 150% of standard of need. As of 3/11/82, 4,845 people out of 190,545 no longer receive benefits because of this eligibility change.</p> <p>2) Age 17 limit - dependent children are considered 17 years old or under (or 18 if child is full-time student expected to complete school before becoming 19). As of 3/11/82, 5,042 people out of 190,545 have had benefits reduced or terminated because of this eligibility change.</p> <p>3) Step-parent income - step-parent income must be considered in determining eligibility. As of 3/11/82, 8,965 people out of 190,545 have had benefits reduced or terminated because of this eligibility change.</p> <p>4) For calculating earned income to determine eligibility one may disregard:</p> <ul style="list-style-type: none"> a) first \$75 for work expenses; b) up to \$160 per child for child care; c) \$30; d) 1/3 of the remaining income. <p>As of 3/11/82, 8,483 people out of 190,545 have had benefits reduced or terminated because of this eligibility change.</p>

DEPARTMENT OF HUMAN RESOURCES

DHR 18

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$ 1980-81 (FY 81)	FEDERAL \$ 1981-82 (FY 82)	REDUCTION %/AMOUNT	PROJECTED IMPACT OF CUT
B. AFDC (cont'd)					<p>5) 4-month-rule: after 4 consecutive months of using all 4 disregards, only the work expenses and child care disregards are allowed.</p> <p>As of 3/11/82, 2,875 people out of 190,545 have had benefits reduced or terminated because of this eligibility change.</p> <p>TOTAL persons with <u>benefits terminated</u> as of 3/11/82—21,578 or 12% of the total. TOTAL persons with <u>benefits reduced</u> as of 3/11/82—9,403 or 5% of the total.</p> <p>Without Food Stamp/Public Housing option, 34,440 people will be affected, producing \$15.1 million savings in federal dollars. The state will decide on this option.</p> <p>Beginning in March 1982, new monthly eligibility reports must be filed in order to continue to receive benefits. As of 4/1/82, 2,065 people had been terminated and 640 people had benefits reduced due to the monthly eligibility report.</p>

CASES TERMINATED DUE TO NEW AFDC RULES

DHR 19

REASON	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	TOTAL
Step-parent	187 \$27,413	2,594 \$377,160	177 \$26,301	111 \$16,284	82 \$12,065	3,151 \$459,223
150% rule	83 \$9,608	1,154 \$132,074	492 \$61,752	121 \$16,928	88 \$14,189	1,938 \$234,551
Disregards	85 \$8,738	1,173 \$120,216	404 \$48,809	153 \$18,016	103 \$14,157	1,918 \$209,936
Age-limit	54 \$7,477	740 \$102,872	28 \$4,050	36 \$5,200	43 \$6,139	901 \$125,738
4-month rule	0 \$0	0 \$0	13 \$1,219	355 \$21,164	64 \$4,842	432 \$27,225
Alien	0 \$0	1 \$163	0 \$0	2 \$359	0 \$0	3 \$522
Reserve	13 \$2,154	178 \$29,629	13 \$1,962	9 \$1,244	11 \$2,095	224 \$37,084
Lump-sum	4 \$301	20 \$4,134	15 \$2,453	15 \$2,463	9 \$1,752	63 \$11,103
Striker	0 \$0	1 \$127	0 \$0	0 \$0	0 \$0	1 \$127
TOTAL	426 \$55,691	5,861 \$766,375	1,142 \$146,546	802 \$81,658	400 \$55,239	8,631 \$1,105,509

Source: Division of Social Services, Department of Human Resources

CASES REDUCED DUE TO NEW AFDC RULES

DHR 20

REASON	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	TOTAL
Step-parent	23 \$1,821	320 \$25,089	29 \$2,368	27 \$1,735	36 \$2,783	435 \$33,796
Disregards	76 \$4,649	1,040 \$63,614	138 \$9,520	114 \$7,706	107 \$6,596	1,475 \$92,085
Age-limit	67 \$1,730	932 \$24,065	43 \$1,083	42 \$1,303	32 \$745	1,116 \$28,926
4-month rule	0 \$0	0 \$0	32 \$1,947	597 \$25,777	89 \$4,218	718 \$31,942
Alien	0 \$0	4 \$204	0 \$0	1 \$35	1 \$18	6 \$257
Reserve	1 \$58	4 \$230	0 \$0	2 \$121	0 \$0	7 \$409
Lump-sum	0 \$0	1 \$164	2 \$169	1 \$107	0 \$0	4 \$440
TOTAL	167 \$8,258	2,301 \$113,366	244 \$15,087	784 \$36,784	265 \$14,360	3,761 \$187,855

Source: Division of Social Services, Department of Human Resources

AID TO FAMILIES WITH DEPENDENT CHILDREN

DHR 21

Explanation of Terms

Step-parent	-	Step-parent income must be considered in determining eligibility.
Disregards	-	For calculating earned income to determine eligibility one may disregard: <ol style="list-style-type: none"> 1. first \$75 for work expenses 2. up to \$160 per child for child care 3. \$30 4. 1/3 of remaining sum.
4-month rule	-	The \$30 and 1/3 provisions of the disregards are restricted to four consecutive months. After 4 months only the work expenses and child care may be disregarded.
Age-limit	-	Dependent child required to be 17 years old or under (or 18 if child is full-time student expected to complete school before becoming 19).
Reserve	-	The amount of financial assets of a family is limited to \$1,000.
Lump-sum	-	Any money of any amount that the client receives from any source as a lump-sum payment.
150% rule	-	Eligibility limited to families with income not exceeding 150% of standard of need (this standard is much less than the federal poverty level.)
Alien	-	Anyone who is not a U.S. citizen (primarily Cuban and Indo-Chinese refugees).
Striker	-	AFDC payments denied to recipients who are on strike.

DEPARTMENT OF HUMAN RESOURCES

DHR 22

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$ 1980-81 (FY 81)	FEDERAL \$ 1981-82 (FY 82)	REDUCTION %/AMOUNT	PROJECTED IMPACT OF CUT
C. Food Stamps	Gives food coupons to eligible low-income people. BENEFITS Admin. <i>Food Stamps Total:</i>	271,688,646 <u>23,430,000</u> 295,118,646	261,414,000 <u>24,608,000</u> 286,022,000	3%/9,096,646	As of February 1982, an estimated 7,111 persons had or will have benefits terminated. 81,767 had or will have benefits reduced; local economic conditions will suffer as well as food tax collection.
VII. Services for the Blind Division					
1) Title XX Program for the Blind (see also DHR, p. 65)	Help blind and multi-handicapped adjust to living; chore services for home care; adjustment services to help clients take care of themselves.	3,252,390	2,631,901	19%/620,489†	These cuts are also included in the Social Services Block Grant reductions. Management and support costs get 30% of cut. Services get 70% of the cuts. Reduction in personnel. 32 clients lose in-home chore service. Reduction in hours for in-home chore service and for training in adjustment services.
2) Centers for the Retarded	4 mental retardation centers hire 17 total extra staff with federal grant money to provide special training and education services to 160 blind, multi-handicapped retarded children.	218,768	0	100%/218,768	Federal-funded contracts with the 4 centers eliminated; all but 1 center (O'Berry) discontinued this specialty program in training and education.
3) Basic (110 programs)		4,895,945	4,903,408	+7,463 increase	Cuts in special funds (SSI & SSDI) programs will be absorbed by the Basic program. Reader service hours cut back, tuition fee payments will have a ceiling amount, workshop training cutback. SSI clients must go through successful rehabilitation for 9 months before the division can get its federal funds. An additional rescission of FY 82 funds may occur which would mean elimination of equipment purchases and a freeze on case service funds.
Supplemental Security Income (SSI)	Assist blind back into employment through physical restoration, counseling, reader service, etc.	160,000	118,400	26%/41,600	
Social Security Disability Insurance (SSDI)		507,154	0	100%/507,154	

†This figure is added in the net loss in the Social Services (Title XX) Block Grant.

DEPARTMENT OF HUMAN RESOURCES

DHR 23

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$ 1980-81 (FY 81)	FEDERAL \$ 1981-82 (FY 82)	REDUCTION %/AMOUNT	PROJECTED IMPACT OF CUT
VIII. Vocational Rehabilitation Services Division					
A. Basic Vocational Rehabilitation	Assists physically and mentally handicapped back into employment through physical and mental restoration, training service, tuition fees, attendant care and interpreter service. Certification of needs test required for eligibility.	22,303,749	22,337,751	0%/+34,002 increase	There has been a 10.6% reduction in total federal resources for the program. Certification of needs test will become necessary for the SSI and SSDI recipients to be eligible for Basic VR funds; services not available to those who don't qualify. All 68 specialty staff from SSI and SSDI lost, all 5,000 (active cases) SSI and SSDI recipients will lose service. Basic VR is attempting to accommodate them. 16% fewer people served in total VR program. Currently VR is operating on a continuing resolution through 9/30/82. The Administration has proposed a 20% decrease in funds for the remainder of FY 82.
B. Social Security Disability Insurance (SSDI)	Rehabilitation counselors, technicians, clerical workers assist the most severely physically handicapped individuals back into employment.	2,028,613	0	100%/2,028,613	
C. Supplemental Security Income Rehabilitation (SSI)	Same as SSDI	665,694	0	100%/665,694	

Net Loss, Department of Human Resources: 63.09 mil.

DEPARTMENT OF INSURANCE

Ins. 1

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$		REDUCTION		PROJECTED IMPACT OF CUT
		1980-81 (FY 81)	1981-82 (FY 82)	%/AMOUNT		

NO FEDERAL BUDGET CUTS AT THIS TIME.

DEPARTMENT OF JUSTICE

Jus. 1

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$		REDUCTION %/AMOUNT	PROJECTED IMPACT OF CUT
		1980-81 (FY 81)	1981-82 (FY 82)		

NO FEDERAL BUDGET CUTS AT THIS TIME.

DEPARTMENT OF LABOR

DOL 1

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$ 1980-81 (FY 81)	FEDERAL \$ 1981-82 (FY 82)	REDUCTION %/AMOUNT	PROJECTED IMPACT OF CUT
I. Apprenticeship & Training Division					
A. Veteran's Administration	Monitor training programs in which veterans are enrolled as part of VA bene- fits as enacted by Congress	79,965	112,833	+41%/+32,868 increase	No budget reduction
B. SNAPS Program (Apprenticeship)	State and National Apprenticeship Program Statistics (SNAPS) is a statis- tical compilation of apprenticeship information in North Carolina.	5,800	0	100%/5,800	Termination of an important source of statistical information on skills training
II. Mines & Quarries Division					
A. Mine Safety & Health	Enhance mine safety and health pro- grams and assist mine operators to meet miner training requirements	244,135	0	100%/244,135	FY 82 \$249,857 has been requested but no decision has been made.
III. OSHA Division					
A. Occupational Safety & Health	Reduce incidence of occupational diseases and disability through the investigation of potential health hazards at industrial plant sites through inspections	35,161	39,337	+12%/+4,176 increase	Increased funding reflects increased support for OSHA Consultation pro- gram.
IV. Statistics Division					
A. Bureau of Labor Statistics Program	Compile and publish comprehensive data on occupational injuries and illnesses in North Carolina for use by the OSHA program and for use by industry in their safety and health activities	186,270	187,299	+6%/+1,029 increase	FY 82 funding not approved as yet; currently operating at the FY 81 level

Net Loss, Department of Labor: 211,862

LIEUTENANT GOVERNOR'S OFFICE

Lt. Gov. 1

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$		REDUCTION %/AMOUNT	PROJECTED IMPACT OF CUT
		1980-81 (FY 81)	1981-82 (FY 82)		

NO FEDERAL BUDGET CUTS AT THIS TIME.

DEPARTMENT OF NATURAL RESOURCES & COMMUNITY DEVELOPMENT NRC D 1

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$ 1980-81 (FY 81)	FEDERAL \$ 1981-82 (FY 82)	REDUCTION %/AMOUNT	PROJECTED IMPACT OF CUT
I. Coastal Resources Commission					
A. Management Program (Sect. 306)	Funds for state coastal management to implement permit program and land use planning under Coastal Area Management Act; also federal consistency reviews. Program is forward funded; dollar amounts are for state fiscal year.	1,300,000	1,500,000	+15%/+.2 mil. increase	Amount for FY 83 is expected to be reduced to 1.02 mil. A proposed partial rescission could reduce that amount further to 636,000, a reduction of 42% of previous amount. This final grant will be spread over 2-3 year period. Carry-forward funds from FY 81 helping out somewhat; staff reduced through attrition, reduced activities.
B. Coastal Energy Impact Program	State participation in review of outer continental shelf exploration plans, analysis of energy-related activities such as oil refinery development, peat mining, and coal shipment, grants to local governments to study energy facility impact. Program is forward funded; figures are for state fiscal year.	550,000	155,000	72%/395,000	A proposed rescission could terminate funds and close program by November. Level of review of offshore exploration plans is same as past. Legislation being actively considered in Congress that would restore program. New revenue would be based on offshore development outside three-mile limit. Sea grant college and fisheries activities and energy impact research would continue.
II. Community Assistance					
A. Community Development Block Grant	Community Development Block Grant Total: Serves low and moderate income people; housing rehabilitation, water and sewer lines, community facilities, economic development	41,000,000	46,400,000	+13.2%/ +5.4 mil. increase	
B. 701 Comprehensive Planning Program 1) Lead Regional Organizations	Management and planning for zoning, subdivision ordinances, capital improvement	489,261	391,409	20%/97,852	No more new projects, maintain existing ones

DEPARTMENT OF NATURAL RESOURCES & COMMUNITY DEVELOPMENT

NRCD 2

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$ 1980-81 (FY 81)	FEDERAL \$ 1981-82 (FY 82)	REDUCTION %/AMOUNT	PROJECTED IMPACT OF CUT
2) Local Assistance		313,000	0	100%/313,000	30 local assistance grants lost. Reduction of 8-10 positions in policy development staff in Department of Administration. Balanced growth policy efforts at local level hurt. Community Development Block Grant probably will set aside a limited amount for planning purposes.
III. Employment and Training Division					
A. CETA* Title IID	Provides public service employment for the economically disadvantaged	16,270,000	0	100%/16.27 mil.	4,598 participants last year; none this year
1) Balance of state prime sponsors (federal dollars traveling through this division, working directly with local units of government)					
2) Local prime sponsors (federal dollars going from Atlanta Regional Office directly to local prime sponsors of CETA money)		7,230,000	0	100%/7.23 mil.	1,929 participants last year; none this year
CETA Title IID TOTAL		23,500,000	0	100%/23.5 mil.	Total CETA Title IID participants lost is 6,527

*Comprehensive Employment and Training Act

DEPARTMENT OF NATURAL RESOURCES & COMMUNITY DEVELOPMENT NRC D 3

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$ 1980-81 (FY 81)	FEDERAL \$ 1981-82 (FY 82)	REDUCTION %/AMOUNT	PROJECTED IMPACT OF CUT
B. Title VI	Provides public service employment for the economically disadvantaged. Funds expended in accordance with fluctuations in the economy.				
1) Balance of state		4,890,000	0	100%/4.89 mil.	686 participants last year; none this year
2) Local prime sponsors		2,950,000	0	100%/2.95 mil.	866 participants last year; none this year
	<i>CETA Title VI TOTAL</i>	7,840,000	0	100%/7.84 mil.	Total CETA Title VI participants lost is 1,552
C. Title IIB,C Comprehensive	Comprehensive program includes: classroom skills training, individual referral, adult and remedial basic education, human resource development, on-the-job training with private sector contractors, work experience activity for different age groups				CETA Titles IIB and VI combined totals: Funds cut = 31.3 mil. Participants lost = 8,079
1) Balance of state		23,100,000	23,400,000	+1%/+.3 mil. increase	16,401 participants last year; 16,585 estimated for this year
2) Local prime sponsors		12,100,000	11,200,000	7.4%/.9 mil.	8,606 participants last year; 7,969 estimated for this year
	<i>CETA Title IIB,C Comprehensive TOTAL</i>	35,200,000	34,600,000	1.7%/.6 mil.	Less carry-forward money this year than last year will result in higher cuts. Total estimate of CETA Title IIB, C participants lost is 453.

DEPARTMENT OF NATURAL RESOURCES & COMMUNITY DEVELOPMENT NRCD 4

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$ 1980-81 (FY 81)	FEDERAL \$ 1981-82 (FY 82)	REDUCTION %/AMOUNT	PROJECTED IMPACT OF CUT
D. Title IV A Youth Program	Youth employment and training program (14-21 years old), youth conservation improvement projects (16-19 years old) - e.g., civic improvements, park maintenance, erosion control				
1) Balance of state		9,100,000	2,700,000	70.3%/6.4 mil.	10,111 participants last year; 3,003 estimated for this year
2) Local prime sponsors		4,400,000	2,000,000	54.5%/2.4 mil.	2,831 participants last year; 1,288 estimated for this year
	<i>CETA Title IV A TOTAL</i>	13,500,000	4,700,000	65.2%/8.8 mil.	Less carry-forward money this year than last year will result in higher cuts. Some projects will end earlier, some staff reductions. Total estimate of CETA Title IV A participants lost is 8,651.
E. Title IV C Summer Youth Program	Summer youth employment program (14-21 years old), close-to-full-time jobs for youth in public service - e.g., play- ground and park maintenance, clerical work at police department.				
1) Balance of state		12,860,000	11,000,000	14.4%/1.86 mil.	6,006 participants last year; 5,141 estimated for this year
2) Local prime sponsors		6,740,000	5,770,000	14.4%/ .97 mil.	9,862 participants last year; 8,442 estimated for this year
	<i>CETA Title IV C TOTAL</i>	19,600,000	16,770,000	14.4%/2.83 mil.	Less carry-forward money this year than last year will result in higher cuts. Total estimate of CETA Title IV C participants lost is 2,285.

DEPARTMENT OF NATURAL RESOURCES & COMMUNITY DEVELOPMENT **NRCD 5**

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$ 1980-81 (FY 81)	FEDERAL \$ 1981-82 (FY 82)	REDUCTION %/AMOUNT	PROJECTED IMPACT OF CUT
F. Title VII Private Initiatives	Private sector initiatives program which helps create jobs to meet needs of local industry; works through Private Industry Councils which approve plans submitted by planning councils in the 18 established regions.				
1) Balance of state		2,980,000	3,550,000	+19%/+.57 mil. increase	460 participants last year; 547 estimated this year
2) Local prime sponsors		2,250,000	2,100,000	6.6%/ .15 mil.	1,354 participants last year; 1,265 estimated this year
	CETA Title VII TOTAL	5,230,000	5,650,000	+8%/+.42 mil. increase	Less carry-forward money this year than last year will lower the increase, program has been growing in recent years. Higher than usual participation expected this year.
G. Governor's Special Grants Program	6% grant - vocational education training program statewide through community college system; 1% grant - educational linkages program; 5% grant - youth program; 4% grant - special services program (research and development).	6,410,000	4,200,000	34.5%/2.21 mil.	Less carry-forward money this year than last year will result in higher cuts. Participant figures are included in Title II B,C amounts (5,000 last year).
	TOTAL CETA FUNDS FOR ALL TITLES COMBINED	111,280,000	65,920,000	40.8%/ 45.36 mil.	Less carry-forward money this year than last year will result in a higher cut. Out of approximately 66,000 participants last year, an estimated 27,000 will lose services this year.

DEPARTMENT OF NATURAL RESOURCES & COMMUNITY DEVELOPMENT

NRCD 6

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$ 1980-81 (FY 81)	FEDERAL \$ 1981-82 (FY 82)	REDUCTION %/AMOUNT	PROJECTED IMPACT OF CUT
IV. Environmental Management					
A. Construction Grants (sec. 205G & 201 of the Clean Water Act)	Waste water treatment plants, sewer interceptors, pumping stations	66,400,000	49,800,000	25%/16.6 mil.	In mid-1981, FY 81 federal funds were rescinded by 37% or 24.5 mil. This rescission hindered many projects and impacted public and environmental health. 26 out of 70 projects slated for funding in FY 82 will not receive federal funds. 32 out of 40 projects in FY 83 plans will not receive federal funds.
V. Forest Resources Division					
A. Rural Fire	Financial support to fire control pro- grams, organizing and training rural fire suppression forces, encompasses local units and volunteer fire depart- ments	580,900	403,700	30.5%/177,200	Division had to eliminate planned replacement of used heavy equipment, e.g., crawler tractors, hauling units. Fighting fires with worn out equipment may become a problem.
B. Rural Forestry Assistance	Provides technical assistance to 240,000 small landowners for forest lands management; e.g., timber marking, reforestation, improved seed source development	751,800	701,900	6.6%/49,900	Carry-over funds from FY 81 offset the cut. No impact this year.
C. Watershed	Improve watershed protection, flood prevention, and utilization and dis- posal of water in watershed areas	48,300	33,200	31.3%/15,100	Funds no longer help pay for salaries, only pay for operating expenses now
D. Urban Forestry	Provide technical assistance to local governments and encourage urban forestry program -- shade tree planting, dead tree removal, upgrade community environment	29,400	28,300	3.7%/1,100	Reduced expenditures in operating money
E. Planning	Assemble and analyze a state forest resource plan and train forest resource planners. Intent of federal government was to fund full time planner position. Division chose to use funds for oper- ating expenses and thus must spend \$74,000 in order to be considered for \$37,000 reimbursement.	16,000	37,000	+131%/+21,000 increase	

DEPARTMENT OF NATURAL RESOURCES & COMMUNITY DEVELOPMENT NRC D 7

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$ 1980-81 (FY 81)	FEDERAL \$ 1981-82 (FY 82)	REDUCTION %/AMOUNT	PROJECTED IMPACT OF CUT
VI. Parks and Recreation					
A. Young Adult Conservation Corps (YACC)	Provide year-round jobs and training for unemployed youth (16-25 years old). Reforestation, tree planting, erosion control.	1,500,000	0	100%/1.5 mil.	All 125 enrollees lost, services reduced considerably
B. Youth Conservation Corp (YCC)	Provide summer jobs and training for unemployed youth (16-25 years old). Erosion control, street cleaning, wood- lot clearing, trail maintenance in state and local parks	286,000	0	100%/286,000	All 189 enrollees lost, services reduced considerably
C. Land and Water Conservation	Capital improvement, land acquisition (park roads and picnic areas). Funds come from offshore oil leasing.	3,300,000	0	100%/3.3 mil.	No more federal funds for capital improvement or land acquisition, deteriorating park water systems
D. Resource Conservation and Development	Capital development project in Goose Creek, Washington, North Carolina. Grant coming from Soil Conservation Service.	500,000	0	100%/500,000	Land was acquired. Development of facilities was not completed.
VII. Marine Fisheries					
A. Fisheries Management Section					
1) Anadramous Fish	Research on anadramous fish (herring, shad, striped bass) population dynam- ics, nursery areas, etc.				
2) Coastal Energy Impact Program	Assess impact on fish populations of offshore gas and oil development, peat mining, transportation corridors, etc. Funds come via Coastal Resources Commission, Dept. of Natural Resources & Community Development.	144,000	96,500	33%/47,500	Cut out all anadramous fish projects except for those in Pamlico Sound. Staff reduced from 15 to 6 in order to make more funds available for opera- tions. Reduced activity, staff working harder, unable to respond to fish kills as much as before.
3) Non-anadramous Fish	Research on non-anadramous fish (flounder, croaker, shrimp) through port sampling, landings data, etc.				

DEPARTMENT OF NATURAL RESOURCES & COMMUNITY DEVELOPMENT

NRCD 8

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$ 1980-81 (FY 81)	FEDERAL \$ 1981-82 (FY 82)	REDUCTION %/AMOUNT	PROJECTED IMPACT OF CUT
B. Fisheries Service Section					
1) Recreation Fish Operation	Young Adult Conservation Corp. grant for labor to construct artificial reefs for fish breeding grounds. Funds come via Parks & Recreation Division, Dept. of Natural Resources & Community Development.	50,000	0	100%/50,000†	County is taking over labor, reduced activity
VIII. Division of Economic Opportunity					
A. Community Services Block Grant	Community Services Block Grant Total:	13,314,144	9,370,898	29.6%/3,943,246	Block Grant consolidates Community Action/Local Initiatives, Senior Op- portunities and Services, and Com- munity Food and Nutrition.
1) Community Action Agencies	Provide means for self-help for low- income people, planning, design, and implementation of programs				Fewer jobs, reduced services. Impact difficult to assess at this point.
IX. Water Resources					
A. Title III Water Resource Planning Assistance	Helps develop state water resource plan concerning water management, river basin studies, drought plans, etc.	215,000	0	100%/215,000	Program running on carry-over funds from FY 81, will terminate this year. Three staff members left to close pro- gram out.
B. Cape Fear level "B" study	2-3 year program studying water supply concerns in Cape Fear River basin, e.g., headwater area in Guilford County, southeastern groundwater and heavy irrigation	435,000	0	100%/435,000	Program running off of FY 81 grant, intensity of study reduced, geographic area in groundwater research reduced. Staff cut from 5 to 3.
C. NC-VA Tidewater Study	Study Chowan River water quality and water supply programs in southeast Virginia and northeast North Carolina, work with state and local agencies to develop comprehensive plan	40,000	25,000	37.5%/15,000	Long-range study plans hindered considerably. Staff reduced from 3 to 1.

†This figure is added in the net loss in another division.

DEPARTMENT OF NATURAL RESOURCES & COMMUNITY DEVELOPMENT NRC D 9

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$ 1980-81 (FY 81)	FEDERAL \$ 1981-82 (FY 82)	REDUCTION %/AMOUNT	PROJECTED IMPACT OF CUT
X. Wildlife Resources Commission					
A. Endangered Species	Research and surveys on endangered and threatened wildlife in N.C. in cooperation with universities.	300,000	0	100%/300,000	Program terminated, carry-over funds from FY 81 are helping program close out. State is now responsible to protect endangered species.
B. Accelerated Research Project					
1) Migratory game birds	Research on flight patterns, etc. of migratory game birds by university- supported graduate students	15,000	0	100%/15,000	Efforts shifted to non-migratory game birds.
C. Boating	Build boating access areas, provide for boating search, rescue and safety measures	0	0		\$400,000 grant from Land & Water Conservation Fund was expected but the fund has been frozen. Program must rely on state funds to maintain 130 access areas.
D. Non-game Wildlife Conservation	Planning and implementation for com- prehensive management program for all wildlife species, mainly non-game	0	0		Funds for enacted Fish and Wildlife Conservation Act of 1980 were not appropriated. NC would have received \$100,000 grant.

Net Loss, Department of Natural Resources and Community Development: 67.94 mil.

DEPARTMENT OF PUBLIC INSTRUCTION

DPI 1

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$ 1980-81 (FY 81)	FEDERAL \$ 1981-82 (FY 82)	REDUCTION %/AMOUNT	PROJECTED IMPACT OF CUT
I. Public Instruction					
A. ESEA* Title I	Provides educational services to disadvantaged children at or below poverty level, e.g., extra reading and math instruction intensive training; 144,000 students involved	School Year '80-'81	School Year '81-'82		In all programs combined, Title I was cut by 2.4 mil. or 2.6%. Small impact felt in amount of services provided to disadvantaged children.
1) Basic & Concentration Grants (to Local Education Agencies)		81,751,360	78,730,705	3.4%/3,020,655	
2) Migrant Children		6,742,484	7,748,062	+15%/ +1,005,578 increase	
3) Handicapped Children		2,455,840	2,350,647	4.2%/105,193	
4) Juvenile & Adult Correction (Neglected & delinquent)		1,356,151	1,481,815	+9.2%/+125,664 increase	
5) State Administration		1,386,118	945,559	31.8%/440,559	
	<i>ESEA Title I TOTAL</i>	93,691,953	91,256,788	2.6%/2.4 mil.	
B. Education Block Grant **	Education Block Grant Total	15,400,000	10,000,000***	33%/5.4 mil.	
1) Title IV- Part B- Libraries & Learning Resources	Provide school library resources, textbooks, and other instructional materials and equipment	4,285,025	4,034,438	5.8%/250,587	Fewer resources, materials, and equipment

*Elementary and Secondary Education Act

**These programs are categorical for the 1981-82 school year, but become part of the Education Block Grant for 1982-83 school year. The Education Block cannot be picked up until July 1982.

***This amount is an estimate. Because some federal money does not pass through state office, obtaining exact figures is difficult.

DEPARTMENT OF PUBLIC INSTRUCTION

DPI 2

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$ 1980-81 (FY 81)	FEDERAL \$ 1981-82 (FY 82)	REDUCTION %/AMOUNT	PROJECTED IMPACT OF CUT
Education Block Grant cont'd		School Year '80-'81	School Year '81-'82		
2) Title IV- Part C- Support and Innovation	Allows school systems to identify problem areas, design solving mechanisms and implement them	3,534,476	1,595,005	54.8%/ 1,939,471	No new projects, maintain existing projects at reduced level
3) Title V- Part B- Strengthening State Education Agencies	Provide state services to local education agencies	1,161,753	961,274	17.2%/200,479	Fewer services to Local Education Agencies
4) Title II- Basic Skills	Small project grants, supplemental efforts in areas of reading, communication, and mathematics	429,603	392,196	8.7%/37,407	Fewer project grants
5) Career Education	Help young people make effective career decisions	326,991	195,138	40%/131,853	Reduced services
6) Federal Teacher Centers	Provides technical assistance to teacher centers and disseminates information from them	470,472	76,061	83.8%/394,411	Much less technical assistance provided
7) National Diffusion Network (Facilitator Contract)	Disseminate information to educational agencies on pilot projects proven effective.	105,386	100,000	5.1%/5,386	Little impact
8) Gifted & Talented	Provide assistance to gifted and talented students through purchase of materials and staff development activities for teachers.	0	70,000	+100%/+70,000 increase	New grant received
9) Emergency School Aid	Help school systems deal with problems related to integration, such as minority group isolation	4,415,439	2,455,201	44.3%/1,960,238	In past years, funding level was based on how long ago schools began desegregating. Now formula is based on headcount of pupils involved and thus funding level dropped. Reduced effectiveness in handling integration problems.
10) Arts in Education	Special arts projects to supplement art programs	64,388	50,000	22.3%/14,388	Reduction in special arts program.

DEPARTMENT OF PUBLIC INSTRUCTION

DPI 3

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$ 1980-81 (FY 81)	FEDERAL \$ 1981-82 (FY 82)	REDUCTION %/AMOUNT	PROJECTED IMPACT OF CUT
Education Block Grant cont'd.		School Year '80-'81	School Year '81-'82		
11) Pre-College Science Teacher Training	Provides opportunities for pre-college development for students planning to be teachers	0	14,682	+100%/+14,682 increase	New grant received
12) Teacher Corp	Recruit and train teachers to teach in areas having high concentration of low-income families	434,245	341,329	21.3%/92,916	Fewer teachers trained in these low- income areas
13) Community Education	Support Community Schools Program	52,326	0	100%/52,326	No federal grant for this year
14) Metric Education	Encourage use of metric system and prepare students to use system effectively	34,668	0	100%/34,668	No federal grant for this year
15) Law-Related Education	Enable children, youth, and adults to become more informed through im- proved understanding of law and legal system	50,875	0	100%/50,875	No federal grant for this year

The following programs are also under the Education Block Grant, but have not received funding in N.C. in recent years:
Consumer Education, Ethnic Heritage Foundation, Preschool Partnership, Youth Employment, Environmental Education,
Health Education, Corrections Education, Biomedical Education, Population Education, Reading is Fundamental, Alcohol &
Drug Abuse, PUSH, Cities in Schools, Research and Demonstration.

FIGURES MAY INCLUDE BOTH THE MONEY FLOWING THROUGH STATE AGENCY AND MOST MONIES
FLOWING DIRECTLY TO LOCAL SCHOOL UNIT. FIGURES OBTAINED FROM OFFICE OF FEDERAL RELATIONS,
DEPARTMENT OF PUBLIC INSTRUCTION.

C. Vocational Education					Cuts felt not in staff reductions, but in curriculum development, equip- ment and material purchase
1) Basic Grant	Maintenance of ongoing and new pro- grams, including secondary and post- secondary education	16,343,597	15,633,648	4.3%/709,949	
2) Program Improvement	Improve existing programs through research projects, curriculum guides	3,682,814	2,860,461	22.3%/822,853	
3) Special Vocations for the Disadvantaged	Helps economically and academically disadvantaged become better educated	583,066	451,836	22.5%/131,230	

DEPARTMENT OF PUBLIC INSTRUCTION

DPI 4

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$ 1980-81 (FY 81)	FEDERAL \$ 1981-82 (FY 82)	REDUCTION %/AMOUNT	PROJECTED IMPACT OF CUT
4) Consumer and Homemaking	Skill training in occupational and non- occupational home economics	School Year '80-'81 1,268,081	School Year '81-'82 961,936	24.1%/306,145	
5) Planning and Evaluation	Planning and evaluation of programs	145,766	112,944	22.5%/32,822	
	<i>Vocational Education TOTAL</i>	22,023,324	20,020,825	9.1%/2 mil.	
D. Education of the Handicapped					
1) Basic Grants	Covers 12% of total excess costs for educating all handicapped children	24,886,341	25,055,649	+1%/+169,308 increase	Slight increase due to "child count." Rising teacher salaries and number of participants mean less services per child and staff reductions.
2) Early Childhood Incentive	Transportation, special education and related services for 3-4 year olds	634,600	602,900	5%/31,700	Reduced services due to rising teacher salaries and number of participants
3) Deaf/Blind Centers	40+ deaf/blind children receiving direct instructional services in various centers around the state	357,452	336,005	6%/21,447	Reduced individualized special care, less likely to take on additional children
	<i>Education of the Handicapped TOTAL</i>	25,878,393	25,994,554	+ .4%/+ .1 mil. increase	
E. Appalachian Regional Development Act (see page 37)	Pilot computer projects in Western North Carolina whereby children get educational instruction through com- puter programs. Appalachian Regional Development Act funds come via Department of Administration.	702,224	96,202	86%/606,022†	No new computer projects, considerable reduction in existing projects
F. Impact Aid	School systems with high federal impacted area, i.e., 3% of school popu- lation must live and/or work on federal property which includes military bases and public housing. Money used by many schools to aid other programs	10,500,000	5,500,000	47.6%/5,000,000	Further cuts expected in appropria- tions, reduced by nearly 1/2 the federal dollars received by school systems, 300 of 600 positions lost already

†This figure is added in the net loss in another department.

DEPARTMENT OF PUBLIC INSTRUCTION

DPI 5

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$ 1980-81 (FY 81)	FEDERAL \$ 1981-82 (FY 82)	REDUCTION %/AMOUNT	PROJECTED IMPACT OF CUT
G. CETA	Funds come via Department of Natural Resources and Community Development for teacher aides, education work experience, extended day program, youth opportunity service program, remedial help for youth dropping out of school	School Year '80-'81 10,175,196	School Year '81-'82 5,207,835	49%/4,967,361†	12 out of 24 positions in program accounting lost. All 450 CETA-paid teacher aides (from Title IID & VI) lost, which directly affects 15,000 children; all 25 teachers and 25 aides lost in education work experience program which means 500 high school teenagers will not get this work experience
H. Child Nutrition					
1) National School Lunch Program					
a) \$4 Funding	General cash assistance for all meals	25,158,956	23,592,240 (estimate)	6.2%/1,566,716	Combine with other cuts to cause all meals to cost more for every child.*
b) \$11 Funding	Special cash assistance for meals served to needy children	64,903,243	54,701,771	15.7%/ 10,201,472	In 12/81 102,000 fewer children participated in <u>program</u> than in 12/80.*
2) School Breakfast Program	Pays for all or some of the breakfasts for pupils	20,728,940	17,539,260	15.3%/ 3,189,680	In 12/81 48,000 fewer children participated in <u>program</u> that in 12/80.*
3) Child Care Food Program	Reimbursement program for meals served in child care centers, head start, programs for handicapped children and day care homes	7,059,965	6,397,725	9.4%/662,240	Fewer centers will be able to provide nutritionally adequate meals. In combination with other cuts to child care, some centers will close.*
4) Special Milk Program	Partial or total reimbursement for milk served to children (in addition to the one which comes with meal)	3,193,583	125,797	96%/3,067,786	Cost of 1/2 pint carton of milk to rise from 10¢ to 20-25¢ each. No reimbursement for schools which participate in any other program.*
5) Commodity Procurement Program (works in conjunction with Dept. of Agriculture)	Furnishes about 25% of foods for meals to schools	31,439,567	22,639,501	28%/8,800,066	Schools must buy more food; cost to school rose 2-1/2¢ per plate. Combined with other cuts, cost to a child for a meal goes up ranging from 0-60¢; average, 17¢; most schools went up 20¢.

†This figure is added in the net loss in another department.

*Administrative costs are earned on a formula basis. Total allocation for all administrative costs in 1981 were \$1,469,045; total for 1982 will be \$1,564,417 (including some carry-forward funds).

DEPARTMENT OF PUBLIC INSTRUCTION

DPI 6

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$ 1980-81 (FY 81)	FEDERAL \$ 1981-82 (FY 82)	REDUCTION %/AMOUNT	PROJECTED IMPACT OF CUT
6) Nutrition Education and Training Program	Train food service workers and teachers in nutrition. Provide resources in food service and classroom to teach workers and pupils about nutrition	School Year '80-'81 364,046	School Year '81-'82 56,605	84.5%/307,441	Significantly reduce number of teachers and food service personnel who can be trained and, therefore, the number of children reached.
7) Summer Feeding Program	Provide meals for needy children during summer months	2,572,515	2,215,970	13.9%/356,545	Full impact not determinable till summer of 1982. Uncertainty in the program will make it more difficult to keep providers.
	<i>Child Nutrition TOTAL</i>	155,420,815	127,268,869	18.1%/ 28,151,946	

Net Loss, Department of Public Instruction: 42.87 mil.

DEPARTMENT OF REVENUE

REV 1

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$		REDUCTION %/AMOUNT	PROJECTED IMPACT OF CUT
		1980-81 (FY 81)	1981-82 (FY 82)		

NO FEDERAL BUDGET CUTS AT THIS TIME.

SECRETARY OF STATE

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$		REDUCTION %/AMOUNT	PROJECTED IMPACT OF CUT
		1980-81 (FY 81)	1981-82 (FY 82)		

NO FEDERAL BUDGET CUTS AT THIS TIME.

DEPARTMENT OF TRANSPORTATION

DOT 1

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$ 1980-81 (FY 81)	FEDERAL \$ 1981-82 (FY 82)	REDUCTION %/AMOUNT	PROJECTED IMPACT OF CUT
I. Federal Aid to Highways A. Highway Division					
1) Interstate	Funding for completion of interstate system. Funds are apportioned one year in advance.	64,540,000	45,640,000	29.3%/18.9 mil.	Much less money available for interstate construction, many projects slowed considerably
2) Interstate 4R	Resurfacing, restoration, reconstruction, rehabilitation, i.e. heavy-duty maintenance on Interstate system. Funds are apportioned one year in advance. Many items of work - landscaping, pedestrian/bikeways, noise abatement measures, rest areas, scenic overlooks - that are no longer eligible for regular Interstate funds are now eligible for Interstate 4R funds.	3,040,000	15,780,000	+419%/+12.74 mil. increase	Keeping Interstate system in good condition has become higher priority at federal and state level.
3) Primary	Construction of improvements to more important U.S. and N.C. numbered routes	41,060,000	35,050,000	14.6%/6.01 mil.	Reduction anticipated, Highway Improvement Program had already planned for reduction. Flexibility in funding will keep this category from suffering greatly.
4) Priority Primary	Funds are part of U.S. Transportation Department Secretary's discretionary fund for high priority primary routes. North Carolina's route is extension of Interstate 40 from Benson to Wilmington.	17,540,000	9,330,000	46.8%/8.21 mil.	Fewer construction contracts awarded, project slowed down considerably
5) Urban	Construction of improvements to more important roads inside cities that are not on primary system	10,630,000	12,090,000	+13.7%/+1.46 mil. increase	Increase in funds is due to population changes as recorded in 1980 Census.
6) Secondary	Construction of improvements to N.C. and U.S. routes not on primary or urban system and to major secondary roads.	17,990,000	12,230,000	32%/5.76 mil.	Less funds available for construction, some projects slowed down
7) Bridge	Replacement or rehabilitation of sub-standard bridges. Emphasis on bridges on federal aid system.	21,860,000	16,060,000	26.5%/5.8 mil.	Fewer bridges replaced or upgraded
8) Minor Category	Funds for safety, rail crossing, high hazard, forest highways and economic growth-related activities and programs.	17,190,000	11,670,000	32%/5.52 mil.	Reduced level of service

DEPARTMENT OF TRANSPORTATION

DOT 2

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$ 1980-81 (FY 81)	FEDERAL \$ 1981-82 (FY 82)	REDUCTION %/AMOUNT	PROJECTED IMPACT OF CUT
9) Appalachian Regional Development	Funds for construction of highways in Appalachian Regional Development Highway System	6,090,000	366,000	94%/5.7 mil.	No construction contracts awarded this year. Reduction in funds due to payment of funds previously advanced to N.C. Future of program is uncertain.
II. Public Transportation	<i>Federal Aid to Highways* TOTAL</i>	199,940,000	158,220,000	20.9%/41.72 mil.	
A. Section 3	Mass transit capital improvements, non-recurring expenditures such as bus maintenance buildings, new buses. Competitive discretionary program. Charlotte was granted 8.5 mil. in FY 81 for bus maintenance building to be spent over several year period.	500,000	500,000	0	Program still in good shape. Most NC mass transit systems have large scale capital improvements in place already.
B. Section 5	Mass transit capital and/or operating expenses				Carry-forward funds from FY 81 are allowing program to operate at same level for FY 82. Although funding levels haven't changed, federal regula- tions require that less and less money each year be spent on operating ex- penses (drivers' salaries, mainte- nance, fuel). By FY 85, zero funds for operating assistance. That loss of operating money will hurt many tran- sit systems.
1) Cities over 200,000 population	Only city eligible for funds is Charlotte. Federal funds go directly to city government.	3,500,000	3,500,000	0	Because 1980 census puts Raleigh and Fayetteville in this category starting in FY 83, all three cities will receive less assistance in FY 83 than in past years.

* U.S. Congress has established an obligation ceiling for N.C. for FY 82 of \$151 mil. which means the state can't spend total funds (158.2 mil) apportioned to it this year.
N.C. has largest state-maintained roads system in nation of 76,000 miles. However, only 18,000 miles of that amount are eligible for federal aid assistance.

DEPARTMENT OF TRANSPORTATION

DOT 3

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$ 1980-81 (FY 81)	FEDERAL \$ 1981-82 (FY 82)	REDUCTION %/AMOUNT	PROJECTED IMPACT OF CUT
2) Cities between 50,000 and 200,000 population	Several cities eligible, federal funds handled at state level so Governor has flexibility here to decide.	3,000,000	3,600,000	+20%/+600,000 increase	Increase in funds is due to Chapel Hill (50,000+ population) now qualifying for funds.
C. Section 18	Capital, operating and planning assist- ance to non-urban local governments and non-government groups; umbrella source of operating assistance funds.	3,100,000	3,000,000	3%/100,000	Primary user of these funds, Chapel Hill, is now eligible for Section 5 money due to its population of 50,000+, which takes pressure off program somewhat. Real impact in coming years when operating assistance money is no longer available.

Net Loss, Department of Transportation: 41.22 mil.

DEPARTMENT OF STATE TREASURER

Treas. 1

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$		REDUCTION %/AMOUNT	PROJECTED IMPACT OF CUT
		1980-81 (FY 81)	1981-82 (FY 82)		

NO FEDERAL BUDGET CUTS AT THIS TIME.

UNIVERSITY OF NORTH CAROLINA SYSTEM

UNC 1

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$ 1980-81 (FY 81)	FEDERAL \$ 1981-82 (FY 82)	REDUCTION %/AMOUNT	PROJECTED IMPACT OF CUT
I. Capitation Grants in Health Sciences	Grant money geared toward encouraging additional enrollment, increasing class sizes, and offsetting instructional costs in medical and nursing schools.			3-4 mil.	Exact figures were unobtainable. Officials had been anticipating program reduction. Impact varies by institution. General reduction in operation will be felt.
II. UNC-TV Network	Local and statewide programs documenting North Carolina life and issues, funded by Community Services Block Grant.	635,000	723,000	+13.9%/+88,000† increase	Unless alternative income sources are found, the FY 83 anticipated cut will require the production staff to greatly reduce their out-of-studio mobility. Putting in a greater effort for private sector funding; goal is to have no employee's salary dependent on uncertain federal funding.
III. Guaranteed Student Loans Program	Provides interest subsidy and repayment guarantee which allows students to obtain low-interest loans from private lenders to allow them to attend college. Amounts are loan volume for the year.	39,000,000	37,000,000	5.1%/2 mil.	High interest rates in capital bond markets and high demand for loans forced program to look for other funding. This brought in \$4 mil. in loans above the \$37 mil. in loans possible via the traditional bond market used in FY 81. It also spurred the program to find a lender of last resort in another state. The loan volume for that program is not yet determined, but is estimated at \$30 million.
IV. NC Agricultural Research Service					
A. Hatch Funds	Agriculture, food and fiber research	4,699,106	5,111,547	+8.7%/+412,441 increase	
B. Forest Resource Project Research	Research on forestry products in southeastern region of United States	341,763	375,746	+10%/+33,983 increase	
C. Animal Health and Disease Research	Animal science, poultry science, veterinarian medicine research	126,026	101,339	19.5%/24,687	

†This figure is added in the net loss in another department.

UNIVERSITY OF NORTH CAROLINA SYSTEM

UNC 2

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$ 1980-81 (FY 81)	FEDERAL \$ 1981-82 (FY 82)	REDUCTION %/AMOUNT	PROJECTED IMPACT OF CUT
V. NC Agricultural Extension Service					
A. Section 3B & C	Primary funding source for agriculture extension, taking agriculture informa- tion out to the public	7,675,172	8,110,220	+5.6%/ +435,048 increase	
B. Expanded Nutrition	Dietary program for low income poor	2,293,098	2,459,639	+7%/+166,541 increase	
C. Special Appropriations	Farm safety, integrated pest manage- ment, cotton pest management, pesti- cide impact assessment, non-point source pollution	298,098	331,587	+11%/+33,489 increase	
NC Agricultural Research and Extension TOTAL		15,433,263	16,490,078	+7%/+1,056,815 increase	Continued federal support in agri- cultural research and extension

Net Loss, University of North Carolina System: 4.44 mil.

LEGAL SERVICES OF NORTH CAROLINA

LSNC

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$ 1980-81 (FY 81)	FEDERAL \$ 1981-82 (FY 82)	REDUCTION %/AMOUNT	PROJECTED IMPACT OF CUT
Legal Services of North Carolina	Provide non-criminal legal services to the poor in 83 N.C. counties	6,700,000	4,900,000	27%/1.8 mil.	<p>Staff lost through <u>forced</u> terminations due to budget cuts: 46 at all staffing levels.</p> <p>Staff lost through <u>voluntary</u> terminations due at least in part to job insecurity caused by uncertain funding levels: 29 at all staffing levels</p> <p>Total staff lost:</p> <ul style="list-style-type: none"> 20 attorneys 17 other professionals 8 paralegals 3 administrative 5 executives 22 clerical <p>28 attorneys and paralegals lost with a case load capacity of 30-60 cases each.</p>

Net Loss, Legal Services of North Carolina: 1.8 mil.

INDEPENDENT COLLEGES AND UNIVERSITIES*

IND. COL., 1

DIVISION/PROGRAM	PROGRAM DESCRIPTION	FEDERAL \$ 1980-81 (FY 81)	FEDERAL \$ 1981-82 (FY 82)	REDUCTION %/AMOUNT	PROJECTED IMPACT OF CUT
North Carolina Association of Independent Colleges & Universities — 38 member institutions in North Carolina	Amounts are estimates.				There was a 1% enrollment decline in the '81-'82 school year due, at least in part, to changes in eligibility criteria and funding levels. Applications for '82-'83 are down considerably over the previous year.
I. Pell Grants	Formerly known as Basic Grants	19,100,000	16,200,000	15%/2.9 mil.	The continuing resolution provides funding for school year '82-'83 of \$15.7 mil.; this may be reduced if eligibility criteria are changed.
II. Supplemental Educational Opportunity Grants		4,000,000	3,900,000	2.5%/100,000	The continuing resolution provides funding for school year '82-'83 of \$2.9 mil.
III. College Work Study Program		6,300,000	6,300,000	-0-	The continuing resolution provides funding for school year '82-'83 of \$6.0 mil.
IV. National Direct Student Loan Program	NDSL provides federal money to schools which are then loaned to students. Subsequent pay-backs of loans create a revolving fund. Amounts are new federal money.	3,200,000	1,700,000	46%/3.2 mil.	The continuing resolution provides funding for school year '82-'83 of \$1.6 mil.
V. State Student Incentive Grant Program	State-federal matching funds (50-50 match). Amounts are federal portion.	400,000	400,000	-0-	No cut expected until school year '83-'84, when the administration intends to eliminate federal share.
Net Loss, Independent Colleges:				13%/4.5 mil.	

*This information was a last-minute addition to the report. The total for this chart (\$4.5 mil.) is not included in the overall net cut of about \$241 mil. and, if included in the table, would be number 14 of the Top Twenty Cuts.

APPENDICES

- A — Letters from N.C. Officials to Federal Officials Accepting Block Grants**
- B — Governor's Instructions on Block Grants to Cabinet Officials**
- C — Schedule of Public Hearings on Block Grants Held by Governor's Office**
- D — Handout for Public Hearings Distributed by Governor's Office of Citizen's Affairs**
- E — Federal Regulations Implementing Block Grants**
- F — Legislation Creating Joint Legislative Committee to Review Federal Block Grant Funds**
- G — N.C. Supreme Court Advisory Opinion Declaring Legislative Block Grant Committee Unconstitutional**
- H — Chronological Summary of Congressional Authorization and Appropriations Bills**
- I — Members of the Governor's Advisory Committee on Education Block Grants**
- J — Proposed Plans for Allocation of Block Grant Funds in FY 83**



STATE OF NORTH CAROLINA

OFFICE OF THE GOVERNOR

RALEIGH 27611

JAMES B. HUNT, JR.
GOVERNOR

September 22, 1981

Dear Mr. Secretary:

In accordance with instructions from your office, I wish to inform you that the State of North Carolina will assume the responsibility for the Block Grant for Social Services on October 1, 1981. The department of Human Resources will be the state agency responsible for carrying out the programs and functions of the Block Grant.

North Carolina will use its Title XX Comprehensive Annual Services Plan (CASP) for FFY 1981-82 to meet the Block Grant requirement for a Report. The CASP will be published on October 1, 1981, and will be sent the following week to the Regional Administrator, OHDS, in Atlanta. In the near future we will amend the CASP to reflect the funding level published in the Federal Register on September 4, 1981, and corresponding program adjustments which it will require. The amendment, of course, will also be sent to Atlanta Regional Offices.

In North Carolina, the official responsible for the overall Social Services Block Grant will be Dr. Sarah T. Morrow, Secretary, North Carolina Department of Human Resources.

My warmest personal regards.

Sincerely,

A handwritten signature in black ink, appearing to be "J. B. Hunt", written over the word "Sincerely,".

The Honorable Richard S. Schweiker
Office of the Secretary
U. S. Department of Health and Human Services
Washington, D. C. 20201



STATE OF NORTH CAROLINA

DEPARTMENT OF HUMAN RESOURCES

325 NORTH SALISBURY STREET

JAMES B. HUNT, JR.
GOVERNOR

RALEIGH 27611

SARAH T. MORROW, M.D., M.P.H.
SECRETARY

September 11, 1981.

TELEPHONE
919/733.4534

Honorable Richard S. Schweiker
Secretary of Health and Human Services
Washington, D.C. 20201

Dear Secretary Schweiker,

ATTENTION: Mr. John H. Kelso

We respectfully request an allotment under Title V of the Social Security Act (as amended) for FY 1982, effective at the beginning of the first quarter, October 1, 1981.

We are pleased to submit this letter of intent to enter the Title V - Maternal and Child Health Services Block Grant effective October 1, 1981. The Division of Health Services of the N.C. Department of Human Resources is designated to administer and supervise the following consolidated (state) health programs listed in the legislation: Maternal and Child Health/Crippled Children's Services; SSI Disabled Children's Program; Lead-Based Paint Poisoning Prevention Program; Sudden Infant Death Syndrome Program; Adolescent Pregnancy Grant Services.

It is our understanding that the two other listed consolidated (federal) health programs---Genetic Disease Programs; Hemophilia Treatment Centers---will continue to be funded under the federal set-aside provisions of the legislation. Therefore, our comments below will not apply to these programs. We note, however, that the Division of Health Services already functions as the sole grantee for Genetic Disease Program funds in North Carolina.

Because of the short time-frame, it is not possible for us to present at this time a single report of intended expenditures under the Block Grant. For a presentation of needs statements, goals/objectives statements, service descriptions, and data gathering activities, we request that you refer to the following documents:

1. Maternal and Child Health/Crippled Children's Services presentations can be found in our Consolidated Plan for Children's Services which has been submitted to the Office of Human Development Services, Atlanta. (Enclosure I)
2. SSI Disabled Children's Program presentations can be found in this same document. (Enclosure I)
3. SIDS Program presentations can be found in the special program grant application we submitted to the DHHS Grants Management Branch in Rockville, MD. (Enclosure II)

Honorable Richard S. Schweiker

Page 2

September 11, 1981

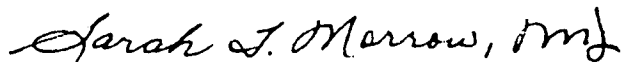
4. Lead-Based Paint Poisoning Prevention Program presentations can be found in the special project grant application submitted by Cabarrus County to the Center for Disease Control, Atlanta. (Enclosure III includes the original project plan. The current application will be forwarded when it becomes available to us.)
5. Adolescent Pregnancy Grant funds have not previously been allocated to projects in North Carolina. This activity will be studied for inclusion in future plan submissions.

In carrying out the provisions of the Maternal and Child Health Block Grant, we intend to comply with the assurances listed in Sec. 505 (2) of the legislation. We will move with deliberate speed to formally effect these assurances as soon as possible and practicable.

We will begin immediately to pursue our goal of developing a single state plan covering our activities under the Maternal and Child Health Block Grant legislation. The plan will be developed in accordance with the legislation (and Sec. 505 in particular), and we will request assistance from our federal colleagues in this effort.

We appreciate your review of this letter of intent and hope for a favorable reply.

Sincerely,



Sarah T. Morrow, M.D., M.P.H.
Secretary

Enclosures

cc: Dr. George A. Reich



STATE OF NORTH CAROLINA

OFFICE OF THE GOVERNOR

RALEIGH 27611

JAMES B. HUNT, JR.
GOVERNOR

September 22, 1981

Dear Mr. Secretary:

This letter is to inform you of the State of North Carolina's intent to administer the Alcohol, Drug Abuse, Mental Health Block Grant effective October 1, 1981. I am designating the North Carolina Department of Human Resources as the state agency responsible for implementation of the provisions of this block grant.

The application, which will include the necessary assurances and details as to how North Carolina will use the ADM funds, will be sent under separate cover no later than September 30, 1981.

My warmest personal regards.

Sincerely,

A handwritten signature in black ink, appearing to be "J. B. Hunt", written over the word "Sincerely,".

The Honorable Richard S. Schweiker
Secretary of Health and Human Services
Washington, D. C. 20201



STATE OF NORTH CAROLINA

OFFICE OF THE GOVERNOR

RALEIGH 27611

JAMES B. HUNT, JR.
GOVERNOR

September 22, 1981

Dear Mr. Secretary:

This letter is to inform you of the State of North Carolina's intent to implement the Preventive Health and Health Services Block Grant, Title XIX, in FY 1982, effective October 1, 1981.

The North Carolina Department of Human Resources is designated to administer the following programs listed in the legislation: Home Health, Rodent Control, Fluoridation, Health Education and Risk Reduction, Health Incentive Grants, Emergency Medical Services, Rape Crisis, and Hypertension Control. Please note that the Department of Human Resources, under the current categorical funding mechanism, is responsible for the administration and supervision of Home Health, Fluoridation, Health Education and Risk Reduction, Health Incentive Grants, Emergency Medical Services, and Hypertension Control.

The application, which will include a description of the needs of the state and the activities and services proposed to meet those needs, will be submitted in the near future, along with a statement addressing the assurances required by the Preventive Health and Health Services Block Grant legislation.

My warmest personal regards.

Sincerely,

A handwritten signature in black ink, appearing to be "R. S. Schweiker", written over a large, loopy oval shape.

The Honorable Richard S. Schweiker
Secretary of Health and Human Services
Washington, D. C.



STATE OF NORTH CAROLINA
OFFICE OF THE GOVERNOR
RALEIGH 27611

JAMES B. HUNT, JR.
GOVERNOR

September 22, 1981

Dear Ms. McMahon:

Attached you will find North Carolina's application for funding and plan for administering the Low Income Energy Assistance Program. The North Carolina Department of Human Resources is designated as the agency responsible for the program's operation.

I look forward to your review of the plan. As soon as we receive notification of its acceptability we will begin implementation.

My warmest personal regards.

Sincerely,

A large, stylized handwritten signature in black ink, which appears to read "James B. Hunt, Jr.".

Ms. Linda S. McMahon
Associate Commissioner for Family
Assistance
Post Office Box 23367
L'Enfant Plaza
Washington, D. C. 20024

Attachments



STATE OF NORTH CAROLINA

OFFICE OF THE GOVERNOR

RALEIGH 27611

JAMES B. HUNT, JR.
GOVERNOR

September 23, 1981

Dear Secretary Schweiker:

The State of North Carolina plans to assume responsibility for administering the Community Services Block Grant Act effective October 1, 1981.

I certify, as chief executive officer of the State of North Carolina, that this State will comply with the provisions of the Community Services Block Grant Act and meet the conditions enumerated in Section 675 of this Act.

Please find enclosed the North Carolina State Plan which describes how the State will carry out the assurances required in its annual application for funds under the Community Services Block Grant Act.

If you need additional information regarding this matter, please contact Secretary Joseph Grimsley of the North Carolina Department of Natural Resources and Community Development.

My best personal regards.

Sincerely,

A handwritten signature in dark ink, appearing to read "James B. Hunt, Jr.", written over the word "Sincerely,".

Honorable Richard S. Schweiker
Secretary
United States Department of
Health and Human Services
Washington, D. C. 20201

Enclosure



STATE OF NORTH CAROLINA
DEPARTMENT OF HUMAN RESOURCES
325 NORTH SALISBURY STREET

JAMES B. HUNT, JR.
GOVERNOR

RALEIGH 27611

SARAH T. MORROW, M.D., M.P.H.
SECRETARY

October 13, 1981

TELEPHONE
919/733.4534

Dear Secretary Schweiker:

This Department would like to request, on behalf of the State of North Carolina, a grant to aid us in examining the potential assumption of responsibility for the Primary Care block grant as provided for by P.L. 97-35, the Omnibus Budget Reconciliation Act. We would like to initiate our review as soon as funds are available.

The objectives of this review and planning endeavor would be as follows:

1. To ascertain in detail the past program objectives of the Department of Health and Human Services in the Rural Health Initiatives, and Community Health Centers programs.
2. To review the current status of Rural Health Initiatives and Community Health Centers projects in the state with particular emphasis on services delivered and conformance to Health and Human Services standards of productivity, quality of care, and reporting.
3. To develop an understanding of federal monitoring systems.
4. To identify all services currently provided projects by the regional office and federally employed consultants.
5. To develop an understanding of federal techniques of proposal review and evaluation and the funding decision-making process, sharing in several project reviews with the regional office staff.
6. To develop an understanding of federal program and financial review and to share in any on-site audits planned for the period.
7. To review with executives and board leaders of existing programs services provided by the regional office and federal contractors and secure their suggestions for improvement.

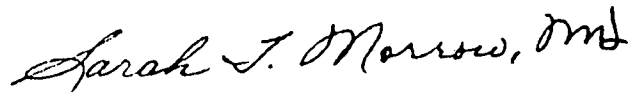
The end product of the effort would be a comprehensive picture of the task should North Carolina seek to receive the Primary Care Block Grant. A written plan of action to cover all existing services as well as such additional services as might be considered desirable would be prepared for submission to the Governor and appropriate staff of your office.

Secretary Schweiker
Page 2
October 13, 1981

The project will be assigned to our North Carolina Office of Rural Health Services which has considerable experience in primary care delivery in underserved rural areas, both in project development, operating monitoring, and fiscal oversight.

Thank you for your consideration.

Sincerely,

A handwritten signature in cursive script that reads "Sarah T. Morrow, M.D., M.P.H." with a stylized flourish at the end.

Sarah T. Morrow, M.D., M.P.H.
Secretary

The Honorable Richard S. Schweiker
Secretary of Health & Human Services
200 Independence Avenue, S.W.
HHH Building, Room 615F
Washington, D. C. 20201



DEPARTMENT OF HEALTH & HUMAN SERVICES

Public Health Service

Health Services Administration
Rockville MD 20857

OFFICE OF THE ADMINISTRATOR

OCT 27 1981

NOV 03 1981

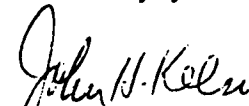
Sarah T. Morrow, M.D., M.P.H.
Secretary, State of North Carolina
Department of Human Resources
325 North Salisbury Street
Raleigh, North Carolina 27611

Dear Dr. Morrow:

This letter is to notify you that we are in receipt of your letter of October 13 advising us of your intent to apply for Primary Care Block Grant planning funds. We will notify you of procedures to request funding under this program at such time as funds are appropriated to implement this authority. Dr. Edward D. Martin, Director of the Bureau of Community Health Services, will be coordinating work on the implementation of the Primary Care Block Grant, and will contact you when additional information is available.

If we can be of further assistance, please let us know.

Sincerely yours,


John H. Kelso
Acting Administrator



STATE OF NORTH CAROLINA

OFFICE OF THE GOVERNOR

RALEIGH 27611

NOV 17 1981

JAMES B. HUNT, JR.
GOVERNOR

November 5, 1981

Dear Mr. Kelso:

Thank you for your invitation to comment on the federal primary care projects in North Carolina.

We are very proud of our Community Health Centers, and we believe they provide valuable services throughout our state. Many projects have been praised for care provided in their areas. As you might imagine, a number have come in for criticism for size of expenditures of tax dollars when compared to services delivered. I feel certain that in this time of reduced resources you will apply the various criteria mentioned in your letter in an objective manner which will encourage the efficient delivery of services. I am equally sure your evaluation will provide you adequate data on where expenditures are excessive and under-productive.

I encourage your office to make necessary financial adjustments prior to awarding any state block grants so that we will not have to initiate our role by implementing cuts made necessary by congressional action or your review.

We have applied for a Primary Care Planning grant and assigned it to our Office of Rural Health Services to study the feasibility of the State assuming the block grant.

North Carolina appreciates the support and direction you have given for this program and for the opportunity to involve our citizens who serve as board members of these projects.

My warmest personal regards.

Sincerely,

A handwritten signature in black ink, appearing to read "J. B. Hunt", written over the word "Sincerely,".

Mr. John H. Kelso, Acting Administrator
Department of Health and Human Services
Health Services Administration
Rockville, Maryland 20857



STATE OF NORTH CAROLINA
DEPARTMENT OF HUMAN RESOURCES
325 NORTH SALISBURY STREET
RALEIGH 27611

JAMES B. HUNT, JR.
GOVERNOR

SARAH T. MORROW, M.D., M.P.H.
SECRETARY

TELEPHONE
919/733.4534

November 30, 1981

The Honorable Richard S. Schweiker
Office of the Secretary
United States Department of Health
and Human Services
200 Independence Avenue, S.W.
Washington, D.C. 20201

Dear Secretary Schweiker:

The North Carolina Department of Human Resources has been designated by Governor Hunt to administer the following block grants: Social Services, Low Income Energy Assistance, Alcohol, Drug Abuse and Mental Health Services, Preventive Health and Health Services and Maternal and Child Health. We have also applied for planning funds to consider assuming the Primary Care Block Grant in Federal Fiscal Year 1983. I have asked my staff to review the block grant regulations issued in the Federal Register on October 1, 1981, so that we could submit our comments to you.

We are pleased that the regulations were published so promptly and that is a credit to you and your staff. We were also pleased that the regulations and the application process have been greatly simplified and made more flexible. We were particularly pleased that you accepted Governor Hunt's suggestion on behalf of the National Governors' Association (dated September 3, 1981) that a procedure be established for resolution of disagreements between your department and the states over the use of block grant funds, particularly for disallowances and audit exceptions.

While we are generally satisfied with the regulations, there are a number of concerns I wish to raise. First, Governor Hunt suggested that a governor be consulted before your department makes any decision of funding any entity in a state when your department is operating the block grant program, and this has not been adopted, to my knowledge.

The Honorable Richard S. Schweiker
Page 2
November 30, 1981

Secondly, I am concerned that the language in the preamble (page 48586) appears to allow an Indian tribe or tribal organization to receive direct federal funds, while its members may receive the same services from the state. This would allow a tribe or organization member to receive duplicate payments under the same block grant program. While I am supportive of such organizations being able to apply for direct grants, I do not think that the tribe or organization members should be able to receive duplicate payments. North Carolina has not interpreted this provision (Subpart D) as allowing duplicate payments, but we would like clarification. We would like clarification of this statement and would also like to have an interpretation as to whether we may impose state policy prohibiting duplicate payments in any block grant. Your prompt response to this question would be appreciated.

Finally, there is the issue of public hearings. While not a regulatory issue, this is a point I wish to raise with you. The Omnibus Budget Reconciliation Act (P.L. 97-35) appears to be inconsistent. Section 1742(c) requires public hearings, but Section 1915(b) provides different hearing requirements for the Preventive Health and Health Services Block Grant and for the Alcohol and Drug Abuse and Mental Health Block Grant; Section 2194(e) clearly exempts the Maternal and Child Health Services Block Grant from Section 1742. While we appreciate the ruling of your counsel in his August 17, 1981, memorandum and the attempt to give the states flexibility, I am concerned that these inconsistencies will result in confusion and become a basis for litigation against the state. I would like to see this matter clarified by legislation rather than merely by the interpretation noted in the preamble of the regulations.

Again, let me say that I am pleased with the regulations and the policy of flexibility and minimal red tape. I believe that the end result of this change in policy will be better adaptation of the services to clients.

Thank you for the opportunity to comment on these regulations.

Sincerely,

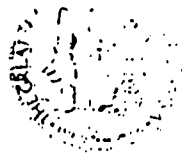


Sarah T. Morrow, M.D., M.P.H.
Secretary

11b

cc: Governor Hunt

BCC: DSS - John Syria
DHS - Ron Levine
DMH - R. J. Blackley
T.XX - Lou Christian
DBS - Earl Jennings



STATE OF NORTH CAROLINA

OFFICE OF THE GOVERNOR

RALEIGH 27611

JAMES B. HUNT, JR.
GOVERNOR

September 8, 1981

MEMORANDUM

TO: Members of the Cabinet.

FROM: James B. Hunt, Jr.

SUBJECT: Instructions on Block Grants

This memorandum provides information on the nine block grants enacted by Congress and the principles and procedures to be followed in the implementation of each one. The General Assembly has given the executive branch the authority to seek, accept, and spend federal funds, subject to certain limitations, and this memorandum follows recent discussions with the legislative leadership.

BACKGROUND

The Congress has now enacted nine new block grants that contain 57 categorical programs. The flexibility sought in the original block grant proposals has been severely restricted and the number of significant programs included has been reduced. Some of the block grants simply replace one or two existing programs with some administrative simplifications included (social services and the low-income energy program, for example); others have more ear-marking of funds and red tape than we find desirable. All of the health block grants and the community services block grant fall into this category.

The Social Services, Maternal and Child Health, and Health Prevention block grants are accompanied by funding reductions that will cause some reduction in services. These funding reductions are in addition to the reductions in other categorical programs in the reconciliation bill enacted by Congress.

States have the option of continuing to operate the categorical programs in most of the block grants as categorical programs through September 30, 1982 or of receiving funds in block grant form and administering the programs within the block in accordance with the block grant legislation and regulations yet to be written by federal agencies controlling the distribution of funds. In each case, funding would be at the reduced level specified by Congress for the federal fiscal year 1982.

Given the budget reductions proposed by the President and enacted by Congress, we must do all that we can at the state level to reduce the hurt and suffering we know will occur. We must make sure we use every program dollar as wisely as possible and that we avoid making decisions that will in any way add to the problems caused by the reductions in these programs.

PRINCIPLES

To prevent any misunderstanding of our actions on the handling of the programs included in the block grants, I am setting forth these principles to be followed by the Office of Budget and Management and all affected state agencies for the remainder of the 1981-82 state fiscal year:

1. Because of the short time period available to us before the beginning of the federal fiscal year on October 1, and in order to be as fair and equitable as possible, the 57 programs included in the nine block grants will continue to be operated in the same program form as reflected in present state and local budgets and plans, with the exception of the Low Income Energy Assistance Program.
2. For reasons of fairness and equity, program funds will be reduced in direct proportion to the reductions imposed by the Reagan administration and the Congress, unless otherwise specified by law.
3. To stretch our program dollars as far as possible, we will make every effort to reduce administrative costs for each program proportional to the reduction in direct service dollars.
4. To maintain our commitment as far as possible to the people presently served, state funds presently budgeted for affected programs will not be reduced.
5. Given the present state revenue projections and budget requirements, no state funds will be available to replace federal budget cuts during this fiscal year.

Any request for exceptions from these principles must be made in writing directly to me.

IMPLEMENTATION OF BLOCK GRANTS

Our target date for implementation of changes in the programs in the block grants is July 1, 1982. This will allow sufficient time for careful preparation of programs in each block grant and the most effective means of implementation. Our goal will be to maximize the dollars available for direct service to program recipients.

The following principles will guide preparation of program plans for implementation by July 1:

1. State regulations should be kept to a minimum.
2. State reporting, auditing, and other requirements should be at a minimum and should be aimed at assuring accountability.
3. State administrative overhead should be kept to a minimum.
4. Variations from the present program plans should be fully justified on the basis of critical need.
5. Existing budgeting and planning procedures should be used.
6. Extensive consultation with local governments and representatives of public and private organizations and agencies is to be encouraged at all levels.
7. Public hearings should be held to provide ample opportunity for private citizens, service providers, recipients, and local government officials to discuss the proposed plans.

RESPONSIBILITY

Secretary Grimsley will have primary responsibility for the implementation of the Community Services Block Grant and the Community Development Block Grant.

Secretary Morrow will have primary responsibility for implementation of the Alcohol, Drug Abuse and Mental Health Block Grant, the Primary Care Block Grant, the Preventive Health and Health Services Block Grant, the Maternal and Child Health Block Grant, the Social Services Block Grant, and the Home Energy Assistance Block Grant.

Superintendent Phillips will have primary responsibility for the Elementary and Secondary Education Block Grant.

I have asked the State Budget Office to review all requirements for auditing and fiscal reporting to assure uniformity. In addition, I am now asking Secretary Patterson to review all requirements for civil rights compliance, affirmative action, equal opportunity, and other inter-program issues to insure that we have a consistent and well defined state policy and procedure in place.

September 8, 1981
Page four

TIMETABLE

Where appropriate, federal agencies will be notified by my office prior to September 15, 1981, or as soon thereafter as possible, of the state's timetable for handling the block grants.

Each state agency should observe the following schedule in preparing and submitting information on implementation of the block grants in its agency.

September 8, 1981	----	Memorandum concerning instructions on block grants.
September 15, 1981	----	Federal agencies notified by Governor's Office of intent as to handling of block grants.
November 1, 1981	----	Agencies first report to me on status of each block grant implementation.
January 22, 1982	----	Proposed plan for each block grant submitted to Governor for review.
February 12, 1982	----	Proposed plans published for public review and comment.
March, 1982	----	Public hearings held on each plan.
April, 1982	----	Revisions in each plan.
April 30, 1982	----	Final plans published for each block grant.
May 31, 1982	----	Formal notice of intent to implement given to appropriate federal agencies.
July 1, 1982	----	Implement block grants.

The November 1 report should give the present status of programs in each block grant and how the budget reductions are being handled, as well as any problems that exist at that time or are anticipated. The report also should set forth preliminary ideas on what the programs will look like in FY 1982-83, innovations being considered, major administrative changes considered, potential for savings, and process for determining changes in service.

The November 1 report also should identify the person in each department who will be responsible for the inter-program requirements for auditing, budgeting, civil rights compliance, affirmative action, etc. I am asking Secretary Patterson and Deputy State Budget Officer Dorman to meet with this group regularly to assure consistency across state government.

I expect to keep the General Assembly fully informed throughout this process and to consult with the leadership regularly to resolve problems resulting from the block grant process.

<u>BLOCK GRANTS AND CONSOLIDATED SERVICES</u>		
<u>AREA OF SERVICE</u>	<u>Title of Block Grant</u>	<u># of Programs Consolidated</u>
<u>Health</u>	Alcohol, Drug Abuse and Mental Health	3
	Primary Care	1
	Preventive Health	9
	Maternal and Child Health	6
<u>Social Services</u>	Social Services	2
	Elementary and Secondary Education	33
<u>Community Development</u>	Community Development	1
	Community Services	1
<u>Home Energy</u>	Home Energy Assistance	1

Titles of Consolidated Programs

Alcohol Abuse
Drug Abuse
Community Mental Health

Community Health Centers

Home Health
Rodent Control
Fluoridation
Health Education
Health Incentive Grants
Emergency Medical Services
Hypertension
Rape Crisis
Risk Reduction

Maternal and Child Health and
Crippled Children
Lead-based Paint
Sudden Infant Death
Hemophilia
Genetic Diseases
Rehabilitation Services for SS Children

Title XX Social Services
Title XX Day Care
(Title XX Training)

Title I of ESEA, simplifies maintenance of effort, etc. and reduces state administration funds from 14% to 1%. Title II merges about 30 categorical programs.

Eliminates over 300,000 Neighborhood Self-help programs, Dept. of Energy Weatherization and Community Development programs.

Consolidates Community Action poverty programs in Economic Opportunity Act in Economic Opportunity Act other than Titles XVIII and X.

Only Low Income Energy Assistance programs of 1981

SOCIAL SERVICES
Social Services Block Grant

	1981 Appropriation (In Millions)
Consolidated Programs	
Title XX Services	\$2,716
Title XX Day Care	200
Title XX Training	75
	<hr/> \$2,991
1982 Appropriation (In Millions):	\$2,400
Difference:	-20%

Community Services Block Grant

	1981 Appropriation
Consolidated Programs	
Community Action Programs	
Local Initiative	\$ 394
Senior Opportunities and Services	11
State Economic Opportunity Offices	4
Community Food and Nutrition	26
Energy Conservation Services	4
Youth Sports Programs	6
Training and Technical Assistance	5
Program Administration	39
	<hr/> \$ 489
1982 Appropriation:	\$ 389
Difference:	-20%

INCOME ASSISTANCE
Low-Income Home Energy Assistance Block Grant

	1981 Appropriation
Consolidated Program	
Low-Income Energy Assistance	\$1,850
	<hr/>
1982 Appropriation:	\$1,875
Difference:	+ 1%

*Funding information not available

**This block grant does not take effect until 1983.

HEALTH
Preventive Health and Health Services Block Grant

	1981 Appropriation
Consolidated Programs	
Health Incentive Grants	\$ 36
Rat Control	*
Fluoridation	7
Risk Reduction and Health Education	14
Hypertension Control	20
Home Health Services	4
Emergency Medical Services	30
Rape Crisis	*
	<hr/> \$ 124
1982 Appropriation:	\$ 95
Difference:	-23%

Maternal and Child Health Block Grants

	1981 Appropriation
Consolidated Programs	
Maternal and Child Health Care—	\$ 387
Crippled Children's Services	
Supplemental Security Income (SSI)—	30
Disabled Children Program	
Lead-Based Paint	10
Sudden Infant Death Syndrome	3
Hemophilia	3
Genetic Diseases	13
Adolescent Pregnancy	10
	<hr/> \$ 456
1982 Appropriation:	\$ 373
Difference:	-18%

Primary Care Block Grant

	1981 Appropriation
Consolidated Programs	
Community Health Centers	\$ 326
	<hr/>
1983 Appropriation**:	\$ 303
Difference:	- 7%

**ALCOHOL & DRUG ABUSE & MENTAL HEALTH SERVICES
BLOCK GRANT**

	1981 Appropriation (In Millions)
Programs Consolidated	
Alcohol Abuse State Grants	\$ 50
Alcohol Abuse Project Grants	73
Drug Abuse State Grants	27
Drug Abuse Project Grants	164
Mental Health Services	324
	<hr/>
1981 Total	\$638
	<hr/>
1982 Authorization (In Millions):	\$491
Difference:	-22%

NEWS RELEASE from the Governor's Office

CONTACT: Gary Pearce - Stephanie Bass Raleigh, N.C. 27611 (919) 733-5612



Block Grant Hearings
Announced By Hunt

For Immediate Release
February 18, 1982

Governor Jim Hunt today announced that six public hearings will be conducted in North Carolina in order to explain the new federal "Block Grants" program and to listen to the concerns of citizens regarding the use of "Block Grant" funds.

The hearings will be in the following locations:

<u>Monday, March 22</u>	<u>Wilmington</u> - <u>UNC-W</u> South College Road Wilmington, NC 28401
<u>Tuesday, March 23</u>	<u>Washington</u> - <u>Beaufort County Community College</u> Post Office Box 1069, Highway 264-E Washington, NC 27889
<u>Thursday, March 25</u>	<u>Raleigh</u> - <u>Leroy Martin Junior High</u> 1701 Ridge Road Raleigh, NC 27607
<u>Monday, March 29</u>	<u>Winston-Salem</u> - <u>East Forsyth Senior High</u> Route 3 Kernersville, NC 27284
<u>Tuesday, March 30</u>	<u>Charlotte</u> - <u>West Charlotte High School</u> 2219 Senior Drive Charlotte, NC 28216
<u>Thursday, April 1</u>	<u>Waynesville</u> - <u>Tuscola High School</u> Route 4, Box 350 Waynesville, NC 28786

Times for each hearing:

6:30 p.m. - 7:00 p.m.	Citizens sign up to speak
7:00 p.m. - 9:30 p.m.	Actual hearing period



North Carolina

Appendix D

Block Grant Hearings

Convened by
James B. Hunt, Jr.
Governor
State of North Carolina

Monday, March 22—Wilmington/UNC-Wilmington
Welcome—**Mayor Benjamin Halterman**
Moderator—**Secretary Heman Clark**

Tuesday, March 23—Washington/Beaufort County
Community College
Welcome—**Ledru Buck**, Chairman
Beaufort County Board of Commissioners
Moderator—**Secretary William R. Roberson, Jr.**

Thursday, March 25—Raleigh/Leroy Martin Junior
High School
Welcome—**Mayor Smedes York**
Moderator—**Secretary Heman Clark**

Monday, March 29—Winston-Salem/East Forsyth
Senior High/Kernersville
Welcome—**James N. Ziglar, Jr.**, Chairman
Forsyth County Board of Commissioners
Moderator—**Secretary Jane Smith Patterson**

Tuesday, March 30—Charlotte/West Charlotte
High School
Welcome—**Mayor Eddie Knox**
Moderator—**Secretary Jane Smith Patterson**

Thursday, April 1—Waynesville/Tuscola High School
Welcome—**Edwin Russell**, Chairman
Haywood County Board of Commissioners
Moderator—**Secretary William R. Roberson, Jr.**

PURPOSE OF THE HEARINGS

1. To inform North Carolina citizens as to the nature of block grants. What are they? What programs are included in them? What do they mean for the state?
2. To listen to the views of citizens on how these block grants might best be used so that state and local governments can work together—with business, education, and private citizens—to keep North Carolina growing and progressing.

Blocks Administered by the Department of Human Resources

Alcohol, Drug Abuse & Mental Health page 3
Hughes Funds (community services), Decriminalization/Alcoholism, Community-based Alcohol Program, State Drug Abuse Prevention, 409 Funds (crisis intervention and prevention), 410 Funds (drug abuse treatment), Occupational Alcohol Program, and Community Mental Health Centers

Low Income Energy Assistance page 4
Low Income Energy Assistance, Crisis Intervention, and Weatherization

Maternal and Child Health (MCH) page 5
MCH/Crippled Children, Sudden Infant Death Syndrome, SSI-Disabled Children, Adolescent Pregnancy, Hemophilia, Genetic Disease, and Lead-based Paint Poisoning

Preventive Health Services page 6
Hypertension Control, 314(d) Health Incentive Grants, Health Education/Risk Reduction, Fluoridation, Emergency Medical Services, Rodent Control, Rape Crisis, Home Health, and Indian Health Services

Social Services page 7
Title XX Social Services, Title XX 100% Day Care, Title XX Training

Primary Care page 8
Community Health Centers

Blocks Administered by the Department of Natural Resources and Community Development

Community Services page 9
Community Action Agencies

Small Cities Community Development page 10
Existing Community Development Program

Block Administered by Department of Public Instruction

Elementary and Secondary Education page 11
Title IV-B (libraries & learning resources), Title IV-C (support and innovation), Title V-B (state education agencies), Title II (basic skills), Career Education, Federal Teacher Centers, National Diffusion Network (information dissemination), Gifted and Talented, Emergency School Aid, Arts in Education, Pre-college Science Teacher Training, Teacher Corps, Community Education, Metric Education, and Law-Related Education

Procedures For Administration of Block Grants page 12

Interagency Block Grant Task Force
Discussion of Federal Funds Administrative Manual and assurances in areas such as civil rights, affirmative action, equal opportunity, etc.

Block Grant Hearing Participants

Secretary Heman Clark
Department of Crime Control
and Public Safety

Secretary D. M. Faircloth
Department of Commerce

Secretary Joseph W. Grimsley
Department of Natural Resources
and Community Development

Secretary Sara W. Hodgkins
Department of Cultural Resources

Secretary Mark G. Lynch
Department of Revenue

Secretary Sarah T. Morrow, M.D., M.P.H.
Department of Human Resources

Secretary Jane Smith Patterson
Department of Administration

Dr. A. Craig Phillips
State Superintendent
Department of Public Instruction

Secretary William R. Roberson, Jr.
Department of Transportation

Secretary James C. Woodard
Department of Correction

Agenda Block Grant Hearings

6:30-7:30

Citizen Sign-up

Citizens who wish to express their views can sign up at the tables in the main lobby until 7:30.

7:00-7:30

General Session

Welcome—Local Official

Introduction of Hearing participants and statement of purpose
—Moderator representing Governor James B. Hunt, Jr.

Remarks

—a representative of the North Carolina General Assembly

Statement about each section and the Block Grants involved:

Human Services Block Grant Section
—Dr. Sarah T. Morrow

Community Development and Community Services Block Grants Section
—Joseph W. Grimsley

Elementary and Secondary Education Block Grant Section
—Dr. A. Craig Phillips
or Jerome Melton

Administrative Procedures Section
—Jane Smith Patterson

7:30-7:45

Citizens move to the section(s) of their choice
(Moderator will give directions to various sections during general session.)

7:45-Close

Various sections in progress

Guidelines

In an effort to see that the hearings meet their purposes and that they are conducted fairly and smoothly, the following guidelines should be followed by those who wish to present their views.

1. The moderator for each of the hearings will call for speakers in the order in which they signed up prior to the start of the hearing. In instances where more than one Block Grant is assigned to a single section, speakers will be called by Block Grants as they appear on the sign-up sheets.
2. Speakers should move quickly to the speaker's podium and state name, address, and identify group or organization if applicable.
3. Speakers have up to **three (3) minutes** to speak to the panel.
4. If speakers would like to make any written comments, they can be handed to the moderator the night of the hearing or mailed to the Coordinator of the Block Grant Programs by April 8. Written comments should be limited to two (2) pages.

Mail comments to: Coordinator of the Block Grant Programs
Governor's Office of Citizen Affairs
116 W. Jones Street
Raleigh, North Carolina 27611

Please note:

1. Technical experts on the various Block Grants will be available to respond to specific questions on Block Grants during the evening.
2. Staff members from the Governor's Office of Citizen Affairs will be available to respond to any specific problem a citizen may have dealing with State Government.

ALCOHOL, DRUG ABUSE AND MENTAL HEALTH BLOCK GRANT

Administered by the N. C. Department of Human Resources

Overview

The Alcohol, Drug Abuse and Mental Health Block Grant consolidates several former funding sources—operations and staffing grants for community mental health, alcoholism project grants, and alcoholism and drug abuse state formula grants. Grants were previously made directly by the federal government to some of the 41 area mental health, mental retardation and substance abuse programs across North Carolina. Under the new block grant, all individual grants have been combined into an expected \$8.9 million federal appropriation for fiscal year 1982-83. This is a 33 percent reduction in federal funding.

Restrictions

There are specific federal restrictions as to how these funds can be spent.

Sixty percent of the funds must be spent for community mental health services (\$5.3 million). Eight of the 41 area programs with previous federal grant commitments must continue to be funded until the original commitment expires (\$3.4 million).

To receive block grant funds area programs are required by law to provide the following:

—**Outpatient Services:** These include specialized services for children, the elderly individuals who are chronically mentally ill, and persons who have been discharged from inpatient treatment at regional mental health facilities.

—**Day Treatment:** This service is available for those persons who require less than a 24-hour treatment program in local or regional psychiatric facilities.

—**Emergency Services:** Services on a 24-hour day basis are available to provide crisis intervention to all persons confronted with an emotional crisis.

—**Screening Services:** These services are available to patients being considered for admission to state psychiatric facilities in order to assess the patient's needs, and to plan for appropriate treatment in the least restrictive setting possible.

—**Consultation and Education Services:** These services are designed to prevent mental and emotional disorders, and to provide early identification and treatment of these disorders when they occur.

Community mental health programs are further prohibited by federal law from using block grant funds to provide hospital psychiatric inpatient services.

A total of 40 percent of the block grant must be spent on alcohol and drug abuse programs. Federal law requires that a minimum of about one-third of this amount (35 percent) be spent on alcohol programs, and another 35 percent on drug programs. An additional limitation requires 20 percent of the amount for alcohol and drug abuse to be spent on prevention programs.

Options

The state has several options in using the remaining \$1.9 million. Funds could be allocated to the 41 area mental health, mental retardation and substance abuse programs for continued support of required local services. Decisions concerning funding at the local level could be decided by the local governing citizens board.

Another option is to use a portion of the block grant funds to strengthen community services for acutely and chronically mentally ill persons and thereby reduce the need for institutional services. Which of these or other options should the state choose?

LOW-INCOME ENERGY ASSISTANCE BLOCK GRANT

Administered by the N. C. Department of Human Resources

Overview

The purpose of the Energy Assistance Block Grant is to provide funds to help low-income families cope with heating fuel cost increases, and to provide emergency assistance and home weatherization. There are three components: Low-Income Energy Assistance (LIEAP), Crisis Intervention (CIP), and the Weatherization Program. The Department proposes that the county social services agencies determine eligibility for fuel assistance payments and operate the Crisis Intervention Program, and that the Department of Commerce (Energy Division), operate the Weatherization Program. The amount of funding for fiscal year 1982-83 (based on this year's allocation) is \$33.1 million.

Description of Services

The Low-Income Energy Assistance Program provides a one-time payment to eligible households to help pay heating bills. It is not intended to pay all of the household's heating bills. In fiscal year 1981-82, approximately 143,000 families received average payments of \$147. The payments varied from \$60 to \$514 depending upon the number in the household, their income, the climatic region of the state and the type of fuel used. The Department proposes to continue setting payments according to these criteria. While payments have been made directly to qualified households in the past, the Division of Social Services is currently studying the feasibility of making payments directly to fuel suppliers on behalf of qualified households. An important issue to consider is whether payments to fuel suppliers are preferable and more cost effective than payments made directly to households.

The Crisis Intervention Program is proposed to assist low-income people when a heating related crisis occurs. Under this proposal, allocations would be provided to county departments of social services based on the estimated number of eligible households. The maximum benefit per household would be \$200. County departments would be given flexibility in payment methods (direct payments, vendor payments, in-kind services, etc.). This proposal would transfer funds to the Department of Commerce, Energy Division, to administer the Weatherization Program. It is proposed that the maximum assistance for weatherization activities be \$1,000 per home. An important issue to be considered is whether the maximum benefit per household is sufficient.

Restrictions

The federal government placed certain restrictions on the use of the energy assistance block grant funds. No more than 10 percent of the block grant can be used for the state's administrative costs, and up to 15 percent of allocated or available energy assistance funds may be used for low-cost residential weatherization or other energy related home repairs for low-income households. Federal restrictions also govern income criteria, which must not exceed 150 percent of the non-farm poverty level.

Eligibility Criteria

Households will qualify for the Low-Income Energy Assistance Program if their countable income is at or below the non-farm poverty level (\$621 per month for a family of four, \$316 per month for a family of one); their assets have a value of \$2200 or less; and they are subject to rising costs of heating. Families with private living arrangements (whether they rent or own) will be considered fully subject to rising heating costs. However, families in public housing or those who receive Section 8 rent subsidies will be considered only partially subject (and thus eligible for a percentage of a fuel payment) if they are responsible for a portion of their heating bills. Certain income and assets are not counted including the income of a child under 18 (if in school) and the value of household belongings.

Families will be eligible for the Crisis Intervention Program and for Weatherization Assistance if their income is at or below 150 percent of the 1980 non-farm poverty level (\$931 per month for a family of four, \$474 per month for a family of one). Under the Crisis Intervention Program, households must be experiencing a life-threatening or health related emergency situation, and be unable to obtain help from any other source.

An issue to consider is whether or not the level of income required for eligibility for the Crisis Intervention Program should be changed. The state could set the income level at 135 percent of the non-farm poverty level, which is \$828 per month for a family of four and \$426 per month for a family of one. Fewer people would be eligible, but payments to individual households would be higher if the income level is changed. Should the state continue the income eligibility level at 150 percent of the non-farm poverty level?

Under the Weatherization Program, the Department proposes to give special consideration to providing assistance to elderly and handicapped persons, persons currently receiving weatherization assistance, and those whose homes are in the poorest condition, and therefore have the highest fuel costs.

MATERNAL AND CHILD HEALTH BLOCK GRANT

Administered by the N. C. Department of Human Resources

Overview

For many years federal dollars have been allocated to North Carolina to ensure that low-income pregnant women and their babies have a chance at a healthy life. The federal funding provided prenatal care, delivery services, family planning services, newborn nursery services, care for children with both treatable crippling conditions and lifelong handicaps and other services designed to give children a healthy start in life.

The Maternal and Child Health Block Grant to states combines and reduces the funding for the following five programs: maternal and child health/crippled children's program; supplemental security income disabled children's program; lead-based paint poisoning prevention program; sudden infant death syndrome (SIDS) program; and adolescent pregnancy program.

Most of these services have been offered to citizens at local health departments across the state. The state is expecting a reduction in federal funds of 20-25 percent in the areas in the Maternal and Child Health Block Grant.

Restrictions

The federal government placed certain restrictions on the ways these funds can be used. First, the U.S. Health and Human Services Department reserved 10-15 percent of the block grant for special projects; secondly, existing genetic disease and hemophilia programs must continue. State health agencies are required to operate the block grant and it must be administered by an HHS agency with expertise in maternal and child health services. A reasonable proportion of funding, based on previous funding patterns in each state must be used for each of several purposes: reducing infant mortality, reducing preventable diseases and handicapping conditions, increasing maternity care, immunization, and increasing assessments of and service to low-income children.

Description of Services

After careful study, the North Carolina Department of Human Resources is considering the following priorities for the various major components of the Maternal and Child Health Block Grant:

1. **Preventive, Diagnostic and Treatment Services for Women and Children**—About 64 percent of the funds are proposed to support prenatal, delivery, family planning and newborn nursery services, and basic health and treatment services (including immunizations) for children. Studies indicate that these services offer the most benefits per dollar spent. This does not include the adolescent pregnancy program funds because they have not been received in the past by North Carolina and the needs of the adolescent are being supported by other funding sources. Prevention has always been a major focus of maternal and child health funds. Should this emphasis be continued?

2. **Specialized Care for Disabled Children**—About 35 percent of the block grant funds are proposed to support diagnostic and treatment services in physician's offices, hospitals and other health care facilities. This approach promotes the earliest possible diagnosis and treatment of disabilities so treatment will be effective and health care costs reduced. The Department proposes to combine the former crippled children's program with the former disabled children's program which will enable the Division of Health Services to cut administrative costs and provide better medical coverage.

One percent of the block grant money has been tentatively proposed to continue our grief counseling program for the parents of babies who die suddenly and unexpectedly, and for the study of lead poisoning among infants and children.

PREVENTIVE HEALTH SERVICES BLOCK GRANT

Administered by the N. C. Department of Human Resources

Overview

The Preventive Health Services Block Grant is designed to help low-income individuals and families reduce the risk of preventable illness and early death, and to improve their quality of life through better health. This grant combines and reduces funding within nine program areas. In the past, North Carolina received separate federal funding for five of the nine programs—Emergency Medical Services, Fluoridation, Health Education/Risk Reduction, Health Incentives Grants (314-D) and Hypertension Control. In addition, a new program—rape crisis/rape prevention—was funded during federal fiscal year 1981-82 and is being administered by the N.C. Council on the Status of Women. The state expects an overall reduction in federal funds of 25 percent during fiscal year 1982-83 in the Preventive Health Services Block Grant.

Restrictions

Under the federal guidelines, a state may transfer up to seven percent of its allocation in this block grant to other health block grants; no more than 10 percent of the money can be used for state administrative costs; each state must send in a report to assure the federal government of quality, fairness and the appropriateness of the expenditure; high blood pressure program must be funded at a minimum of 70 percent of the funds it received during federal fiscal year 1980-81; for emergency medical services systems that received funds during federal fiscal year 1980-81, funding must be provided although no minimum funding level is specified.

Description of Services

1. **Emergency Medical Services**—Approximately 48 percent of the total block grant funds are proposed to support emergency medical services across North Carolina. Emergency medical services have been shown to reduce death and disability in two of the top five leading causes of death in North Carolina—heart disease and accidents.

2. **Health Incentive Grant (314-D)**—16.8 percent of this grant is tentatively earmarked for support to local health departments for basic public health services.

3. **High Blood Pressure Control**—It is proposed that 13.4 percent of the funds be used in local health departments to provide screening and health education for those with borderline blood pressure, referral to physicians for those with high blood pressure, and monitoring through industry and community organizations for those under treatment. High blood pressure is the leading cause of heart disease and stroke in the state.

4. **Health Education/Risk Reduction**—Approximately 11.3 percent of the federal block grant is proposed to provide counseling to young persons to help them improve their health. Many diseases, including some cancers and heart conditions, can be prevented through good health practices. The funds would go to local health departments and/or school systems.

5. **Fluoridation**—Approximately 7.5 percent of the block grant is proposed to be used to provide water supply fluoridations for the prevention of tooth decay. The school water fluoridation program in North Carolina is one of the largest in the nation. It is proposed that during 1982-83 funds from this grant will continue to maintain existing school fluoridation projects.

SOCIAL SERVICES BLOCK GRANT

Administered by the N. C. Department of Human Resources

Overview

The Social Services Block Grant is a renaming of the old Title XX program with reduced funding and regulations. Its purpose is to provide funds to states to help people with special needs to achieve and maintain a greater degree of economic self-sufficiency, and to prevent neglect, abuse, or exploitation of children and adults who are unable to protect their own interest.

The primary providers of these services are the one hundred county departments of social services. Other agencies receiving Title XX funds include local health departments, area mental health centers, the State Division of Services to the Blind, United Cerebral Palsy, and the Easter Seals Society.

The block grant combines funds which in the past were in three separate categories: Title XX Services, Title XX 100 percent Day Care, and Title XX Training. Last federal fiscal year, North Carolina received over \$76 million. Our estimated share for fiscal year 1982-83 will be less than \$62 million which is a 19 percent reduction over the previous year. The exact amount will not be known until Congress acts on these appropriations.

Description of Services

Part of the funds within this block grant have been used to help meet the rapidly growing demand for day care services for children and in-home services for the elderly. Because North Carolina has more working mothers than any state in the Union, it is vitally important that these services be available. Also, with the growing number of citizens over 65, more and more requests are being made for in-home services to help enable our senior citizens to remain in their own home. In-home services include chore and homemaker services, adult day care, and preparation and delivery of meals. Twelve services are mandated to be provided in every county. Five of these are required by state law: foster care services for adults and children, protective services for adults and children, and adoption services. Should these requirements be kept? Nineteen other services may be provided at the discretion of local governments.

Current Eligibility Criteria

Eligibility for Title XX services is determined by need and by income. All recipients of Supplemental Security Income (SSI) and Aid to Families with Dependent Children (AFDC) are eligible. When income is considered, \$16,252 for a family of four has been established as a maximum level. This figure is adjusted according to family size.

Three services are available under Title XX without regard to income. They are protective services for children, protective services for adults, and information and referral services.

Five services under Title XX require fees to be paid based on the income level of the family. They include day care services for children, day care services for adults, chore services, homemaker services, and preparation and delivery of meals. One question to be addressed: are current eligibility requirements satisfactory?

Allocations

County departments of social services are proposed to receive approximately \$45 million for FY 82-83. A little less than \$6 million is proposed to be used in mental health programs such as treatment programs for the emotionally disturbed, and alcohol and drug abusers. Nearly \$3 million is suggested for services provided by the Division of Services for the Blind. More than \$1.5 million is proposed to go to local health departments to provide family planning. Approximately \$1.4 million is proposed to be used for training of Title XX service providers.

Proposed Administrative Changes

Administration of this grant has become increasingly complex over the years. The Department of Human Resources proposes to eliminate unnecessary red-tape and bureaucracy. The Department is currently exploring ways to simplify county matching and spending requirements. Also under consideration is a proposal to provide additional services without regard to income—adoption services, foster care services for children, and foster care services for adults. This would save time being spent determining eligibility for children and other dependent persons. Burdensome requirements for contracting and purchasing, once required by the Federal Government, are proposed to be changed to make them consistent with procedures prescribed by the state. Are there other ways administrative time and costs can be further reduced?

PRIMARY CARE BLOCK GRANT

Administered by the U.S. Department of Health and Human Services

Overview

The Primary Care Block Grant combines funds that are currently going directly to community primary health care centers and offers them to the states to administer. To this point, **North Carolina has not chosen to accept this block grant.** The federal government is continuing to fund the community health centers directly.

The purpose of the federal government in offering the grant is to give to the states the authority to provide funds to public and to private non-profit entities for planning, development and operation of community health centers, to support the delivery of family oriented health services in medically underserved areas and to provide ties between primary care centers, specialty, and inpatient centers and major medical centers.

The block grant would combine and reduce funds previously allocated for community health centers and primary care research and demonstration.

Restrictions

An annual application for the block grant funds to the federal government is required. The application must certify compliance with eight assurances of quality, fairness and appropriateness of the expenditure. Additional reports are required annually after the funds have been spent. All centers funded in federal fiscal year 1981-82, must be funded proportionately in federal fiscal year 1982-1983. If the state wished to stop funding a center, the U.S. Department of Health and Human Services would have to approve. In fiscal year 1982-83, a 20 percent state match is required, in fiscal year 1984 a 33 percent match is required.

Should the state choose not to administer the grant, the U.S. Department of Health and Human Services will continue to fund the centers directly. Currently, North Carolina contributes 2.69 percent of the funds to the centers. In federal fiscal year 1981-82 the centers received \$8,771,000. In federal fiscal year 1982-1983 those funds will be cut to \$8,164,000. Given the budget reductions and federal restrictions, the state would be unable to do anything more than continue current centers at reduced funding. Should North Carolina assume the responsibility for the Primary Care Block Grant?

COMMUNITY SERVICES BLOCK GRANT

Administered by the N.C. Department of Natural Resources
and Community Development

Introduction

Effective October 1, 1981, the North Carolina Department of Natural Resources and Community Development assumed responsibility for administering the new Community Services Block Grant program. This program abolished the Community Services Administration (CSA) as an independent federal agency and authorized the U.S. Department of Health and Human Services to make grants to states for programs and services having a measurable impact on the causes of poverty in the state. The grant allows for a wide range of activities designed to "assist low-income participants in the areas of employment, education, better use of available income, housing, emergency assistance, community involvement, and more effective use of other programs."

Eligible Participants

Individuals who fall below poverty guidelines, as established by the Federal Office of Management and Budget, may receive services from a funded agency.

Funding Levels

Although subject to later revision depending upon Congressional budgetary action, North Carolina has been allotted \$9,370,898 for the 1981-1982 fiscal year by the U.S. Department of Health and Human Services. If the rules remain the same in fiscal year 1982-1983, North Carolina will receive 2.7 percent or \$2.7 million of the President's proposed \$100 million Community Services Block Grant budget. This is a reduction of 70%.

Fiscal Year 1981-1982 Program Administration

The state's fiscal year 1981-82 plan, in keeping with federal requirements, targets 90 percent of the funds to the thirty-four (34) state Community Action Agencies (CAA) that received CSA local initiative funding in fiscal year 1981-1982. These grant levels are based on the community action agency's percentage of the statewide grant in fiscal year 1981-1982.

In addition to using 90 percent of the funds to support CAA programs, five percent will be used to fund other non-profit organizations which meet the board membership requirements of the Act and are chartered to perform one or more of the purposes outlined above. The remaining five percent of the funds will be used for program administration and technical assistance.

Program Description

The North Carolina program represents a significant change in emphasis from the Community Services Administration's Program that it replaces. Under that program, many grant recipients (principally Community Action Agencies) used the funds to build and maintain their administrative capacity and to provide administrative support for other funding programs providing direct services to the poor. The State of North Carolina program will make grants which emphasize program delivery rather than administration, thus establishing a basis for future evaluation of the program to determine its success in meeting program goals.

Agencies eligible to administer local community services block grant programs in fiscal year 1982-1983 are:

- A. **Community Action Agencies:** Non-profit corporations whose boards include the poor, the public sector, and the private sector and were designated as community action agencies under the Economic Opportunity Act of 1964 and whose major purpose is to eliminate the causes of poverty through total community involvement.
- B. **Non-Profit Agencies:** Other non-profit organizations which meet the board membership requirements of the Act and are chartered to perform one or more purposes outlined above.
- C. **Political Subdivisions:** Municipal and county governments.
- D. **Organizations Serving Seasonal or Migrant Farmworkers.**
- E. **Indian Tribes and Organizations.**

Administration

The Community Services Block Grant program will be administered by the Division of Economic Opportunity in the Department of Natural Resources and Community Development. Up to five percent of the states' allocation can be used for program administration. The state will receive applications in October of this year. For further information contact: John W. Edwards, Director, Division Economic Opportunity, Department of Natural Resources and Community Development, P. O. Box 27687, Raleigh, North Carolina 27611, 919/733-2633.

SMALL CITIES COMMUNITY DEVELOPMENT BLOCK GRANT

**Administered by the N.C. Department of Natural Resources
and Community Development**

Introduction

Congress recently enacted amendments to the Housing and Community Development Act of 1974 which gives states broad new authority in the area of community development. Beginning in fiscal year 1981-1982, this legislation offers to the State of North Carolina an opportunity to administer the Small Cities Community Development Block Grant (CDBG) Program. This program, previously administered by the U.S. Department of Housing and Urban Development, has historically been a source of significant financial aid for local governments in North Carolina. Over the past six years, North Carolina communities have received almost \$200 million in direct grants for community development programs.

Funding Levels

In fiscal year 1981-1982, North Carolina was allocated \$46,374,000 for the Small Cities CDBG program. Under the President's fiscal year 1982-1983 budget proposals, the CDBG program will be funded as it was the year before. Thus, North Carolina's funds for the CDBG program are not expected to change.

Program Description

In cooperation with the Local Government Advocacy Council and many interested local officials, the Division of Community Assistance, Department of Natural Resources and Community Development, has been preparing a proposed design for state administration of the CDBG program. Public hearings will be held on the proposed program design. Since no major changes are anticipated in federal legislation regarding the CDBG program, the program design should not change substantially in 1983.

Funds will be distributed to local governments for community development projects on the basis of competitive applications. All counties are eligible to apply for funds. All cities, with the exception of Asheville, Winston-Salem, High Point, Greensboro, Burlington, Charlotte, Gastonia, Concord, Salisbury, Durham, Raleigh, Fayetteville, Jacksonville, Wilmington and Hickory, who will continue to receive funds directly from the U.S. Department of Housing and Urban Development, may also apply.

Community Development funds must be used to meet at least one of the following objectives:

- (1) benefit low and moderate income persons;
- (2) remove or eliminate slums and blight;
- (3) meet urgent health and welfare needs

Local governments may undertake a wide range of eligible activities to further these objectives. Eligible activities include acquisition of real property, construction of public works and facilities, housing code enforcement, relocation assistance, housing rehabilitation and provision of assistance to public and private entities to carry out economic development activities.

Applicants may seek funding under four categories: Community Revitalization, Economic Development, Urgent Needs/Contingencies and Development Planning. The maximum annual grant amount any locality may receive will be \$750,000. No local match will be required.

Administration

The Small Cities Community Development Block Program will be administered by the Division of Community Assistance, Department of Natural Resources and Community Development. Up to two percent of the state's allocation can be used for program administration; the state must match all federal administrative funds on a dollar for dollar basis. The state anticipates inviting applications for fiscal year 1982-1983 in February 1983 and awarding grants in April 1983. For further information contact: Sandra P. Babb, Director, Division of Community Assistance, Department of Natural Resources and Community Development, P. O. Box 27687, Raleigh, North Carolina 27611, 919/733-2850

ELEMENTARY AND SECONDARY EDUCATION BLOCK GRANT

Administered by the N.C. Department of Public Instruction

General Description

Chapter 2 of Education Consolidation and Improvement Act establishes a single block grant to states by consolidating 42 categorical programs.

Distribution of Funds

Of the grants to the states at least 80 percent will be distributed to local educational agencies primarily on a school enrollment basis but weighted by extra cost factors such as concentrations of poverty or handicapped children. Local education agencies may spend their funds for any of the purposes previously allowed under the 42 programs which have been consolidated. Private school children and teachers (in eligible schools) are to participate equitably in the benefits of the programs. Up to 20 percent of the state grant may be used by the state for efforts such as providing services to local school systems and for administering the program. These administrative costs will likely be less than five percent. Final decisions on fund distribution have not yet been made.

Advisory Committee

A state advisory committee has been appointed by the Governor to advise the state educational agency on the allocation of funds and operation of the program. Membership on the advisory committee represents public and private school children, teachers, parents, local boards of education, local and regional school administrators, institutions of higher education, and the General Assembly. Members also represent all areas of the state.

Available Funds

Congress has not yet appropriated a final figure for Chapter 2. However, we estimate that North Carolina could receive approximately \$11 million dollars. Funds will be available for use in North Carolina during the 1982-83 school year.

Authorized Use of Funds

Funds may be divided among these areas: **Basic Skills Development, Educational Improvement and Support Services, and Special Projects.**

For **Basic Skills Development**, school districts are to make plans for a systematic strategy for improving the basic skills instruction for all children at the school building level, involving teachers, administrators, and (to the extent practicable) parents and utilizing all available resources in a comprehensive program. States may also support activities to enlist the assistance of parents and volunteers to improve the performance of children in the basic skills.

For **Educational Improvement and Support Services**, state and local educational agencies may use the funds for acquisition of school library resources, textbooks, and instructional materials; to improve local educational agency practices; to assist local school districts to address educational problems caused by the isolation or concentration of minority-group children in certain schools; for guidance and counseling; to improve management of school programs; for teacher training and inservice staff development; and to assist local education agencies to meet the needs of children in schools undergoing desegregation.

For **Special Projects**, state and local education agencies may use the funds for programs including: understanding the metric system; emphasizing arts in the curriculum; in-school partnership; consumer education; preparing students for employment; career education; environmental education; health education; education about the American system of law; academic and vocational education for youth offenders; encouraging disadvantaged students in biomedical careers; use of public education facilities for community centers; meeting the special needs of children with high performance capability; promoting school safety and reducing school vandalism; and ethnic heritage studies.

Percent Cut

Anticipated funding levels for the 1982-83 school year should be at or slightly above the current 81-82 school year level.

Further Information

For answers to specific questions, you may contact Dr. Weaver B. Rogers, Director, Education Consolidation, Education Building, Raleigh, North Carolina 27611, phone 919/733-3614.

PROCEDURES FOR ADMINISTRATION OF BLOCK GRANTS

Interagency Block Grant Task Force

Introduction

Numerous questions have been raised about the administrative aspects of block grants. An Interagency Block Grant Task Force has been established to resolve these questions by developing and implementing a Federal Funds Administrative Manual. The Task Force committee is comprised of representatives from the Offices of State Budget and Management, Policy and Planning, the State Treasurer and the State Auditor, the Departments of Administration, Human Resources, Public Instruction, and Natural Resources and Community Development and from the Fiscal Research Division of the N. C. General Assembly. The interagency committee, similar to those formed by other states, has addressed immediate concerns in the transition from categorical grants to block grants. Recognizing that the state will assume a much greater responsibility in the future for the administration of grant programs, the task force decided to develop a statewide procedures manual for the administration of federal block and categorical grants.

The first phase of this effort will focus on the development of uniform state administrative procedures for all the block grants. The second phase will involve expanding the manual to also cover the administration of categorical federal programs. When complete, state and local officials in North Carolina will have a single reference guide for state administration of federal programs.

Manual Users

The manual is being prepared for use by many different groups and personnel; however the prime user is expected to be the local recipient of the grant funds, both governmental and non-profit organizations.

Purpose and Contents

The administrative manual will serve as a guideline to the statewide procedures and requirements to be used during the process of planning for grants (hearings and application), budgeting and accounting for funds, and for the reporting of fiscal and non-fiscal data. The manual will also include a statement of state policy relating to the aspects of receiving and disbursing grant funds. Another major component of the initiative is the development of uniform state assurances in areas such as civil rights, affirmative action, equal employment opportunity, and others.

The manual will attempt to correct the problem of multiple planning, reporting, budgeting, and assurance requirements, i.e., procedures required by one program, grant, or level of government but which seldom if ever are used to satisfy the requirements of other programs, grants, or levels of government. Some remaining federal categorical programs undoubtedly will continue to have some highly detailed and burdensome administrative requirements that cannot be incorporated into the procedures manual; nevertheless, the identification of these will assist in ongoing efforts by the state to simplify and streamline federal administrative requirements.

Effective Date

The manual is being developed with an anticipated effective date of July 1, 1982. There is a possibility that the manual will be available for distribution by late spring, 1982.

"The most important questions to be addressed at these hearings are: How will North Carolina respond in this time of fundamental change? How will our state government and our local governments work together—with business, education and private citizens—to keep North Carolina growing and progressing?

"I have long believed that the states should take on greater responsibilities, and I am glad to see that idea being taken seriously in Washington today. I want North Carolina to show the rest of the nation how it can be done. But we cannot do it without a working partnership between state and local government and without listening and talking to people all across this state."

Statement by
Governor James B. Hunt, Jr.
Thursday, February 18, 1982,
announcing the Block Grant Hearings

Governor's Office
of Citizen Affairs
116 W. Jones St.
Raleigh, N.C. 27611

**Thursday
October 1, 1981**

Part XI

**Department of
Health and Human
Services**

Office of the Secretary

**Block Grant Programs; Final Rules on
Implementation; Revocation of
Categorical Health Grant Regulations; and
Changes in Requirements**

**Final Rules on
Implementation;
Revocation of
Categorical Health
Grant Regulations;
and Changes in
Requirements**

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Office of the Secretary

45 CFR Parts 16, 74, and 96

Block Grant Programs

AGENCY: Office of the Secretary, HHS.

ACTION: Interim Final Rules with Comment Period.

SUMMARY: These rules implement seven block grant programs established by the Omnibus Budget Reconciliation Act of 1981 (Pub. L. 97-35). The block grants replace a large number of programs now administered by the Federal Government, transfer primary responsibility for their administration to the States, and confer substantial discretion on the States as to use of the block grant funds.

DATE: Effective October 1, 1981.

ADDRESS: Comments on these rules should be submitted by November 30, 1981; to: Executive Secretariat, Attn: Charlotte Lewis, Department of Health and Human Services, Room 632-H, Humphrey Building, 200 Independence Avenue SW., Washington, D.C. 20201.

FOR FURTHER INFORMATION CONTACT: For information pertaining to the block grants generally, contact: Glenn Kamber, Deputy Executive Secretary (Regulations), Room 631-H, Humphrey Building, 200 Independence Avenue SW., Washington, D.C. 20201, (202) 245-3160.

For information on particular block grants, contact the following individuals:

Community services and social services:
Michio Suzuki, Deputy Director, Office of Program Coordination and Review, 200 Independence Avenue SW., Room 308E, Washington, D.C. 20201, (202) 245-7027.

Preventive health and health services:
For technical assistance: Tom G. Ortiz, Assistant to the Director for Field Activities, Centers for Disease Control, 255 E. Paces Ferry Road NW., Room 2055, Atlanta, Georgia 30333, (404) 329-3850.

For fiscal and grants management assistance: Leo A. Sanders, Chief, Grants Management Branch, Centers for Disease Control, 255 E. Paces Ferry Road NW., Room 107A, Atlanta, Georgia 30305, (404) 262-8575.

Alcohol and drug abuse and mental health services:
Richard A. Millstein, Acting Associate Administrator for Program Planning and Coordination, 5600 Fishers Lane, Room 13-C-05, Rockville, Maryland 20857, (301) 443-4564.

Maternal and child health services and primary care:
James Corrigan, Deputy Director, Bureau of Community Health Services, 5600 Fishers Lane, Room 7-05, Rockville, Maryland 20857, (301) 443-1363.

Low-income home energy assistance:
Norman Thompson, Deputy Director, Energy Group, Office of Energy Assistance, P.O. Box 23367, L'Enfant Plaza, Washington, D.C. 20024, (202) 245-2086.

SUPPLEMENTARY INFORMATION: The Omnibus Budget Reconciliation Act of 1981 (Pub. L. 97-35) ("the Act") established seven block grant programs to be administered by the Secretary of Health and Human Services:

(1) The community service block grant is established by sections 871-883 of the Act and replaces the following programs now administered by the Community Services Administration under the Economic Opportunity Act of 1964:

Community Action/Local Initiative
Senior Opportunities and Services
Community Food and Nutrition

(2) Section 901 of the Act amends the Public Health Service Act by adding a new Title XIX, which contains three block grants. The preventive health and health services block grant established by section 901 replaces the following categorical grant programs:

Rodent Control
Fluoridation
High Blood Pressure
Health Incentive
Home Health
Emergency Medical Services
Risk Reduction/Health Education
Rape Crisis

(3) The second block grant established by section 901 is the alcohol and drug abuse and mental health services block grant, which replaces the following programs:

Alcoholism State Formula Grants
Alcohol Abuse and Alcoholism Project Grants and Contracts
Special Grants for Uniform Alcoholism Intoxication and Treatment Act
Drug Abuse State Formula Grants and Contracts
Drug Abuse Project Grants
Mental Health Services

(4) The third block grant established by section 901 is the primary care block grant, which replaces the following programs:

Community Health Centers
Primary Care Research and Demonstrations

(5) Section 2192 of the Act amends Title V of the Social Security Act to establish a maternal and child health services block grant. This block grant replaces the following programs:

Maternal and Child Health
Crippled Children Service
SSI Disabled Children
Hemophilia
Sudden Infant Death Syndrome
Lead-Based Paint Poisoning Prevention
Genetic Diseases

Adolescent Pregnancy

(6) Section 2352 of the Act amends Title XX of the Social Security Act to establish a social services block grant.

(7) A low-income home energy assistance program is authorized by sections 2601-2611 of the Act to replace the Home Energy Assistance Act of 1980.

The Secretary has determined that the Department should implement the block grant programs in a manner that is fully consistent with the congressional intent to enlarge the States' ability to control use of the funds involved. Accordingly, to the extent possible, we will not burden the States' administration of the programs with definitions of permissible and prohibited activities, procedural rules, paperwork and recordkeeping requirements, or other regulatory provisions. The States will, for the most part, be subject only to the statutory requirements, and the Department will carry out its functions with due regard for the limited nature of the role that Congress has assigned to us.

Transition to State Operation

Timing of Transition

States are eligible to receive funds under six of the seven block grants beginning October 1, 1981. The exception is the primary care block grant, which does not become effective until October 1, 1982.

Of the six block grants that become operative this year, four are subject to transition provisions that permit a State to initiate operation under the block grants on October 1, 1981, or at the beginning of any subsequent quarter (January 1, April 1, or July 1, 1982). The four block grant programs subject to these transition provisions are community services, preventive health and health services, alcohol and drug abuse and mental health services, and maternal and child health services. During the period that the State is not obtaining funds under the block grants, the Department will administer the existing programs. The transition period is fiscal year 1982 only; the Department has no authority to operate the existing programs replaced by these four block grants after September 30, 1982.

A State must assume operation of a block grant in its entirety. A State may not assume control over only a portion of the block grant while requesting the Department to operate some of the programs that Congress has replaced with that block grant.

The social services and low-income home energy assistance block grants are not subject to the transition provisions

in section 1743 of the Act because they do not come within the provisions of section 1741(b) of the Act. That section limits application of the transition provisions to funds that previously went to local governments or other eligible entities and in the future will go directly to the States. Since the social services and low-income home energy assistance funds previously went directly to the States, no transition is provided for. The two programs become effective on October 1, 1981.

In order to receive funds for the quarter beginning October 1, 1981, a State's application and related submission (discussed below) must be received by the Department by September 30, 1981, in the case of the community services, preventive health and health services, and alcohol and drug abuse and mental health services block grants. The Department will promptly review and act on all applications. Section 2194(b)(1) of the Act requires that a State notify the Department by September 15, 1981, of its request for funds under the maternal and child health services block grant if the State desires to begin receiving funds for the quarter beginning October 1, 1981.

The Department has worked extensively with the States to facilitate transition and carry out the congressional intent that the States qualify for the block grant funds as soon as possible. Since passage of the Act, Department program officials have been providing technical assistance to the States so they can meet the deadlines and requirements in the law.

Section 682(b) of the Act requires States to notify the Department prior to October 1, 1981, if they do not intend to seek community services block grant funds for the quarter beginning October 1 but instead desire the Secretary to operate the programs. Similar notice is required 30 days prior to the beginning of each subsequent quarter. If a State does not notify the Department as to whether it desires to obtain block grant funds or to have the Department administer the program during the quarter, we will consider the State to have requested the Department to operate the programs. There is no indication in the Act or its legislative history that Congress intended the programs to terminate if a State failed to notify the Secretary as to its desires, and the Department will therefore continue to operate the programs until otherwise advised by the State.

Policies During Continued Federal Operation

With respect to the four block grants subject to the transition provisions, the Department will operate the programs replaced by each block grant generally in accordance with current policies until a State qualifies for the block grant. Renewal grants may be made to current grantees as their grants expire during the course of fiscal year 1982. If such grants are made, they will ordinarily cover the same period of the grantee's operation as is now the practice (but not to exceed one year) although the amount of the grant will normally be reduced because of the reduced funds available. The 30-day consultation and State review process set forth in Office of Management and Budget Circular A-95 (41 FR 2052) will continue to be used. All awards will be made from FY 1982 funds. Thus, even though a grantee may in the third quarter of FY 1982 be awarded sufficient funds for one year's operation, such funds would not reduce the allotment of FY 1983 funds available to the State. The Department will remain responsible for monitoring and auditing all awards made by it even after the State has begun receiving funds under the block grant involved.

Current regulations governing the programs replaced by the block grants, including regulations published by the Community Services Administration in the Federal Register on August 31, 1981 (46 FR 43690) as corrected on September 3, 1981 (46 FR 44189), will remain in effect for the transition period. A document published elsewhere in this issue of the Federal Register reduces Federal requirements with respect to some of these programs.

Application Process

Required Submissions

The Act requires a State to make an annual submission to the Secretary with respect to each block grant prior to receiving funds. The Secretary is not prescribing any particular format for the submission or elaborating its contents beyond what is specified in the Act. Each State should simply insure that its submission satisfies the statutory requirements.

For all but one of the block grants, the submission consists of an application containing specified assurances and (for the community services and low-income home energy assistance block grants) a plan describing how the State will carry out the assurances or (for the health-related block grants) a description of the intended uses of the funds. The social services block grant requires only a report on intended uses of the funds.

The Department will review the submissions to determine that they are complete and in accordance with statutory requirements. Funds will be made available to any State filing a complete submission.

Section 1742(a) of the Act requires the States to prepare an annual report on the proposed use of three block grant funds that contains certain specified information. We interpret this section as identifying information that a State is to include in the plan required to be submitted with respect to the community services block grant and in the description of the intended uses of funds required with respect to the preventive health and health services and alcohol and drug abuse and mental health services block grants.

Public Participation

The Act requires the States to subject the various plans and descriptions of intended uses to public comment. The manner in which a State obtains public comment is at the State's discretion so long as statutory requirements are met. Public comment must be obtained before the plan or description is made final.

The Act also requires the States to conduct public hearings on the proposed use and distribution of funds under the community services, preventive health and health services, alcohol and drug abuse and mental health services, primary care, and low-income home energy assistance block grants. The hearings must be conducted by the State legislature, except that the hearings with respect to the low-income home energy assistance block grant may be conducted by any unit of the State government. The manner in which these hearings are conducted is in the State's discretion so long as statutory requirements are met.

No hearings are required for a State to receive its first year's allotments. Although section 1742(c) of the Act establishes a general requirement for public hearings during the first year for block grants, that provision is superseded by the specific provisions elsewhere in the Act exempting the first year from the requirement for a public hearing.

Funding Information

Allotments to States

The Department will determine the amount of funds to be allocated as block grants to each State in accordance with the formulas established in the Act. The Office of Management and Budget (OMB) has authority to apportion to the Department through the course of a year

the congressional appropriation for the block grants. Consistent with OMB's apportionment of funds, the Department will assign allotments to the States through individual awards or a series of awards.

During the fiscal year beginning October 1, 1981, a special procedure will be followed. The size of the State allotments for this coming fiscal year cannot now be determined with certainty for several of the block grants because the allocation formulas are based on the amount of funds awarded for fiscal year 1981, which ends September 30, 1981. Thus, the correct amount of the allotments cannot be determined until after the end of the current fiscal year. Accordingly, on October 1, 1981, the Department may award each State that has qualified for a block grant a portion of its estimated total allotment under that block grant. After the precise allotments have been determined, a revision in the award would be made.

If a State does not assume operation of a block grant on October 1, 1981, but instead qualifies for the block grant at the beginning of a subsequent quarter, the amount of its allotment for fiscal year 1982 will be reduced. Any grants or contracts made in the State by the Department during the period of Federal administration will be taken from the State's allotment and will reduce the allotment accordingly. In addition, administrative expenses for operation of the community services block grant will be charged against the allotment. The Administration is seeking authority from Congress to deduct transition administrative expenses from allotments for the other block grants as well.

With respect to several of the block grants, the Act provides that allotments for which States do not qualify, or portions of allotments that are returned to the Department, are to be redistributed pro rata to the qualifying States. Except for the low-income home energy assistance program, funds subject to reallocation will be reallocated on September 1 of each year. Funds reallocated under the low-income home energy assistance program are included in the total funds available for allotment to States for the succeeding fiscal year.

Payments to States

Payments will be made through electronic funds transfer to those States capable of receiving funds in that manner. Letters of credit will be used in other cases. The procedures followed will be the same as with payments under other Departmental grants.

Under Federal law, the question of when a grantee may draw funds from the Treasury is a different matter from the issue of when the grant award is made. Thus, although the Department may award a State its entire annual allotment on the first day of a fiscal year, the State may not immediately withdraw the entire amount from the Treasury. Rather, payments are governed by the Intergovernmental Cooperation Act, 42 U.S.C. 4213, which provides in essence that a State must minimize the time elapsing between acquisition of Federal funds and disbursement of those funds by the State.

Use of Allotments

The permissible uses of the allotments to the States are clearly set forth in the Act. The Act establishes differing requirements with respect to the time period in which the funds may be used. The maternal and child health services block grant authorizes the States to obligate and to expend the funds under its allotment in a two-year period—the fiscal year in which the funds are awarded and in the following fiscal year. Three of the block grants allow the States two years to obligate funds but are silent as to expenditures. Two block grants permit two years to expend funds but do not expressly address the permissible period for obligation of funds. We interpret these provisions as allowing a two-year period for the obligation of funds. The low-income home energy assistance block grant allows funds to be held available for the following fiscal year, which we believe establishes a limit on the permissible period of obligation. In the case of the primary care and low-income home energy assistance block grants, the Act also establishes special conditions for use of funds after the first year.

Transferability of Funds

Funds for several of the block grants may be transferred by a State to be used for purposes under other block grants. We interpret the transferability provision in the social services block grant (section 2002(d) of the Social Security Act) as allowing a State to transfer funds to the preventive health and health services, alcohol and drug abuse and mental health services, primary care, maternal and child health services, and low-income home energy assistance block grants. In addition, social services block grant funds may be transferred to support health services, health promotion and disease prevention activities, and low-income home energy assistance under other Federal block grants, including block

grants administered by other Federal Departments.

It should be noted that certain statutory provisions applicable to a State's basic allotment under a block grant may not apply to funds transferred for use under that block grant. For example, section 1915(c)(6) of the Public Health Service Act prescribes certain percentages for use of the State's basic allotment under the alcohol and drug abuse and mental health services block grant. These restrictions would not apply to transferred funds.

State and Federal Oversight

A basic purpose of the block grant legislation is to simplify State grant administration and minimize Federal involvement by placing far greater reliance on State government. Accordingly, the block grants will be exempt from the usual Departmental grant administration requirements found in 45 CFR Part 74. (Part 74 is based on OMB Circulars A-102, "Uniform Administrative Requirements for Grants to State and Local Governments" and A-87, "Cost Principles".) Because a Federal requirement for use of the Part 74 rules would be inappropriate for block grants, we are establishing a fiscal and administrative standard providing maximum discretion to the States and placing full reliance on State law and procedures. Under this standard, a State will not look to Part 74 for such matters as property or procurement standards, or what is an allowable or unallowable cost. Rather, the State's laws and procedures covering the expenditure of its own revenues will govern. Any expenditure in violation of the State's own laws and procedures would be unauthorized and subject to disallowance.

Audits

Under the Act, States are primarily responsible for conducting audits of the use of block grant funds. The Act also confers certain responsibilities on the Comptroller General with respect to evaluating the propriety of State expenditures and on the Secretary with respect to investigations into the use of funds. In fulfilling its responsibilities under the Act and other Federal statutes, the Department will rely on State audits if the audits have been conducted in accordance with the Comptroller General's standards for audits of governmental organizations, programs, activities, and functions. Any additional auditing by the Department would build upon the State's work.

The specific requirements pertaining to audits are set forth in the provisions

of the Act pertaining to the individual block grants. An exception is the audit requirement applicable to the community services block grant. Although section 675(c)(9) indicates that an annual audit is required, that provision is overridden by section 1745(b), which permits audits every two years. A State may modify the certification required by section 675(c)(9) so as to reflect the provisions of section 1745(b).

Recordkeeping

Section 96.30 of the regulations establishes a requirement that States keep records sufficient to permit the preparation of reports required by statute and to permit the tracing of funds to a level of expenditure adequate to insure that funds have not been spent unlawfully. In addition, as explained below, a report is required with respect to use of funds under the low-income home energy assistance program. Except for these provisions, the Secretary is not prescribing any data collection requirements and is not prescribing the format or content of any information that the Act requires the State to collect.

Enforcement

The Act requires States to comply with their assurances and the statutory provisions and provides for repayment of improperly expended funds and for withholding of funds in certain circumstances. The block grant programs are intended to confer great discretion on the States, which by statute are the primary auditors of their own expenditures. The fundamental check on the State's use of block grant funds is the State's accountability to its citizens, which is implemented by public disclosure within the State of information concerning use of the funds. Accordingly, when an issue arises as to whether a State has complied with its assurances and the statutory provisions, the Department will ordinarily defer to the State's interpretation of its assurances and the statutory provisions. Unless the interpretation is clearly erroneous, State action based on that interpretation will not be challenged by the Department. The Department's position is not intended to preclude contrary action by the independent State audit agency in fulfillment of its statutory responsibilities. The Department will provide copies of complaints to the State's auditors for their consideration. Since the auditors might review the State's action without deference to the State's interpretation, they may subsequently reach a conclusion different from that of the Department.

If a State expends block grant funds contrary to its plan or a description of intended uses of the funds, such action would require the repayment of those funds if the expenditure violated the State's assurances or the statutory provisions. Other expenditures that do not conform to the State's plan or description are improper only because the State has failed to file a revised plan or description. In such cases, repayment is not provided for by the Act, but in appropriate circumstances a State's failure to file a revised plan could lead to the withholding of funds until the revision is made.

The Act provides with respect to all of the block grants that the State must repay any funds that are determined to have been spent improperly. Under several of the block grants, a hearing before the Department is required before repayment may be ordered. The Department will provide a hearing before ordering repayment even where it is not required by statute, and a hearing procedure is provided in the regulations. Decisions resulting from the hearing may be appealed to the Department's Grant Appeals Board. New regulations governing the Board's procedures were published in the *Federal Register* on August 31, 1981 (46 FR 43816).

If a State refuses to repay funds as ordered, the Department may recover them by offsetting the amount against future block grant payments. The Act provides a State with another opportunity for a hearing under several of the block grants before an offset can be made. For those block grants, the repayment hearing procedures will also be used for offset questions. Further appeal, however, which would likely be dilatory, will not be allowed.

We have provided for a comparatively informal hearing procedure rather than a formal hearing before an administrative law judge. There is no evidence that Congress intended the required hearings to be trial-type on-the-record hearings, and the Secretary has concluded that such a procedure would frequently be less efficient than the procedure adopted. The flexible procedure adopted is designed to resolve questions in a fair and expeditious manner.

In appropriate circumstances the Act requires the Secretary to withhold funds under the block grants until the Secretary has reasonable assurance that a State that has violated statutory provisions or the certifications in its application will not repeat such actions. The hearing procedure established for repayment and offset issues would also be used prior to withholding funds. Decisions resulting from withholding hearings may be appealed. Any appeals

would be handled by the Secretary or, in his discretion, the Grant Appeals Board. The Board would typically be used to hear appeals when the question underlying the proposed withholding involved disallowed expenditures and the like. The Secretary will retain authority to make the final decision on any withholding.

Special Provisions

Nondiscrimination

The Act contains specific provisions prohibiting discrimination with respect to all of the block grants except the social services block grant. Congress has made clear that States and their grantees have the responsibility to prohibit discrimination on the basis of race, color, national origin, age, and handicap. In addition, several of the block grants require that religious and sex discrimination be prohibited as well. The Secretary interprets existing laws against discrimination in Federally assisted programs as applying to the social services block grant.

Current regulations in 45 CFR Parts 80, 81, 84, and 90, which relate to discrimination on the basis of race, color, national origin, handicap, or age, apply by their terms to all recipients of Federal financial assistance and therefore apply to all the block grants. In particular, 45 CFR 80.4 and 84.5 require certain assurances to accompany applications for assistance. In lieu of the assurances required by Parts 80 and 84, the Secretary will accept the assurances required by the Act to be part of the applications for the preventive health and health services, alcohol and drug abuse and mental health services, maternal and child health services, and low-income home energy assistance block grants. Those assurances incorporate the nondiscrimination provisions pertinent to the block grants either specifically or as part of a general assurance that the applicant will comply with block grant requirements. For the community services, primary care, and social services block grants, the States should furnish the assurances required by 45 CFR 80.4 and 84.5.

Direct Funding of Indian Tribes and Tribal Organizations

Five of the block grant programs permit the Secretary to grant funds directly to requesting Indian tribes and tribal organizations that request such funds. The block grants involved are community services, preventive health and health services, alcohol and drug abuse and mental health services, primary care, and low-income home

energy assistance. With respect to each of these block grants, the Act provides that direct funding is available if (1) the Indian tribe or tribal organization requests funds, and (2) the Secretary determines that the tribal members would be better served by direct Federal funding than by funding through the States.

The Act's provisions on direct funding were intended to continue the long-standing government-to-government relationship between the Federal government and the tribes. The provisions also implement a self-determination policy for Indian tribes and tribal organizations and seek to overcome jurisdictional problems between some States and their resident tribes regarding the provision of services.

The Secretary has determined that members of Indian tribes and tribal organizations would be better served by direct Federal funding than by funding through the States in every instance that the Indian tribe or tribal organization requests direct funding.

The tribes and tribal organizations are closer to their members than the State governments and are better able to ascertain their needs and to implement solutions. Our experience in the last five years has demonstrated that the performance of Indian tribal grantees is comparable to that of other grantees. A tribe or tribal organization may conclude that it is better served through the State government. The Secretary encourages Indian tribes and tribal organizations to work with the States and determine whether they might benefit from arrangements that could be developed. If a tribe or organization concludes that it would be better served by Federal funding, however, and therefore applies for a direct grant, the Secretary will concur with that assessment and will provide funds directly to the tribe or tribal organization. The fact that a tribe or organization is receiving direct Federal funds does not, however, disqualify its members from receiving services from the States.

Conditions of eligibility for block grant funds are defined in the Act and vary among the block grants. With respect to the Public Health Service block grants, the regulations make clear that certain current grantees that do not meet the definition of an Indian tribe or tribal organization will nevertheless be eligible for direct funding if they meet the definition by the time they apply.

No definition of an eligible Indian tribe or tribal organization is contained in the Act for the low-income home energy assistance program, and

definitions similar to those established by statute for the other block grants have been adopted. With respect to the community services and low-income home energy assistance block grants, for which State-recognized tribes and organizations are eligible for funds, the regulations provide that the State must have expressly determined that the Indian group is a tribe or tribal organization in accordance with State procedures for making such determinations. This definition is intended to make clear, for example, that State actions incidentally referring to a group as a tribe do not constitute State recognition for the purposes of receiving block grant funds. Similarly, incorporation of a tribal organization under the laws of a State would not by itself constitute State recognition of the group as a tribal organization.

The regulations provide that Indian tribes and tribal organizations receiving direct funding have the same rights and obligations as States, unless otherwise provided or unless a State's rights and obligations have no relevance to an Indian tribe or tribal organization. Thus, for example, a tribe or tribal organization must submit an application containing the same information as that required from the States, except that the regulations permit the deletion of certain certifications that we have concluded are not appropriate for tribes and tribal organizations. Also, the statutory requirements for public participation and for an audit apply to tribes and tribal organizations, except that holding a hearing is not required to be part of the procedures. The regulations provide that the statutory audit must be conducted by an independent entity.

The Secretary does not have authority to reserve funds from a State's allotment for an Indian tribe or tribal organization unless the Secretary has received a request for such funds from the tribe or organization. Accordingly, an Indian tribe or tribal organization desiring funds for the fiscal year beginning October 1, 1981, must submit a request prior to the award of the total allotment to the State in which the tribe or organization is located. The request for funds does not have to be accompanied by the required application, but, with the exception of the low-income home energy assistance program, the complete application must be submitted within 75 days after the beginning of the quarter in which the State first receives funds under the pertinent block grant. An Indian tribe or tribal organization may submit a request for funds to preserve its choice and later choose not to submit an application. Applications for the low-

income energy assistance block grant must be submitted by December 15, 1981.

If the members of a Indian tribe or tribal organization reside in more than one State, the source of the allotment to the Indians will depend on the nature of the allocation formula in the block grant. If the allotments to the States are based on population, the allotment to the tribe or tribal organization will be taken from the various States in which the eligible tribal members (or eligible households) reside in proportion to the number of eligible tribal members (or eligible households) to be served in each State. Allotments under the Public Health Service grants are, however, based on past grants. In those cases, therefore, the allotment to the tribe or tribal organization will come from the allotment of the State whose base year determination includes the relevant past grant to the tribe or tribal organization.

Social Services Block Grant

The regulations include two definitions specific to the social services block grant, which we have concluded should be issued to clarify congressional intent.

The Act contains a general prohibition on the use of funds to provide room and board or medical care but allows such use of the funds if the room and board or medical care is an "integral but subordinate" part of another State authorized service. The definition adopted makes clear that the statute prohibits the use of block grant funds to pay for room and board in foster care. Foster care is not a social service but is essentially a maintenance payment for room and board. (Moreover, we believe that Congress intended Federal funds for foster care to be made under the Title IV-E program.) Under our interpretation, the use of block grant funds for room and board is not precluded when part of temporary emergency shelter provided as a protective service, regardless of the type of facility the State uses for this purpose.

Also, "employees" as used in the social services block grant (section 2005(a)(5) of the Social Security Act) is defined to include staff, contractors, and other individuals who are under the direct supervision or professional direction of the institution. That provision of the statute prohibits the use of funds for social services provided in and by employees of certain institutions. The definition adopted in the block grant regulations, which is consistent with the current definitions under the present Title XX, makes clear that the

prohibition applies to all individuals who occupy an employee-type role. We believe that Congress did not intend to permit the prohibition to be thwarted by institutions designating certain individuals as independent contractors or through similar devices.

Low-Income Home Energy Assistance Program

The low-income home energy assistance program establishes a specific procedure for reallocation of unused funds at the end of each fiscal year. In order to implement that requirement, the regulations specify a report to be submitted by recipients of the funds.

The regulations also require the submission of a report necessary to provide certain information to Congress, as required by the Act. States must annually report the number and income levels of households assisted under the program. This information may be reported in the form collected by the State.

Under section 2604(e) of the Act, a State may request the Secretary to make direct payments to Supplemental Security Income (SSI) recipients out of the State's allotment. Any such request must be submitted by November 2, 1981. The request may be withdrawn at any time. In future years, a State for which the Secretary is not making direct payments may request such action for any fiscal year by submitting a request by September 1 of the preceding fiscal year.

Although certain territories are eligible for funds under the low-income home energy assistance program, the Act does not otherwise define the rights and responsibilities of territories. The regulations establish that eligible territories will be treated the same as States unless otherwise provided.

Waiver of Notice and Comment Procedures

The block grant programs were enacted on August 13, 1981, and become effective on October 1, 1981. In light of the short time available, it is impossible to publish these rules for comment and nevertheless put them into effect by October 1. In any event, the rules being adopted for the most part simply implement clear statutory provisions. Accordingly, the Secretary has determined that it would be impracticable, unnecessary, and contrary to the public interest to use notice and comment procedures in issuing these regulations. All comments received by November 30, 1981, will be considered, however, and the rules will be revised if appropriate.

Impact Analysis

Executive Order 12291

E.O. 12291 requires that a regulatory impact analysis be prepared for major rules—defined in the Order as any rule that has an annual effect on the national economy of \$100 million or more, or certain other specified effects. The Department concludes that the regulations implementing the block grant programs are not major rules within the meaning of the Executive Order, because they do not have an effect on the economy of \$100 million or more or otherwise meet the threshold criteria. To the contrary, these regulations provide great latitude to the States and impose no significant burdens on the States. No lower cost alternatives exist. Indeed, by providing maximum flexibility and discretion to the States, these regulations will save millions of dollars compared to what States have spent on meeting Federal requirements under predecessor programs. Although levels of funding for the programs have been reduced, the reductions result from congressional action, not the terms of these regulations.

Regulatory Flexibility Act of 1980

The Regulatory Flexibility Act (5 U.S.C. Ch. 6) requires the Federal Government to anticipate and reduce the impact of rules and paperwork requirements on small businesses. For each proposed rule with a "significant economic impact on a substantial number of small entities" an initial analysis must be prepared describing the proposed rule's impact on small entities. Small entities are defined by the Act to include small businesses, small non-profit organizations, and small governmental entities.

The primary impact of these regulations is on the States, which are not "small entities" within the meaning of the Act. Actual delivery of services will, however, be performed in large part by proprietary, public, and not-for-profit organizations including day care centers, medical practitioners, neighborhood service centers, United Way agencies, and units of local government, as well as by State agencies. Because these regulations provide States with great authority to prescribe management, organization, funding, and eligibility practices for service delivery, they do not directly impact small entities, either favorably or adversely. Instead, impacts will depend on future State decisions.

Because we have no way to predict such decisions, and in any event have no reason to expect that they will

impact small entities, the Secretary hereby certifies that an initial regulatory flexibility analysis is not required.

For the reasons set forth in the preamble, Title 45 of the Code of Federal Regulations is amended as follows:

1. Part 96 is added to 45 CFR Subtitle A to read as follows:

PART 96—BLOCK GRANTS

Subpart A—Introduction

Sec.

96.1 Scope.

96.2 Definitions.

Subpart B—General Procedures

96.10 Prerequisites to obtain block grant funds.

96.11 Basis of award to the States.

96.12 Grant payment.

96.13 Reallotments.

96.14 Time period for obligation of grant funds.

96.15 Waivers.

Subpart C—Financial Management

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Subpart D—Direct Funding of Indian Tribes and Tribal Organizations

96.40 Scope.

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96.44 Community services.

96.45 Preventive health and health services.

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96.47 Primary care.

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96.63 Communications to presiding officer.

96.64 Intervention.

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96.83 Request for direct Federal payments to SSI recipients.

96.84 Territories.

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- 96.90 Scope.
96.91 Audit requirement.

Subpart J—Transition Provisions

- 96.100 Scope.
96.101 Continuation of pre-existing regulations.
96.102 Community services block grant.
Authority: Pub. L. 97-35, secs. 671-682, 901, 2191-94, 2351-55, 2801-11.

Subpart A—Introduction**§ 96.1 Scope.**

This part applies to the following block grant programs:

- (a) Community services (Pub. L. 97-35, secs. 671-682).
- (b) Preventive health and health services (Pub. L. 97-35, sec. 901).
- (c) Alcohol and drug abuse and mental health services (Pub. L. 97-35, sec. 901).
- (d) Primary care (Pub. L. 97-35, sec. 901).
- (e) Maternal and child health services (Pub. L. 97-35, secs. 2191-94).
- (f) Social services (Pub. L. 97-35, secs. 2351-55).
- (g) Low-income home energy assistance (Pub. L. 97-35, secs. 2801-11).

§ 96.2 Definitions.

- (a) "Secretary" means the Secretary of Health and Human Services or his designee.
- (b) "Department" means the Department of Health and Human Services.
- (c) "Reconciliation Act" means the Omnibus Budget Reconciliation Act of 1981 (Pub. L. 97-35).

Subpart B—General Procedures**§ 96.10 Prerequisites to obtain block grant funds.**

No particular form is required for a State's application or the related submission required by statute. The provisions in section 1742(a) of the Reconciliation Act relating to the contents of a report on proposed uses of funds must be satisfied; the specified information should be included in the plan required for the community services block grant (section 675(d) of the Reconciliation Act) and in the description of intended uses of funds required for the preventive health and health services, and alcohol and drug abuse and mental health services block grants (sections 1905(d) and 1915(d) of the Public Health Service Act (as amended by the Reconciliation Act) respectively).

§ 96.11 Basis of award to the States.

The Secretary will award the block grant funds allotted to the State in accordance with the apportionment of funds from the Office of Management and Budget. Such awards will reflect amounts reserved for Indian Tribes and Tribal Organizations and, in FY 1982, any amounts awarded by the Department under transition authorities. The grant award constitutes the authority to carry out the program and to draw and expend funds.

§ 96.12 Grant payment.

The Secretary will make payments at such times and in such amounts to each State from its awards in advance in accordance with section 203 of the Intergovernmental Cooperation Act (42 U.S.C. 4213) and Treasury Circular No. 1075 (31 CFR Part 205). When matching funds are involved, the Secretary shall take into account the ratio that such payment bears to such State's total expenditures under its awards.

§ 96.13 Reallotments.

The Secretary will re-allot to eligible States those funds available as of September 1 of each fiscal year under the reallotment provisions pertaining to the alcohol and drug abuse and mental health services, maternal and child health services, and preventive health and health services block grants. The reallotment procedure for the low-income home energy assistance block grant is specified in section 2807 of the Reconciliation Act and § 96.81 of this part.

§ 96.14 Time period for obligation of grant funds.

Amounts unobligated by the State at the end of a fiscal year shall remain available for obligation during the succeeding fiscal year for all block grants except:

- (a) *Primary care.* Amounts are available only if the Secretary determines that the State acted in accordance with section 1926(a)(1) of the Public Health Service Act and there is good cause for funds remaining unobligated.
- (b) *Low-income home energy assistance.* Amounts are available only in accordance with section 2807(b)(2) of the Reconciliation Act, which limits the amount to 25 percent of the amount allotted to the State for the prior fiscal year.

§ 96.15 Waivers.

Applications for waivers that are permitted by statute for the block grants should be submitted to the Assistant Secretary of Health in the case of the

preventive health and health services, alcohol and drug abuse and mental health services, primary care, and maternal and child health services block grants; to the Assistant Secretary for Human Development Services in the case of the community services and social services block grants; and to the Associate Commissioner for Family Assistance in the case of the low-income home energy assistance program.

Subpart C—Financial Management**§ 96.30 Fiscal and administrative requirements.**

Except where otherwise required by Federal law or regulation, a State shall expend block grant funds in accordance with the laws and procedures applicable to the expenditure of its own revenues. Fiscal control and accounting procedures must be sufficient to (a) permit preparation of reports required by the statute authorizing the block grant and (b) permit the tracing of funds to a level of expenditure adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of the statute authorizing the block grant.

Subpart D—Direct Funding of Indian Tribes and Tribal Organizations**§ 96.40 Scope.**

This subpart applies to the community services, alcohol and drug abuse and mental health services, preventive health and health services, primary care, and low-income home energy assistance block grants.

§ 96.41 General determination.

The Secretary has determined that Indian tribes and tribal organizations would be better served by means of grants provided directly by the Secretary to such tribes and organizations out of the State's allotment of block grant funds than if the State were awarded its entire allotment. Accordingly, where provided for by statute, the Secretary will, upon request of an eligible Indian tribe or tribal organization, reserve a portion of a State's allotment and, upon receipt of the complete application and related submission that meets statutory requirements, grant it directly to the tribe or organization.

§ 96.42 General procedures and requirements.

- (a) An Indian tribe or tribal organization applying for or receiving direct funding from the Secretary under a block grant program shall be subject to

all statutory and regulatory requirements applicable to a State applying for or receiving block grant funds to the extent that such requirements are relevant to an Indian tribe or tribal organization except where otherwise provided by statute or in this Part.

(b) A tribal organization representing more than one Indian tribe will be eligible to receive block grant funds on behalf of a particular tribe only if the tribe has by resolution authorized the organization's action.

(c) If an Indian tribe or tribal organization whose service population resides in more than one State applies for block grant funds that, by statute, are apportioned on the basis of population, the allotment awarded to the tribe or organization shall be taken from the allotments of the various States in which the service population resides in proportion to the number of eligible members or households to be served in each State. If block grant funds are required to be apportioned on the basis of grants during a base year, the allotment to the Indian tribe or tribal organization shall be taken from the allotment of the State whose base year grants included the relevant grants to the tribe or organization.

(d) The audit required under the block grant programs shall be conducted by an entity that is independent of the Indian tribe or tribal organization receiving grant funds from the Secretary.

(e) Beginning with fiscal year 1983, any request by an Indian tribe or tribal organization for direct funding by the Secretary must be submitted to the Secretary, together with the required application and related materials, by September 1 preceding the Federal fiscal year for which funds are sought. A separate application is required for each block grant.

§ 96.43 Procedures during FY 1982.

(a) This section applies to the fiscal year beginning October 1, 1981.

(b) Except under the low-income home energy assistance program, an Indian tribe or tribal organization may receive direct funding from the Secretary only with respect to those block grants for which the State in which the tribe or organization is located has qualified for funds.

(c) A request for direct funding must be received by the Secretary before the Secretary has awarded all of the allotment to the State involved. The application and related submission may be submitted later but must be submitted within 75 days after the beginning of the quarter in which the state qualified for block grant funds,

except that the application and related submission for the low-income home energy assistance program must be submitted by December 15, 1981. A separate request and application are required for each block grant.

§ 96.44 Community Services.

(a) This section applies to direct funding of Indian tribes and tribal organizations under the community services block grant.

(b) For purposes of section 674(c)(5) of the Reconciliation Act, an organized group of Indians is eligible for direct funding based on State recognition only if the State has expressly determined that the group is an Indian tribe or tribal organization in accordance with State procedures for making such determinations.

(c) For purposes of section 674(c)(2) of the Reconciliation Act, an "eligible Indian" means a member of an Indian tribe whose income is at or below the poverty line defined in section 673(2) of the Reconciliation Act. An "eligible individual" under section 674(c)(2) means a resident of the State whose income is at or below the poverty line.

(d) An Indian tribe or tribal organization is not required to comply with section 675(b) or to provide the certifications required by the following other provisions of the Reconciliation Act:

- (1) Section 675(c)(2)(A);
- (2) Section 675(c)(3); and
- (3) Section 675(c)(4).

§ 96.45 Preventive health and health services.

(a) This section applies to direct funding of Indian tribes and tribal organizations under the preventive health and health services block grant.

(b) For the purposes of determining eligible applicants under section 1902(d) of the Public Health Service Act, a grantee that received a grant directly from the Secretary in FY 1981 under any of the programs replaced by the preventive health and health services block grant that was specifically targeted toward serving a particular Indian tribe or tribal organization will be considered eligible if the grantee is an Indian tribe or tribal organization at the time it requests funds under this part. Grantees that received funds under formula or Statewide grants, and subgrantees that received funds from any program replaced by the preventive health and health services block grant, are not eligible.

§ 96.46 Alcohol and drug abuse and mental health services.

(a) This section applies to direct funding of Indian tribes and tribal organizations under the alcohol and drug abuse and mental health services block grant.

(b) For the purpose of determining eligible applicants under section 1912(c) of the Public Health Service Act, an entity that received a treatment grant or contract directly from the Secretary in FY 1980 specifically targeted toward serving a particular Indian tribe or tribal organization will be considered eligible if the entity is an Indian tribe or tribal organization at the time it requests funds under this part. Entities that received funds under formula or statewide grants, and those grantees who had the responsibility for their treatment grant support transferred to the Indian Health Service, are not eligible.

(c) An Indian tribe or tribal organization is not required to comply with section 1915(b) or to provide the certifications required by section 1915(c)(2) through (c)(8) of the Public Health Service Act. Also, the services identified in section 1914(a)(1) of the Public Health Service Act need not be provided by means of grants to community mental health centers.

§ 96.47 Primary care.

Applications for direct funding of Indian tribes and tribal organizations under the primary care block grant must comply with 42 CFR Part 51c (Grants for Community Health Services).

§ 96.48 Low-income home energy assistance.

(a) This section applies to direct funding of Indian tribes under the low-income home energy assistance program.

(b) The terms "Indian tribe" and "tribal organization" as used in the Reconciliation Act have the same meaning given such terms in section 4(b) and 4(c) of the Indian Self-Determination and Education Act (25 U.S.C. 4506), except that the terms shall also include organized groups of Indians that the State in which they reside has expressly determined are Indian tribes or tribal organizations in accordance with State procedures for making such determinations.

(c) The plan required by section 2804(c)(4) of the Reconciliation Act shall contain the certification and information required for States under section 2805(b) and (c) of that Act. An Indian tribe or tribal organization is not required to

comply with section 2805(a)(2) of the Act.

Subpart E—Enforcement

§ 96.50 Complaints.

(a) This section applies to any complaint that a State has failed to use its allotment under a block grant in accordance with the terms of the act establishing the block grant or the certifications and assurances made by the State pursuant to that act. The Secretary is not required to consider a complaint unless it is submitted as required by this section.

(b) Complaints with respect to the preventive health and health services, alcohol and drug abuse and mental health services, primary care, and maternal and child health services block grants shall be submitted in writing to the Assistant Secretary of Health. Complaints with respect to the community services and social services block grants shall be submitted in writing to the Assistant Secretary for Human Development Services. Complaints with respect to the low-income home energy assistance program shall be submitted to the Commissioner of Social Security. (The address in each case is 200 Independence Ave. SW., Washington, D.C. 20201.) The complaint must identify the provision of the act, assurance, or certification that was allegedly violated; must specify the basis for the violations it charges; and must include all relevant information known to the person submitting it.

(c) The Department shall promptly furnish a copy of any complaint to the affected State. Any comments received from the State within 60 days (or such longer period as may be agreed upon between the State and the Department) shall be considered by the Department in responding to the complaint. The Department will conduct an investigation of complaints where appropriate.

(d) The Department will provide a written response to complaints within 180 days after receipt. If a final resolution cannot be provided at that time, the response will state the reasons why additional time is necessary.

(e) In resolving any issue raised by a complaint or a Federal audit, the Department will defer to a State's interpretation of its assurances and of the provisions of the block grant statutes unless the interpretation is clearly erroneous. In any event, the Department will provide copies of complaints to the independent entity responsible for auditing the State's activities under the block grant program involved. Any determination by the Department that a

State's interpretation is not clearly erroneous shall not preclude or otherwise prejudice the State auditors' consideration of the question.

§ 96.51 Hearings.

(a) The Department will order a State to repay amounts found not to have been expended in accordance with law or the certifications provided by the State only after the Department has provided the State an opportunity for a hearing. The hearing will be governed by Subpart F of this part and will be held in the State if required by statute.

(b) If a State refuses to repay amounts after a final decision that is not subject to further review in the Department, the amounts may be offset against payments to the State. If a statute requires an opportunity for a hearing before such an offset may be made, the hearing will be governed by Subpart F of this part and will be held in the State if required by statute.

(c) The Department will withhold funds from a State only if the Department has provided the State an opportunity for a hearing. The hearing will be governed by Subpart F of this part and will be held in the State if required by statute.

§ 96.52 Appeals.

(a) Decisions resulting from repayment hearings held pursuant to § 96.51(a) of this part may be appealed by either the State or the Department to the Grant Appeals Board.

(b) Decisions resulting from offset hearings held pursuant to § 96.51(b) of this part may not be appealed.

(c) Decisions resulting from withholding hearings held pursuant to § 96.51(c) of this part may be appealed to the Secretary by the State or the Department as follows:

(1) An application for appeal must be received by the Secretary no later than 60 days after the appealing party receives a copy of the presiding officer's decision. The application shall clearly identify the questions for which review is sought and shall explain fully the party's position with respect to those questions. A copy shall be furnished to the other party.

(2) The Secretary may permit the filing of opposing briefs, hold informal conferences, or take whatever other steps the Secretary finds appropriate to decide the appeal.

(3) The Secretary may refer an application for appeal to the Grant Appeals Board. Notwithstanding Part 18 of this title, in the event of such a referral, the Board shall issue a recommended decision that will not

become final until affirmed, reversed, or modified by the Secretary.

(d) Any appeal to the Grant Appeals Board under this section shall be governed by Part 18 of this title except that the Board shall not hold a hearing. The Board shall accept any findings with respect to credibility of witnesses made by the presiding officer. The Board may otherwise review and supplement the record as provided for in Part 18 of this title and decide the issues raised.

Subpart F—Hearing Procedure

§ 96.60 Scope.

The procedures in this subpart apply when opportunity for a hearing is provided for by § 96.51 of this part.

§ 96.61 Initiation of hearing.

(a) A hearing is initiated by a notice of opportunity for hearing from the Department. The notice will:

- (1) Be sent by mail, telegram, telex, personal delivery, or any other mode of written communication;
- (2) Specify the facts and the action that are the subject of the opportunity for a hearing;
- (3) State that the notice of opportunity for hearing and the hearing are governed by these rules; and
- (4) State the time within which a hearing may be requested, and state the name, address, and telephone number of the Department employee to whom any request for hearing is to be addressed.

(b) A State offered an opportunity for a hearing has the amount of time specified in the notice, which may not be less than 10 days after receipt of the notice, within which to request a hearing. The request may be filed by mail, telegram, telex, personal delivery, or any other mode of written communication, addressed to the designated Department employee. If no response is filed within that time, the offer is deemed to have been refused and no hearing will be held.

(c) If a hearing is requested, the Department will designate a presiding officer, and (subject to § 96.51 of this part) the hearing will take place at a time and location agreed upon by the State requesting the hearing, the Department, and the presiding officer or, if agreement cannot be reached, at a reasonable time and location designated by the presiding officer.

§ 96.62 Presiding officer.

(a) A Department employee to whom the Secretary delegates such authority, or any other agency employee designated by an employee to whom such authority is delegated, may serve as the presiding officer and conduct a hearing under this subpart.

(b) The presiding officer is to be free from bias or prejudice and may not have participated in the investigation or action that is the subject of the hearing or be subordinate to a person, other than the Secretary, who has participated in such investigation or action.

(c) The Secretary is not precluded by this section from prior participation in the investigation or action that is the subject of the hearing.

(d) A different presiding officer may be substituted for the one originally designated under § 96.61 of this part without notice to the parties.

§ 96.63 Communications to presiding officer.

(a) Those persons who are directly involved in the investigation or presentation of the position of the Department or any party at a hearing that is subject to this subpart should avoid any off-the-record communication on the matter to the presiding officer or his advisers if the communication is inconsistent with the requirement of § 96.68 of this part that the administrative record be the exclusive record for decision. If any communication of this type occurs, it is to be reduced to writing and made part of the record, and the other party provided an opportunity to respond.

(b) A copy of any communications between a participant in the hearing and the presiding officer, e.g., a response by the presiding officer to a request for a change in the time of the hearing, is to be sent to all parties by the person initiating the communication.

§ 96.64 Intervention.

Participation as parties in the hearing by persons other than the State and the Department is not permitted.

§ 96.65 Discovery.

The use of interrogatories, depositions, and other forms of discovery shall not be allowed.

§ 96.66 Hearing procedure.

(a) A hearing is public, except when the Secretary or the presiding officer determines that all or part of a hearing should be closed to prevent a clearly unwarranted invasion of personal privacy, to prevent the disclosure of a trade secret or confidential commercial or financial information, or to protect investigatory records compiled for law enforcement purposes that are not available for public disclosure.

(b) A hearing will be conducted by the presiding officer. Employees of the Department will first give a full and complete statement of the action which is the subject of the hearing, together with the information and reasons

supporting it, and may present any oral or written information relevant to the hearing. The State may then present any oral or written information relevant to the hearing. Both parties may confront and conduct reasonable cross-examination of any person (except for the presiding officer and counsel for the parties) who makes any statement on the matter at the hearing.

(c) The hearing is informal in nature, and the rules of evidence do not apply. No motions or objections relating to the admissibility of information and views will be made or considered, but either party may comment upon or rebut all such data, information, and views.

(d) The presiding officer may order the hearing to be transcribed. The State may have the hearing transcribed, at the State's expense, in which case a copy of the transcript is to be furnished to the Department at the Department's expense.

(e) The presiding officer may, if appropriate, allow for the submission of post-hearing briefs. The presiding officer shall prepare a written decision, which shall be based on a preponderance of the evidence, shall include a statement of reasons for the decision, and shall be final unless appealed pursuant to § 96.52 of this part. If post-hearing briefs were not permitted, the parties to the hearing will be given the opportunity to review and comment on the presiding officer's decision prior to its being issued.

(f) The presiding officer shall include as part of the decision a finding on the credibility of witnesses (other than expert witnesses) whenever credibility is a material issue.

(g) The presiding officer shall furnish a copy of the decision to the parties.

(h) The presiding officer has the power to take such actions and make such rulings as are necessary or appropriate to maintain order and to conduct a fair, expeditious, and impartial hearing, and to enforce the requirements of this subpart concerning the conduct of hearings. The presiding officer may direct that the hearing be conducted in any suitable manner permitted by law and these regulations.

(i) The Secretary or the presiding officer has the power to suspend, modify, or waive any provision of this subpart.

§ 96.67 Right to counsel.

Any party to a hearing under this part has the right at all times to be advised and accompanied by counsel.

§ 96.68 Administrative record of a hearing.

(a) The exclusive administrative record of the hearing consists of the following:

(1) The notice of opportunity for hearing and the response.

(2) All written information and views submitted to the presiding officer at the hearing or after if specifically permitted by the presiding officer.

(3) Any transcript of the hearing.

(4) The presiding officer's decision and any briefs or comments on the decision under § 96.66(e) of this part.

(5) All letters or communications between participants and the presiding officer or the Secretary referred to in § 96.63 of this part.

(b) The record of the hearing is closed to the submission of information and views at the close of the hearing, unless the presiding officer specifically permits additional time for a further submission.

Subpart G—Social Services Block Grants

§ 96.70 Scope.

This subpart applies to the social services block grant.

§ 96.71 Definitions.

(a) Section 2005 (a)(2) and (a)(5) of the Social Security Act establishes prohibitions against the provision of room and board and medical care unless they are an "integral but subordinate" part of a State-authorized social service. "Integral but subordinate" means that the room and board or medical care is a minor but essential adjunct to the service of which it is a part and is necessary to achieve the objective of that service. Room and board shall not be considered an integral but subordinate part of a service when it is provided to an individual in a foster family home or other facility the primary purpose of which is to provide food, shelter, and care or supervision, except for temporary emergency shelter provided as a protective service.

(b) As used in section 2005(a)(5) of the Social Security Act with respect to the limitations governing the provision of services by employees of certain institutions, "employees" includes staff, contractors, or other individuals whose activities are under the professional direction or direct supervision of the institution.

§ 96.72 Transferability of funds.

Under section 2002(d) of the Social Security Act, funds may be transferred in accordance with the provisions of that section to the preventive health and health services, alcohol and drug abuse and mental health services, primary care, maternal and child health services, and low-income home energy assistance block grants. In addition, funds may be transferred to other Federal block grants

for support of health services, health promotion and disease prevention activities, or low-income home energy assistance (or any combination of those activities).

Subpart H—Low-Income Home Energy Assistance Program

§ 96.80 Scope.

This subpart applies to the low-income home energy assistance program.

§ 96.81 Reallotment report.

As part of the reallotment procedure established by section 2607 of the Reconciliation Act, each recipient of funds must submit a report to the Secretary by August 1 of each year containing the following information:

- (a) The amount of the State's original allotment that the State desires to remain available for expenditure in the succeeding fiscal year, not to exceed 25 percent of the original allotment; and
- (b) The amount of funds, if any, to be subject to reallotment.

§ 96.82 Required report.

In accordance with the authority in section 2610(a) of the Reconciliation Act, each State receiving funds shall submit to the Department by October 31 of each year a report of the number and income levels of the households assisted by the funds.

§ 96.83 Request for direct Federal payments to SSI recipients.

A State that wants the Secretary to make direct payments from the State's allotment to recipients of Supplemental Security Income in accordance with section 2604(e) of the Reconciliation Act must submit such a request by November 2, 1981. Such a request may be withdrawn at any time. If such a request is not in effect, a State may request the Secretary to make direct payments in any fiscal year by submitting a request by September 1 of the preceding fiscal year.

§ 96.84 Territories.

Except as otherwise provided, a territory eligible for funds shall have the same rights and responsibilities as a State.

Subpart I—Community Services Block Grants

§ 96.90 Scope.

This subpart applies to the community services block grant.

§ 96.91 Audit requirement.

Pursuant to section 1745(b) of the Reconciliation Act, an audit is required with respect to the 2-year period

beginning on October 1, 1981, and with respect to each 2-year period thereafter. In its application for funds, a State may modify the assurance required by section 675(c)(9) of the Reconciliation Act to conform to the requirements of section 1745(b).

Subpart J—Transition Provisions

§ 96.100 Scope.

Except as otherwise stated, this subpart applies to the community services, preventive health and health services, alcohol and drug abuse and mental health services, and maternal and child health services block grants for the fiscal year beginning October 1, 1981.

§ 96.101 Continuation of pre-existing regulations.

The regulations previously issued by the Department and the Community Services Administration to govern administration of the programs replaced by the block grants specified in § 96.1 of this part shall continue in effect, until revised, to govern administration of those programs by the Department in those circumstances in which States have not qualified for block grants.

§ 96.102 Community services block grant.

(a) For the fiscal year beginning October 1, 1981, only, a State may choose to operate programs under the community services block grant or, instead, have the Secretary operate the programs replaced by the block grant. If a State does not notify the Secretary in accordance with the statutory deadlines each quarter, it will be deemed to have requested the Secretary to operate the programs for the following quarter.

(b) For any quarter in which the Secretary administers the programs, the Department's administration costs will be deducted from the State's allotment. The Department's total administration costs for making grants during fiscal year 1982 and for any monitoring of these grants in fiscal year 1983 will be deducted from each State's allotment in proportion to the total amount of grants awarded from the allotment during the period of administration by the Department (but not to exceed 5 percent of the State's FY 1982 allotment).

PART 16—PROCEDURES OF THE DEPARTMENTAL GRANT APPEALS BOARD

2. Appendix A to Part 16 is amended by revising paragraph B. (a), introductory text, and adding paragraph B (a)(5) to read as follows:

Appendix A—What Disputes the Board Reviews

B. Mandatory grant programs.

(a) The Board reviews the following types of final written decisions in disputes arising in HHS programs authorizing the award of mandatory grants:

(5) Decisions relating to repayment and withholding under block grant programs as provided in 45 CFR 96.52.

PART 74—ADMINISTRATION OF GRANTS

3. Section 74.4(a) is amended by revising the first sentence to read as follows:

§ 74.4 Applicability of this part.

(a) *General.* Except where inconsistent with Federal statutes, regulations, or other terms of a grant, this part applies to all HHS grants, other than the block grant programs identified in 45 CFR 96.1.

Dated: September 21, 1981.

Richard S. Schweiker,

Secretary of Health and Human Services.

[FR Doc 81-28341 Filed 9-30-81; 8:45 am]

BILLING CODE 4110-12-M

42 CFR Parts 50, 51, 51a, 51b, 51g, 54, 54a, 54b, 56a, 59, and 91

Block Grant Implementation; Revocation of Categorical Health Grant Regulations

AGENCY: Department of Health and Human Services.

ACTION: Final Rule.

SUMMARY: Following the one year period of transition to the block grants established by the Omnibus Budget Reconciliation Act of 1981 (Pub. L. 97-35), this rule revokes, effective October 1, 1982, regulations governing categorical health grants which are replaced by the preventive health and health services, alcohol and drug abuse and mental health services, and maternal and child health services block grants.

EFFECTIVE DATE: October 1, 1982.

FOR FURTHER INFORMATION CONTACT: Mr. Robert Spencer, Public Health Service Regulations Officer, 301/443-6330.

SUPPLEMENTARY INFORMATION: Published elsewhere in this issue of the Federal Register are regulations

implementing the block grant programs administered by the Department. During the October 1, 1981–October 1, 1982, period of transition to full implementation of the block grants for preventive health and health services, alcohol and drug abuse and mental health services, and maternal and child health services the Department is responsible for administering categorical grants in those States that do not begin administering the block grant funds for those programs. Elsewhere in this issue of the *Federal Register*, the Department is also publishing interim rules setting forth the requirements that will apply to the Department's administration of the categorical health grants during the transition period.

This final rule revokes those categorical health grant regulations effective October 1, 1982, the date on which the block grant programs become fully effective and the transitional authority to administer the categorical grants expires.

Because this rule makes technical amendments removing superseded or obsolete regulations, the Secretary has determined that public participation in rulemaking is unnecessary and that an impact analysis is not required under the Regulatory Flexibility Act, Pub. L. 96–354 or Executive Order 12291.

Dated: September 21, 1981.

James F. Dickson,
Acting Assistant Secretary for Health.

Dated: September 24, 1981.

Richard S. Schweiker,
Secretary.

Effective October 1, 1982, Subchapter D, Chapter I of the Title 42 Code of Federal Regulations is amended as follows:

PART 50—POLICIES OF GENERAL APPLICABILITY

§§ 50.601–50.606 (Subpart F) [Removed]

42 CFR Part 50 is amended by removing Subpart F (§§ 50.601–50.606).

PART 51—GRANTS TO STATES FOR COMPREHENSIVE PUBLIC HEALTH SERVICES [REMOVED]

PART 51a—GRANTS FOR MATERNAL AND CHILD HEALTH AND CRIPPLED CHILDREN'S SERVICES [REMOVED]

42 CFR Parts 51 and 51a are removed.

PART 51b—PROJECT GRANTS FOR PREVENTIVE HEALTH SERVICES

§§ 51b.301–51b.306 (Subpart C) and §§ 51b.701–51b.706 (Subpart G) [Removed]

42 CFR Part 51b is amended by removing Subpart C (§§ 51b.301–

51b.306), and Subpart G (§§ 51b.701–51b.706).

PART 51g—GRANTS FOR HEALTH EDUCATION-RISK REDUCTION

42 CFR Part 51g is amended as follows:

1. The authority citation is revised to read as follows:

Authority: Sec. 215, 58 Stat. 699 (42 U.S.C. 216); sec. 1703(a), 90 Stat. 697 (42 U.S.C. 300a-2(a)).

§ 51g.1 [Amended]

2. Section 51g.1 is amended by removing the words "and grants to deter smoking and alcoholic beverage use among children and adolescents authorized under section 402(a)(2) of the Health Service and Centers Amendments of 1978, Pub. L. 95–626 (42 U.S.C. 247b-2)" and inserting in their place, a period.

§ 51g.4 [Amended]

3. Section 51g.4 is amended by removing paragraph (c)(2).

§ 51g.5 [Amended]

4. Section 51g.5 is amended as follows:

(i) In the first sentence of the undesignated paragraph, the words "and section 402(a)(2) of Pub. L. 95–626." are removed and a period is inserted in their place.

(ii) Paragraph (c) is removed.

PART 54—GRANTS FOR COMMUNITY MENTAL HEALTH CENTERS

42 CFR Part 54 is removed.

PART 54a—GRANTS FOR ALCOHOL ABUSE AND ALCOHOLISM PREVENTION, TREATMENT, AND REHABILITATION SERVICES AND NATIONAL ALCOHOL RESEARCH CENTERS

42 CFR Part 54a is amended as follows:

Authority Citation [Amended]

1. The authority citation is amended by removing "Sec. 1743 of Pub. L. 97–35, 95 Stat. 763 (31 U.S.C. 1243 note)."

§§ 54a.101–54a.107 (Subpart A); §§ 54a.201–54a.206 (Subpart B); §§ 54a.301–54a.306 (Subpart C); and §§ 54a.401–54a.409 (Subpart D) [Removed]

2. Subpart A (§§ 54a.101–54a.107), Subpart B (§§ 54a.201–54a.206), Subpart C (§§ 54a.301–54a.306) and Subpart D (§§ 54a.401–54a.409) are removed.

PART 54b—GRANTS TO STATES FOR DRUG ABUSE PREVENTION FUNCTIONS [REMOVED]

42 CFR Part 54b is removed.

PART 56a—GRANTS FOR EMERGENCY MEDICAL SERVICES SYSTEMS [REMOVED]

42 CFR Part 56a is removed.

PART 59—GRANTS FOR FAMILY PLANNING SERVICES [REMOVED]

42 CFR Part 59 is amended by removing Subpart D.

PART 91—GRANTS FOR THE DETECTION, TREATMENT AND PREVENTION OF LEAD-BASED PAINT POISONING [REMOVED]

42 CFR Part 91 is removed.

[FR Doc. 81–28342 Filed 9–30–81; 8:45 am]
BILLING CODE 4110–65-M

42 CFR Parts 50, 51, 51a, 51b, 51e, 54, 54a, 54b, 56a, 59, and 91

45 CFR Parts 260, 1391, 1393, 1395, and 1396

Changes in Requirements for Programs Replaced by Block Grants

AGENCY: Department of Health and Human Services.

ACTION: Interim Final Rule with Request for Comments.

SUMMARY: The Omnibus Budget Reconciliation Act of 1981 established seven block grants administered by the Department of Health and Human Services to replace a large number of existing programs. Accordingly, we are deleting existing regulations for programs replaced by those block grants that are fully effective on October 1, 1981. We are also revising the existing regulations for those programs replaced by those block grants that are subject to the one-year transition period under the Reconciliation Act. These revisions establish the rules under which the Department will administer the categorical programs replaced by the preventive health and health services, alcohol and drug abuse and mental health services, and maternal and child health services block grants. The amendments are intended to remove burdensome and unnecessary requirements to the extent consistent with applicable laws and sound program management.

DATES: These rules are effective October 1, 1981. Comments must be received on

or before November 30, 1981. Any amendments suggested in those comments will be considered and any appropriate revisions will be made promptly.

ADDRESSES: Comments on these rules should be submitted to: Executive Secretariat, Attn: Charlotte Lewis, Department of Health and Human Services, Room 632-H, Humphrey Building, 200 Independence Avenue, SW, Washington, D.C. 20201.

FOR FURTHER INFORMATION CONTACT:

With respect to the Public Health Service Programs: Robert L. Spencer, Regulations Officer, Public Health Service, Parklawn Building, Room 17B-08, 5600 Fishers Lane, Rockville, MD 20857, (301) 443-6330.

With respect to the social services program: Michio Suzuki, Deputy Director, Office of Program Coordination and Review, 200 Independence Avenue, SW, Room 306E, Washington, D.C. 20201, (202) 245-7027.

With respect to the low-income home energy assistant program: Deborah Chassman, Acting Director, Energy Group, Office of Family Assistance, 2100 2nd Street, SW, Room B815, Washington, D.C. 20201, (202) 245-2137.

SUPPLEMENTARY INFORMATION:

Published elsewhere in this issue of the *Federal Register* are regulations implementing the block grant programs administered by the Department. Under three of the block grants, the Department will continue during fiscal year 1982 to administer the replaced categorical programs until the States qualify for block grant funds. In this document we are revising the existing regulations governing the affected categorical programs for the transition year and are removing those regulations that are no longer necessary.

Public Health Service Programs

The statutes governing the categorical programs replaced by the preventive health and health services and the alcohol and drug abuse and mental health services block grants were repealed by the Reconciliation Act effective October 1, 1981. Accordingly, the Department will continue to administer the replaced categorical programs during the transition period under the authority of section 1743 of the Reconciliation Act. Departmental administration of the programs replaced by the alcohol and drug abuse and mental health services block grant is, in addition, governed by the new section 1920 of the Public Health Service Act, which provides that grants made during

the transition period must be made in accordance with paragraphs (6), (7), and (8) of section 1915(c) of that Act.

The transition provisions of the maternal and child health services block grant differ in that existing categorical program statutes remain in effect throughout fiscal year 1982 except in those States that qualify for the block grant. The Department will continue to operate the affected categorical programs under section 1743 of the Reconciliation Act and existing law.

The changes in existing Public Health Service regulations made in this document are intended to lessen the regulatory burdens on grantees and the Department that apply during the transition year. The Department has retained fundamental provisions of the programs and those regulatory requirements directed toward sound fiscal and administrative management of projects in order to ensure that viable projects will be transferred to the States at the end of the transition period.

Social Services

The social services block grant applies to the 50 States, the District of Columbia, and the territories. Previously, the territories provided social services under titles I, IV-A, X, XIV, and XVI(AABD) of the Social Security Act, rather than under title XX. The various regulations applying to the territories under the prior programs are therefore being revised to reflect this change. 45 CFR Part 1391 (General Administration and State Plan Requirements) and Part 1393 (Service Programs under titles I, X, XIV, and XVI of the Act) are being deleted in their entirety. Part 1392 (Service Programs for Families and Children under title IV-A and B of the Act) is being retained until the Secretary issues revised regulations for the Child Welfare Program under title IV-B, as amended by Pub. L. 96-272. The Adoption Assistance and Child Welfare Act of 1980. References to titles I, X, XIV, and XVI are being deleted from the title of Subchapter J, so that it now refers to title IV only.

Regulations in 45 CFR Part 1395 (General Administration and State Plan Requirements), and Part 1396 (Social Services Programs for Individuals and Families under title XX) govern the old title XX program. These Parts are being deleted in their entirety.

Low-Income Home Energy Assistance

Since the Reconciliation Act repealed the Home Energy Assistance Act of 1980, the regulations issued in 45 CFR Part 260 to implement that act are being deleted.

Waiver of Notice and Comment Procedures and Delayed Effective Date

As noted above, the transition provisions of the Reconciliation Act are effective for the three Public Health Service Act block grants only for fiscal year 1982. The Secretary has determined that it is in the public interest to reduce regulatory burdens on grantees and the Department to the extent possible during this transition year. This determination is consistent with the intent of the conference committee report on the Reconciliation Act, which states that "In administering such transitional assistance, it is the intention of the conferees that a Federal agency shall minimize its own administrative expenses." (H.R. Rep. No. 97-208, 97th Cong., 1st Sess. 923.) It would be impractical and contrary to the public interest to utilize notice and comment procedures to develop these regulatory simplifications and reductions of regulatory burdens, since the time necessary to undertake those procedures would utilize much of the transition year. For the same reasons, the Secretary has determined that good cause exists for not postponing the effective date of these changes beyond October 1, 1981. Insofar as this document removes those regulations that are no longer needed because the underlying statutory authority has been repealed, public participation in the implementation is obviously unnecessary.

Impact Analysis

Economic Impact on Small Entities

The Secretary certifies that these rules will not have a significant economic impact on a substantial number of small entities within the meaning of the Regulatory Flexibility Act, Pub. L. 96-354, because (1) the rules apply to a limited number of recipients of Federal financial assistance, many of which are not within the statutory definition of "small entity," and (2) the rules remove requirements that are considered burdensome. Thus, a regulatory flexibility analysis is not required.

Classification of Rule Under E.O. 12291

The Secretary has determined that this rule is not a "major rule" under Executive Order 12291 and thus a regulatory impact analysis is not required. The Secretary's determination is based on the finding that the rule will not:

- (1) Have an annual effect on the economy of \$100 million or more;
- (2) Impose a major increase in costs or prices for consumers, individual

industries, Federal, State or local government agencies, or geographic regions; or

(3) Result in significant adverse effects on competition, employment, investment, productivity, innovation, or on the ability of United States-based enterprises to compete with foreign-based enterprises in domestic or export markets.

Dated: September 24, 1981.

Richard D. Schweiker,
Secretary, Department of Health and Human Services.

Effective October 1, 1981, Subchapter D, Chapter I, Title 42 Code of Federal Regulations is amended as set forth below.

Title 42—Public Health

PART 50—POLICIES OF GENERAL APPLICABILITY

42 CFR Part 50 is amended as follows:

1. The authority citation for Part 50 is revised to read as follows:

Authority: Secs. 215, 1001, 1006 Public Health Service Act, as amended, 42 U.S.C. 216, 300, 300a-4; sec. 501 of Pub. L. 95-134, 91 Stat. 1164 (48 U.S.C. 1469a); sec. 1743 of Pub. L. 97-35, 95 Stat. 763 (31 U.S.C. 1243 note).

§§ 50.101-50.107 (Subpart A) [Removed and Reserved]

2. The title and sections (§§ 50.101-50.107) of Subpart A are removed and Subpart A is reserved.

PART 51—GRANTS TO STATES FOR COMPREHENSIVE PUBLIC HEALTH SERVICES

42 CFR Part 51 is amended as follows:

1. The authority citation for Part 51 is revised to read as follows:

Authority: Sec. 215 Public Health Service Act, 58 Stat. 690, as amended (42 U.S.C. 216); sec. 1743 of Pub. L. 97-35, 95 Stat. 763 (31 U.S.C. 1243 note).

§ 51.101 [Amended]

2. Section 51.101 is amended by removing the words "as authorized by section 314(d) of the Public Health Service Act, as amended," and inserting, in their place, the words "as authorized to be continued by section 1743 of the Omnibus Budget Reconciliation Act of 1981 during the October 1, 1981-October 1, 1982 period of transition to the preventive health and health services block grant authorized by sections 1901-1909 of the Public Health Service Act."

§ 51.102 [Amended]

3. Section 51.102 is amended by removing and reserving paragraph (a).

4. Section 51.103 is revised to read as follows:

§ 51.103 Grants.

(a) From the sum allotted to a State under section 1902 of the Public Health Service Act, the Secretary will, if the State does not certify its readiness to administer the block grant funds as provided in section 1743 of the Omnibus Budget Reconciliation Act of 1981, and is eligible to receive a grant under section 314(d) of the Public Health Service Act as in effect on the date of enactment of the Omnibus Act, award a grant to carry out the purposes of section 314(d).

(b) The grant will—

(1) Be in an amount determined by the Secretary to be proportionate to the portion of the State's allotment attributable to the section 314(d) funds provided to the State and entities in the State for fiscal year 1981; and

(2) Be subject to the same terms and conditions as would have been applied to such a grant in fiscal year 1981, except to extent the Secretary determines this impractical.

§ 51.104 [Removed]

5. Section 51.104 is removed.

§ 51.105 [Redesignated]

6. Section 51.105 is redesignated § 51.104.

PART 51a—GRANTS FOR MATERNAL AND CHILD HEALTH AND CRIPPLED CHILDREN'S SERVICES

42 CFR Part 51a is amended as follows:

§ 51a.309 [Amended]

1. The last sentence in the introductory paragraph of § 51a.309, and paragraphs (a) through (g) of that section, are removed.

PART 51b—PROJECT GRANTS FOR PREVENTIVE HEALTH SERVICES

42 CFR Part 51b is amended as follows:

1. The authority citation for Part 51b is revised to read as follows:

Authority: Secs. 317 and 318, Public Health Service Act (42 U.S.C. 247b and 247c); sec. 1743 of Pub. L. 97-35, 95 Stat. 763 (31 U.S.C. 1243 note).

§ 51b.304 [Amended]

2. Section 51b.304 is amended by removing and reserving paragraphs (b)(1), (b)(6), (c)(1), (c)(2), (c)(3) and (c)(5), and removing paragraph (d).

PART 51e—GRANTS FOR HOME HEALTH SERVICES AND TRAINING [REMOVED]

42 CFR Part 51e is removed.

PART 54—GRANTS FOR COMMUNITY MENTAL HEALTH CENTERS

42 CFR Part 54 is amended as follows:

1. The authority citation for Part 54 is revised to read as follows:

Authority: Sec. 1743 of Pub. L. 97-35, 95 Stat. 763 (31 U.S.C. 1243 note).

2. Section 54.101 is revised to read as follows:

§ 54.101 To whom do these regulations apply?

This subpart applies to the award and administration of grants to community mental health centers as authorized by section 1743 of the Omnibus Budget Reconciliation Act of 1981 during the October 1, 1981-October 1, 1982 period of transition to the alcohol and drug abuse and mental health services block grant authorized by section 1911-1920 of the Public Health Service Act.

3. Section 54.102 is amended by revising the definition for "Act" first paragraph to read as follows:

§ 54.102 Definitions.

* * * * *

"Act" means the Community Mental Health Centers Act (42 U.S.C. 2689 *et seq.*) other than Part D thereof as in effect before the date of enactment of the Omnibus Budget Reconciliation Act of 1981, Pub. L. 97-35.

* * * * *

§ 54.103 [Amended]

4. Section 54.103 is amended by removing paragraph (d)(2).

5. Section 54.104 is revised to read as follows:

§ 54.104 What State plan requirements apply?

A State plan approved under section 237 of the Act for fiscal year 1981 will remain in effect for fiscal year 1982, except to the extent the Secretary directs a modification or update of the plan or the State submits a modification which is approved by the Secretary.

§ 54.105 [Removed]

6. Section 54.105 is removed.

§ 54.106 [Amended]

7. Section 54.106 is amended by removing and reserving paragraph (f)(1) and removing paragraphs (c)(3), (g)(3) and the last sentence of the paragraph (g)(2) which reads "These requirements include those of Title XV of the Public Health Service Act and the implementing regulations 42 CFR Part 122, and Part I of Circular A-95 of the Office of Management and Budget."

8. Section 54.107 is amended by:

Revising the introductory text to paragraph (a) to read as follows:

§ 54.107 What are some general requirements that apply to community mental health centers grants?

(a) *Service requirements.* The services to be provided include those required under section 201(b)(1) of the Act only as follows:"

9. Section 54.107 is amended by removing and reserving paragraph (a)(10), (a)(11), (a)(12), (c) and removing (d)(3) and removing the words "governing body, director," from paragraphs (d)(1)(i) and (d)(1)(iv) and substituting "director".

§ 54.110 [Amended]

10. Section 54.110 is amended by removing paragraph (c)(2) and the words at the beginning of paragraph (c)(1), "Except as provided in paragraph (c)(2) of this section with respect to planning grants under section 202 of the Act, no, and, by inserting, in the place of those words "No."

§§ 54.201-54.203 (Subpart B) [Removed]

11. Subpart B of Part 54 (§§ 54.201-54.203) is removed.

§ 54.301 [Amended]

12. Section 54.301 is amended by removing the words "under section 203 of the Act" and inserting, in their place, the words "as authorized by section 1743 of the Omnibus Budget Reconciliation Act of 1981 during the October 1, 1981-October 1, 1982 period of transition to the alcohol and drug abuse and mental health services block grant authorized by section 1911-1920 of the Public Health Service Act."

§ 54.302 [Amended]

13. Section 54.302 is amended by removing paragraphs (b)(2)(iv), (b)(2)(v), and (b)(3).

§ 54.401 [Amended]

14. Section 54.401 is amended by removing the words "under section 204 of the Act" and inserting in their place the words "as authorized by section 1743 of the Omnibus Budget Reconciliation Act of 1981 during the October 1, 1981-October 1, 1982 period of transition to the alcohol and drug abuse and mental health services block grant authorized by section 1911-1920 of the Public Health Service Act."

§§ 54.501-54.503 (Subpart E) [Removed]

15. Subpart E of Part 54 (§§ 54.501-54.503) is removed.

§ 54.601 [Amended]

16. Section 54.601 is amended by removing the words "under section 211 of the Act" and inserting in their place the words "as authorized by section 1743 of the Omnibus Budget Reconciliation Act of 1981 during the October 1, 1981-October 1, 1982 period of transition to the alcohol and drug abuse and mental health services block grant authorized by sections 1911-1920 of the Public Health Service Act."

PART 54a—GRANTS FOR ALCOHOL ABUSE AND ALCOHOLISM PREVENTION, TREATMENT, AND REHABILITATION SERVICES AND NATIONAL ALCOHOL RESEARCH CENTERS

42 CFR Part 54a is amended as follows:

1. The authority citation for Part 54a is revised to read as follows:

Authority: Sec. 504, 90 Stat. 1035 (42 U.S.C. 4588); sec. 1743 of Pub. L. 97-35 Stat. 763 (31 U.S.C. 1243 note)

2. Section 54a.101 is revised to read as follows:

§ 54a.101 Applicability.

This subpart applies to: (a) Formula and special grants to assist States, respectively, in the development of more effective alcohol abuse and alcoholism prevention, treatment, and rehabilitation programs, and in implementing the Uniform Alcoholism and Intoxication Treatment Act as those grants are authorized to be continued during fiscal year 1982 by section 1743 of the Omnibus Reconciliation Act of 1981; (b) Grants for alcohol abuse and alcoholism prevention and treatment projects as authorized to be continued during fiscal year 1982 by section 1743 of the Omnibus Budget Reconciliation Act of 1981; and (c) grant for National Alcohol Research Centers authorized by section 504 of the Comprehensive Alcohol Abuse and Alcoholism Prevention, Treatment, and Rehabilitation Act (42 U.S.C. 4588).

§ 54a.105 [Removed]

3. Section 54a.105 is removed.

4. Section 54a.201 is revised to read as follows:

§ 54a.201 Applicability.

This subpart applies to grants to assist States in planning, establishing, maintaining, coordinating, and evaluating projects and programs to deal with alcohol abuse and alcoholism as authorized to be continued by section 1743 of the Omnibus Budget Reconciliation Act of 1981 during the October 1, 1981-October 1, 1982 period

of transition to the alcohol and drug abuse and mental health services block grant authorized by sections 1911-1920 of the Public Health Service Act.

5. Section 54a.203 is revised to read as follows:

§ 54a.203 Grants.

(a) From the sum allotted to a State under section 1912 of the Public Health Service Act, the Secretary will, if the State does not certify its readiness to administer the block grant funds as provided in section 1743 of the Omnibus Budget Reconciliation Act of 1981, and is eligible to receive a grant under these regulations and sections 301-303 of the Act as in effect on the date of enactment of the Omnibus Budget Reconciliation Act of 1981, award a grant to the State to carry out the purposes of sections 301-303.

(b) The grant will—

(1) Be in an amount determined by the Secretary to be proportionate to the portion of the State's allotment attributable to the section 301 funds provided to the State and entities in the State for fiscal year 1980; and

(2) Be subject to the requirements of these regulations.

§ 54.204 [Removed]

6. Section 54.204 is removed.

§ 54a.205 [Amended]

7. Section 54a.205 is amended by removing and reserving paragraph (b).

8. Section 54a.207 is revised to read as follows:

§ 54a.207 State plan; submission and review.

To receive a grant under these regulations a State must have an approved State plan for fiscal year 1981 which has been updated and modified as may be directed by the Secretary or which has been modified by the State with the approval of the Secretary.

§§ 54a.208-54a.215 [Removed]

9. Sections 54a.208, 54a.209, 54a.210, 54a.211, 54a.212, 54a.213, 54a.214 and 54a.215 are removed.

10. Subpart C of 42 CFR Part 54a is amended as follows:

(i) The authority citation for Subpart C is revised to read as follows:

Authority: Sec. 1743 of Pub. L. 97-35, 95 Stat. 763 (31 U.S.C. 1243 note)

§ 54a.301 [Amended]

(ii) Section 54a.301 is amended by:

(a) Removing the words "under section 310 of Act (42 U.S.C. 4576)."

(b) Removing the period after "standpoint" and inserting in its place "as authorized to be continued by

section 1743 of the Omnibus Budget Reconciliation Act of 1981 during the October 1, 1981–October 1, 1982 period of transition to the alcohol and drug abuse and mental health services blocks grant authorized by sections, 1911–1920 of the Public Health Service Act."

§ 54a.303 [Amended]

(iii) Section 54a.303 is amended by removing from paragraph (a) the words "agency designated under section 303 of the Act."

(iv) Section 54a.305 is amended by revising paragraph (a) to read as follows:

§ 54a.305 How is the Uniform Act grant awarded?

(a) *Grant award* From the sum allotted to a State under section 1912 of the Public Health Service Act, the Secretary may award a grant to the State, if it does not certify its readiness to administer the block grant funds as provided in section 1743 of the Omnibus Budget Reconciliation Act of 1981, and meets the requirements of these regulations. The grant will be in an amount determined by the Secretary to be proportionate to the portion of the State's allotment attributable to the Uniform Act grant funds provided to the State for fiscal year 1980

11. Section 54a.401 is revised to read as follows:

§ 54a.401 Applicability.

This subpart applies to grants for the prevention and treatment of alcohol abuse and alcoholism and for the rehabilitation of alcohol abusers and alcoholics as authorized to be continued during the period October 1, 1981–October 1, 1982 by section 1743 of the Omnibus Budget Reconciliation Act of 1981.

§ 54a.403 [Amended]

12. Section 54a.403 is amended by removing and revising paragraph (c)(2).

§ 54a.404 [Amended]

13. Section 54a.404 is amended by removing paragraphs (k)(1), (m), (n), (o), (q)(1), (q)(2), (r), (s), (t), and (u).

§ 54a.405 [Amended]

14. Section 54a.405 is amended by removing paragraphs (a)(4), (a)(5), (b), (c), and (d).

PART 54b—DRUG ABUSE GRANTS

42 CFR Part 54b is amended as follows:

1. The title of the Part is revised to read, "Drug Abuse Grants" as set forth above.

2. An authority citation is added to read as follows:

Authority: Sec. 1743 of Pub. L. 97–35, 95 Stat. 763 (31 U.S.C. 1243 note)

3. Section 54b.101 is revised to read as follows:

§ 54b.101 Applicability.

This part applies to drug abuse formula grants and drug abuse project grants as authorized to be continued by section 1743 of the Omnibus Budget Reconciliation Act of 1981 during the October 1, 1981–October 1, 1982 period of transition to the alcohol and drug abuse and mental health services block grant authorized by sections 1911–1920 of the Public Health Service Act.

4. Section 54b.102 is revised to read as follows:

§ 54b.102 Grants.

(a) From the sum allotted to a State under section 1912 of the Public Health Service Act, the Secretary will, if the State does not certify its readiness to administer the block grant funds as provided in section 1743 of the Omnibus Budget Reconciliation Act of 1981 and is eligible to receive a grant under section 409 or 410 of the Drug Abuse Prevention, Treatment, and Rehabilitation Act, or both, as in effect on the date of enactment of the Omnibus Act, award such a grant or grants. (The grants may be combined.)

(b) The grant or grants will—

(1) Be in amount or amounts determined by the Secretary to be proportionate to the portion of the State's allotment attributable to the section 409, section 410, or both, as the case may be, funds provided to the State and entities in the State for fiscal year 1980;

(2) Be subject to the same terms and conditions as would have been applied to such a grant or grants in fiscal year 1981, except to the extent the Secretary determines this is impractical.

PART 56a—GRANTS FOR EMERGENCY MEDICAL SERVICES SYSTEMS

42 CFR Part 56a is amended as follows:

1. The authority citation for Part 56a is revised to read as follows:

Authority: Sec. 1743 of Pub. L. 97–35, 95 Stat. 763 (31 U.S.C. 1243 note).

§§ 56a.201–56a.206 (Subpart B) [Removed and reserved]

2. Subpart B of Part 56a is removed and reserved.

§ 56a.302 [Amended]

3. Section 56a.302 is amended by removing paragraphs (a)(2), (b), and (c).

§ 56a.106 [Amended]

4. Section 56a.106 is amended by removing and reserving paragraphs (d) through (j).

§ 56a.303 [Amended]

5. Section 56a.303 is amended by removing and reserving paragraphs (c), (d), (e), (k)(1), (k)(2)(i) and (ii) and removing paragraphs (m) and (n).

§ 56a.304 [Amended]

6. Section 56a.304 is amended by removing and reserving paragraphs (b) and removing (d).

§ 56a.305 [Amended]

7. Section 56a.305 is amended by removing paragraphs (b)(4) through (b)(7).

§ 56a.306 [Amended]

8. Section 56a.306 is amended by removing and reserving paragraph (a).

§ 56a.403 [Amended]

9. Section 56a.403 is amended by removing paragraphs (a)(2), (b), and (c).

§ 56a.404 [Amended]

10. Section 56a.404 is amended by removing and reserving paragraphs (c), (d), (e), (h), (j), (1)(2)(i) and (ii), (m), and (n).

§ 56a.405 [Amended]

11. Section 56a.405 is amended by removing and reserving paragraphs (b) and removing paragraph (d).

§ 56a.406 [Amended]

12. Section 56a.406 is amended by removing paragraphs (b)(3) through (b)(6).

§ 56a.408 [Amended]

13. Section 56a.408 is amended by removing and reserving paragraph (a).

PART 59—GRANTS FOR FAMILY PLANNING SERVICES

42 CFR Part 59, Subpart D, is amended as follows:

§ 59.304 [Amended]

§ 59.304 is amended by removing and reserving paragraphs (a)(16) and (a)(17).

PART 91—GRANTS FOR THE DETECTION, TREATMENT AND PREVENTION OF LEAD-BASED PAINT POISONING

42 CFR Part 91 is amended as follows:

91.5 [Amended]

1. Section 91.5 (c), introductory text is amended by removing the phrase "to accomplish the objectives and a schedule for their accomplishment" from the first sentence of that paragraph.

2. Section 91.5 (c)(3) is revised to read as follows:

§ 91.5 What are the specific application requirements for grants for detection and reduction of lead-based paint poisoning?

(c) * * *

(3) An intensive community screening program to detect evidence of undue lead absorption and lead poisoning in children. Emphasis shall be placed on door-to-door efforts designed to reach the greatest number of children at risk. The use of clinics shall be encouraged for "walk-in" testing.

§ 91.5 [Amended]

3. Section 91.5 (c)(4)(i) is amended by removing the phrase "by washing, sanding, scraping, using a wire brush or other cleaning."

§ 91.5 [Amended]

4. Section 91.5 is amended by removing and reserving paragraph (c)(7) and removing paragraph (c)(10).

Title 45—Public Welfare

PART 260—LOW INCOME ENERGY ASSISTANCE PROGRAM [REMOVED]

45 CFR, Chapter II is amended by removing Part 260.

45 CFR, Chapter XIII is amended as follows:

1. The title of Subchapter J is revised to read as follows:

SUBCHAPTER J—SOCIAL SERVICES FOR INDIVIDUALS AND FAMILIES UNDER TITLE IV-A AND B OF THE SOCIAL SECURITY ACT.

PART 1391—GENERAL ADMINISTRATION AND STATE PLAN REQUIREMENTS. [REMOVED]

PART 1393—SERVICE PROGRAMS FOR AGED, BLIND, OR DISABLED PERSONS: TITLES I, X, XIV, AND XVI (AABD) OF THE SOCIAL SECURITY ACT. [REMOVED]

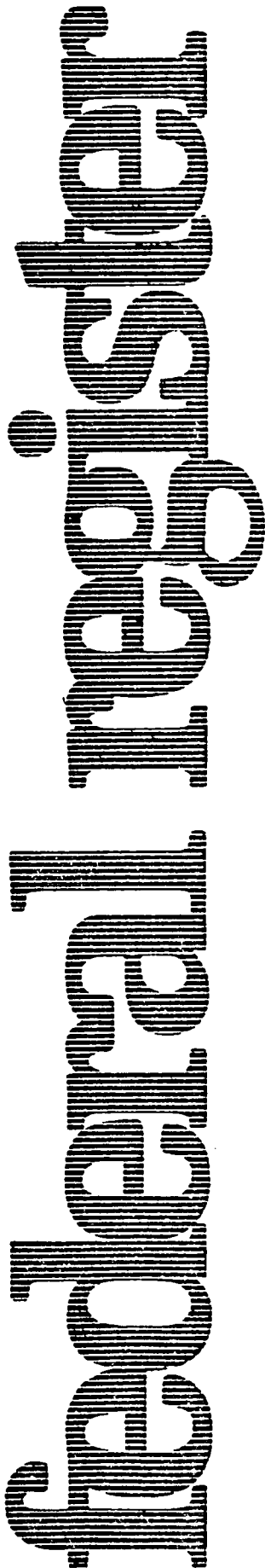
PART 1395—GENERAL ADMINISTRATION AND STATE PLAN REQUIREMENTS. [REMOVED]

PART 1396—SOCIAL SERVICES PROGRAMS FOR INDIVIDUALS AND FAMILIES: TITLE XX OF THE SOCIAL SECURITY ACT. [REMOVED]

2. Parts 1391, 1393, 1395, and 1396 are removed.

[FR Doc. 81-28343 Filed 9-30-81; 8:45 am]

BILLING CODE 4110-12-M



Friday
February 12, 1982

Part VI

**Department of
Education**

**Proposed Regulations to Allow State and
Local Agencies Maximum Flexibility to
Administer Funds and Design Programs**

DEPARTMENT OF EDUCATION**Office of Elementary and Secondary Education****34 CFR Parts 74, 76, 78, and 298****Chapter 2 of the Education Consolidation and Improvement Act of 1981****AGENCY:** Department of Education.**ACTION:** Notice of proposed rulemaking.

SUMMARY: The Secretary proposes regulations for activities authorized under Subchapters A, B, and C of Chapter 2 of the Education Consolidation and Improvement Act of 1981 (ECIA). These regulations allow State and local educational agencies maximum flexibility to administer funds and design programs under these subchapters of Chapter 2.

The Secretary also proposes to amend the regulations in 34 CFR Parts 74 and 78 (Education Department General Administrative Regulations) to indicate that those regulations do not apply to programs authorized under Chapter 2; and to amend 34 CFR Part 78 (the regulations for the Education Appeal Board.)

DATE: Comments on this notice or proposed rulemaking must be submitted on or before April 13, 1982.

ADDRESS: Written comments should be submitted to Mrs. Shirley A. Jackson, Acting Director, Educational Support Programs, Office of Elementary and Secondary Education, U.S. Department of Education, 400 Maryland Avenue, SW., Room 2070, Washington, D.C. 20202.

All comments submitted in response to this notice of proposed rulemaking will be available for public inspection, during and after the comment period, in Room 2181, 400 Maryland Avenue, SW., Washington, D.C., between the hours of 8 a.m. and 4:30 p.m., Monday through Friday of each week except Federal Holidays.

FOR FURTHER INFORMATION CONTACT: Mr. Allen King, Acting Deputy Director, Educational Support Services, Office of Elementary and Secondary Education, 400 Maryland Avenue, SW., Room 2079, Washington, D.C. 20202. Telephone: (202) 245-8407.

SUPPLEMENTARY INFORMATION:**a. Purpose of Chapter 2 consolidation**

Chapter 2 of the ECIA ("Chapter 2") was enacted as part of Subtitle D of Title V of the Omnibus Budget Reconciliation Act of 1981 (Pub. L. 97-35). Chapter 2 consolidates 28 education grant programs funded in Fiscal Year

1981 into a single authorization of grants to States. As stated in Section 561(a) of the ECIA, the programs consolidated are:

- (1) Titles II, III, IV, V, VI, VIII, and IX (except part C) of the Elementary and Secondary Education Act of 1965;
- (2) The Alcohol and Drug Abuse Education Act;
- (3) Part A and section 532 of title V of the Higher Education Act of 1965;
- (4) The Follow Through Act (on a phase basis);
- (5) The precollege science teacher training program administered by the Secretary of Education under section 3(a)(1) of the National Science Foundation Act of 1950; and
- (6) The Career Education Incentive Act.

Section 561(b) of Chapter 2 declares the legislative purpose of Chapter 2 to be the transfer of authority and responsibility to State and local educational agencies. It states:

The basic responsibility for the administration of funds made available under this chapter is in the State educational agencies, but it is the intent of Congress that this responsibility be carried out with a minimum of paperwork and that the responsibility for the design and implementation of programs assisted under the chapter shall be mainly that of local educational agencies, school superintendents and principals, and classroom teachers and supporting personnel, because they have the most direct contact with students and are most directly responsible to parents.

The Secretary proposes regulations in this document that are designed to implement these purposes.

b. Authority to issue Chapter 2 regulations

Chapter 2 does not require the Secretary to publish regulations to implement any of its provisions. In fact, Section 591(a) of the ECIA substantially limits the authority of the Secretary to issue regulations under Chapter 2. The Secretary is authorized to issue regulations only if they:

- (1) Relate to the discharge of duties specifically assigned to the Secretary;
- (2) Relate to proper fiscal accounting and payment methods; or
- (3) Are deemed necessary "to reasonably insure that there is compliance with the specific requirements and assurances" in Chapter 2.

In accordance with these provisions, the Secretary concludes that regulations for the Chapter 2 program are needed only to cover the following subjects:

- How a State or local educational agency obtains funds under Chapter 2 (Subpart A);
- Fiscal requirements that a State or local educational agency must meet (Subpart B);

- How children enrolled in private schools participate in Chapter 2 programs (Subpart C); and
- Due process procedures (Subpart D).

The following paragraphs provide a summary description of the Chapter 2 statute and proposed regulations.

c. Summary of program: distribution of funds to SEAs and LEAs.

Before a State may receive chapter 2 funds, the State must meet two requirements. First, it must establish a State Advisory Committee that meets the requirements for representation in section 564(a)(2) of Chapter 2. Section 564(a)(2) describes the composition and functions of the committee. The proposed regulations add no requirements to this statutory process. However, they do describe circumstances under which a State may use an existing organization to serve as the advisory committee.

The Secretary encourages Governors to appoint their State Advisory Committees as early as possible. Any pre-grant costs incurred for expenses of State Advisory Committees prior to July 1, 1982 may be paid from available resources and those accounts reimbursed after July 1 from a State's Chapter 2 funds. Also, those costs may be paid from funds appropriated in Fiscal Year 1981 to implement Title V-B of the Elementary and Secondary Education Act of 1965.

Second, the State must submit an application to the Secretary. The application must designate the State educational agency (SEA) as the State agency responsible for the administration and supervision of programs assisted under Chapter 2, set forth the planned allocation of funds in accordance with Section 564(a)(3), and meet other minimum statutory requirement contained in Section 564(a)(4)-(7). The Secretary requires no particular form of application.

After the Secretary checks to insure that the application meets the statutory requirements, the Secretary provides a grant award to the State for an amount computed on the basis of the school-age population in the State compared to the school-age populations of all States in accordance with Section 563 of Chapter 2.

Under Section 565, the State must distribute at least 80 percent of the funds it receives to the local educational agencies (LEAs) in the State in proportion to the relative enrollments in public and private schools in those agencies, "adjusted, in accordance with criteria approved by the Secretary, to

provide higher per pupil allocations to local educational agencies which have the greatest numbers or percentages of children whose education imposes a higher than average cost per child * * *. The statute gives examples of these children but the examples are not exclusive. The Secretary proposes no regulations or standards for evaluating State criteria under Section 505. In carrying out this function, the Secretary will approve criteria that are reasonably calculated to produce an equitable distribution of funds. The Secretary encourages States to submit their criteria for approval prior to submission of their applications.

To receive its allocation from the SEA, an LEA must have on file with the SEA an application which "sets forth the planned allocation of funds * * *" in accordance with Section 566(a)(1) and meets other minimum statutory requirements stated in section 566. An SEA or LEA may use Chapter 2 funds for the purposes described in Subchapters A through C of Chapter 2. These three Subchapters are titled—

Subchapter A—Basic Skills Development;

Subchapter B—Educational Improvement and Support Services; and

Subchapter C—Special Projects.

Chapter 2 contains no set-asides or other requirements that an SEA or LEA allocate a particular portion of its funds to any of the purposes stated in Subchapters A through C. An SEA or LEA is free to distribute its funds among the range of purposes stated in these subchapters as it sees fit.

In general, the SEA is responsible for the administration and supervision of programs assisted with Chapter 2 funds. However, under section 566(c), each LEA has "complete discretion, subject only to the provisions of (Chapter 2), in determining how funds the agency receives * * * shall be divided among the purposes of (Chapter 2) in accordance with the application submitted under (Section 566(a))."

d. Fiscal requirements.

Section 585 of Chapter 2 contains provisions regarding maintenance of effort and use of Federal funds to supplement and not supplant State and local funds. Under section 585(a)(1), the combined fiscal effort per student or the aggregate expenditures within the State with respect to the provision of free public education for the preceding fiscal year must not be less than 90 percent of the combined fiscal effort per student or aggregate expenditures for the second preceding fiscal year. Section 585(a)(2) calls for proportional reduction of a

State's Chapter 2 allocation if a State fails to meet this requirement. Section 585(a)(3) allows the Secretary to waive the requirement, for one year, if the waiver is equitable due to exceptional or uncontrollable circumstances. The Conference Report, however, indicates that the Secretary may not consider tax initiatives or referenda to be exceptional or uncontrollable circumstances. 127 Cong. Rec. H5645 (daily ed. 1981). Section 585(b) states the supplement, not supplant principle that applies to Chapter 2.

Because representatives of SEAs and LEAs, in meetings with staff members of the Department, have been particularly concerned regarding the need for guidance on these provisions and because section 585(c) of Chapter 2 specifically invites the issuance of regulations, the Secretary proposes to provide minimal regulations on a number of key points on these subjects. These regulations are designed to afford greater flexibility and maximum discretion to SEAs and LEAs in meeting the fiscal requirements described above. The pertinent proposed regulations are contained in Subpart B.

e. Participation of children enrolled in private schools.

Chapter 2 makes extensive provision for the equitable participation of children enrolled in private schools. Sections 586 (d) and (e) provide that the Secretary may arrange for services to private school children if an SEA or LEA is prohibited by law or "substantially failed or is unwilling" to provide equitable services for them.

Because Chapter 2 assigns to the Secretary a special duty regarding the equitable provision of Chapter 2 services to children enrolled in private schools, the Secretary proposes to give guidance in these regulations regarding a limited number of questions which have been frequently raised and which knowledgeable persons, including representatives of private school children, believe require clarification. This clarification is needed to insure full compliance with the specific provisions which Congress has enacted to protect the rights of private school children to share in Chapter 2 services.

Section 586 of Chapter 2 closely parallels the comparable statutory provisions for serving children enrolled in private schools in Title IV of the Elementary and Secondary Education Act. Accordingly, the Secretary has drawn on long-accepted principles in the regulations applicable to Title IV in responding to questions regarding the participation of private school children under Chapter 2. At the same time, in

the interest of simplification and flexibility for SEAs and LEAs, the Secretary has simplified the regulations.

Among the matters clarified in the proposed Subpart C of these regulations are: responsibility of SEAs and LEAs to provide services; consultation with private school officials; determination of needs, number of children, and types of services; factors used in determining equitable participation; use of public school employees on other than public school premises; and public supervision and control of funds and equipment.

f. Due process procedures.

As indicated above, the Secretary proposes specific rules to afford due process protections to State and local educational agencies in the event that disputes arise in the following areas:

- By-pass determinations under section 586(d)-(h).
- Final audit determinations.
- Determinations to withhold funds under section 592.

By-pass procedures proposed in the regulations are designed to provide a brief procedural guide to enable an affected SEA or LEA to challenge a by-pass determination by the Secretary.

Procedures regarding audit disputes are modeled on current regulations providing SEAs with highly developed appeal rights in cases of adverse audit determinations. However, the proposed regulations under Chapter 2 shorten and simplify these procedures and specifically tailor them for the Chapter 2 program.

The proposed regulations provide for withholding proceedings under section 592 before the Education Appeal Board but require, in keeping with the mandate of section 592, that these proceedings be conducted in accordance with the provisions of the Administrative Procedure Act.

g. Additional guidance.

The Secretary has recognized a need and a responsibility to provide further non-regulatory guidance with respect to various questions that have been frequently raised by representatives of SEAs and LEAs. The Department of Education has conducted public meetings to respond to a number of these questions and to explain the provisions of Chapter 2.

The Secretary is also preparing, and plans to distribute widely, a document designed to provide further non-regulatory guidance with respect to the provisions in Chapter 2. It is expected that this material will provide information to enable SEAs and LEAs to carry out their increased responsibilities.

under Chapter 2 and will further advise these agencies of alternative approaches to meet the requirements of the statute. Commenters are invited to suggest matters that they believe should be covered in this document.

The guidance in the document will not be binding on SEAs and LEAs and will not foreclose alternative approaches that may be more in keeping with local needs and circumstances and that also meet the statutory requirements. It will clearly indicate that State and local officials are free to develop—indeed are encouraged to develop—alternative approaches to the examples discussed.

h. Application of other statutes and regulations.

(1) As the Secretary interprets other applicable statutes, recipients of grant funds under Chapter 2 are recipients of Federal financial assistance under the civil rights laws. Therefore, those statutes, as well as regulations implementing those statutes, apply to Chapter 2 programs. The civil rights regulations are found in 34 CFR Parts 100, 104, and 106 and 45 CFR Part 90.

(2) As provided in section 596 of the ESEA, section 412(b) (the "Tydings Amendment") of the General Education Provisions Act (GEPA) which allows SEAs and LEAs to "carry over" Chapter 2 funds—that is, to use them either in the fiscal year for which the funds were appropriated or in the succeeding fiscal year—applies to Chapter 2.

As described in section 596 of the ESEA, Sections 434, 435, and 436 of GEPA relating to State monitoring and State and local general applications do not apply to Chapter 2 programs except to the extent that they relate to fiscal control and fund accounting procedures (including the title to property acquired with Federal funds). The provision in section 434 of GEPA which applies to Chapter 2 is in paragraph (a)(2) pertaining to the Secretary's discretionary authority to request a plan on audits. The Secretary has decided that it would be unduly burdensome to require such a plan.

Section 435 of GEPA applies to Chapter 2 only with respect to paragraphs (b)(2) and (b)(5), which pertain to two assurances concerning fiscal control and fund accounting procedures that are required to be filed in a "single State application." Section 436 of GEPA applies to Chapter 2 with regard to similar assurances in paragraphs (b)(2) and (b)(3) filed in "single local applications." If SEAs and LEAs have filed these applications, the assurances do not have to be filed again.

Except for the sections indicated above, the provisions in GEPA have

been determined not to apply to programs under Chapter 2.

(3) Sections 1741 (relating to the distribution of block grant funds), 1742 (relating to reports on the proposed use of funds and public hearings), and 1743 (relating to transition provisions) of the Omnibus Budget Reconciliation Act of 1981 do not apply to Chapter 2. Sections 1744 (relating to access to records by the Comptroller General) and 1745 (relating to State auditing requirements) do apply, and their provisions have been incorporated in §§ 298.16 and 298.17 of this part.

(4) This notice of proposed rulemaking proposes that the Education Department General Administrative Regulations (EDGAR) do not apply to programs under Chapter 2. In particular, the provisions in 34 CFR Part 76, which deal with State-administered programs, and 34 CFR Part 74, which incorporates OMB Circulars A-21, A-87, A-102, and A-110, do not apply. Instead, States may apply equivalent procedures of their own for financial management and control of their programs. However, States continuing to use the provisions in 34 CFR Part 74 will be considered to be in compliance with the accountability provisions of Chapter 2. This document proposes an amendment to EDGAR to implement this policy. In addition, as indicated in § 298.2(c) of these proposed regulations, the definitions in 34 CFR Part 77 (definitions in EDGAR that apply generally to education programs) do not apply to Chapter 2 programs.

i. Use of "carryover funds" from programs being consolidated.

The Secretary interprets section 514(b)(2)(B) of the Omnibus Education Reconciliation Act of 1981 to permit SEAs and LEAs that have unobligated funds on July 1, 1982 that were appropriated in an appropriation act for Fiscal Year 1981 and were intended for their use under the antecedent programs to retain these funds for expenditure and use. These funds are available for obligation until September 30, 1983 under section 412(b) of GEPA. Although section 514 requires SEAs and LEAs to expend and use their unobligated funds in accordance with the purposes of Chapter 2, the Secretary does not interpret this section to require these agencies to allocate their unobligated funds according to the formula in section 565(a) of Chapter 2. As a result, SEAs that have unobligated funds intended for their use under the antecedent programs, such as "State strengthening" funds under Title V of the Elementary and Secondary Education Act of 1965, may expend and use those funds in accordance with the

purposes of Chapter 2 without distributing at least 80 percent of them to LEAs. Likewise, LEAs do not need to return their unobligated funds to the SEA for distribution under the Chapter 2 formula.

Under the Secretary's interpretation, unobligated funds are to be expended and used by those agencies for whose use under the antecedent programs the funds were intended. Thus, any categorical funds intended for LEAs in the 1981 appropriation but not awarded by SEAs as of July 1, 1982 shall be awarded to LEAs. These funds may be allocated in accordance with the distribution formula for the LEA portion of Chapter 2 funds or to those LEAs that would have received them under the antecedent programs.

Because section 514(b)(2)(B) only pertains to SEAs and LEAs, any institutions of higher education or other recipients of subgrants or contracts under the antecedent programs are not affected by section 514. Therefore, such subgrantees or contractors shall continue to operate their grants or contracts according to the terms and conditions under which they were received.

Executive Order 12291

This notice of proposed rulemaking has been reviewed by the Department in accordance with Executive Order 12291 and is classified as non-major because it does not meet the criteria for major regulations established in the Order.

The purpose of Executive Order 12291 of February 17, 1981 is to relieve regulatory burdens. The Order requires the Department, when promulgating new regulations, to:

(a) Base administrative decisions on adequate information concerning the need for, and consequences of, proposed government action;

(b) Ensure that a regulation's benefits to society outweigh its costs to society;

(c) Choose regulatory objectives that maximize the net benefits to society; and

(d) Choose the regulatory approach involving the lowest net cost to society.

The Secretary has incorporated these requirements as part of the Department's procedures for promulgating regulations. To assist the Department in complying with the specific requirements of Executive Order 12291 and its overall requirements of reducing regulatory burden, public comment is especially invited on whether there may be further opportunities to reduce any regulatory burden found in this notice of proposed rulemaking.

Invitation to Comment

Public comments are invited on this notice of proposed rulemaking. Written comments and recommendations may be sent to the contact person listed at the beginning of this preamble. All comments received on or before April 13, 1982 will be considered in revising the final regulations.

All comments submitted in response to this notice of proposed rulemaking will be available for public inspection, during and after the comment period, in Room 2181, 400 Maryland Avenue, SW, Washington, D.C., between the hours of 8:00 a.m. and 4:30 p.m., Monday through Friday of each week except Federal holidays.

Regulatory Flexibility Act

The Secretary certifies that these proposed regulations will not have a significant economic impact on a substantial number of small entities. States and State educational agencies receiving Chapter 2 funds are not "small entities" as defined by the Regulatory Flexibility Act.

Citation of Legal Authority

A citation of statutory or other legal authority is placed in parentheses on the line following each substantive provision of the proposed regulations.

(Catalog of Federal Domestic Assistance; not applicable)

Dated: February 8, 1982.

T. H. Bell,

Secretary of Education.

The Secretary proposes to add Part 298 to Title 34 of the Code of Federal Regulations as follows:

PART 298—CHAPTER 2 OF THE EDUCATION CONSOLIDATION AND IMPROVEMENT ACT OF 1981**Subpart A—How a State or Local Educational Agency Obtains Funds Under Chapter 2**

Sec.

- 298.1 Purpose.
- 298.2 Definitions
- 298.3 General responsibilities of State and local educational agencies.
- 298.4 State applications.
- 298.5 Allotments to States of Chapter 2 funds.
- 298.6 State advisory committee.
- 298.7 LEA applications.
- 298.8 Allocations of Chapter 2 funds to LEAs.
- 298.9 Reallocation.
- 298.10 Use of Chapter 2 funds.

Subpart B—Fiscal Requirements That a State or Local Educational Agency Must Meet

- 298.11 Maintenance of effort.

Sec.

- 298.12 Waiver of the maintenance of effort requirement
- 298.13 Supplement, not supplant.
- 298.14 Availability of funds.
- 298.15 Recordkeeping requirements.
- 298.16 Access to records and audits.
- 298.17 State audits.
- 298.18 Compromise of audit claims.
- 298.19–298.20 [Reserved]

Subpart C—How Children Enrolled in Private Schools Participate in Chapter 2 Programs

- 298.21 Responsibility of SEAs and LEAs.
- 298.22 Consultation with private school officials.
- 298.23 Needs, number of children, and types of services.
- 298.24 Factors used in determining equitable participation.
- 298.25 Funds not to benefit a private school.
- 298.26 Use of public school employees.
- 298.27 Equipment and supplies.
- 298.28 Construction.
- 298.29–298.30 [Reserved]

Subpart D—Due Process Procedures**Procedures for By-Pass**

- 298.31 By-pass—General.
- 298.32 Notice by Secretary.
- 298.33 By-pass procedures.
- 298.34 Appointment and functions of a hearing officer.
- 298.35 Hearing procedures.
- 298.36 Post hearing procedures.
- 298.37–298.40 [Reserved]

Other Due Process Procedures

- 298.41 General.
- 298.42 Jurisdiction.
- 298.43 Definitions.
- 298.44 Eligibility for review.
- 298.45 Written notice.
- 298.46 Filing an application for review of a final audit determination or a withholding hearing.
- 298.47 Review of the written notice.
- 298.48 Acceptance of the application.
- 298.49 Rejection of the application.
- 298.50 Intervention.
- 298.51 Practice and procedure.
- 298.52 The Panel's decision.
- 298.53 Opportunity to comment on the Panel's decision.
- 298.54 The Secretary's decision.

Authority: Sec. 561–596 of Pub. L. No. 97–35, 95 Stat. 469–482 (20 U.S.C. 3811–3876), unless otherwise noted.

Subpart A—How a State or Local Educational Agency Obtains Funds Under Chapter 2**§ 298.1 Purpose.**

The regulations in this part implement the consolidation of Federal program activities for elementary and secondary education at the State and local level contained in Subchapters A, B, and C of Chapter 2 of the Education Consolidation and Improvement Act of 1981 (Chapter 2).

(Sec. 561, 20 U.S.C. 3811)

§ 298.2 Definitions.

(a) The following definitions contained in Section 595 of Chapter 3 of the Education Consolidation and Improvement Act of 1981 apply to the regulations in this part:

State
Secretary
State educational agency
Local educational agency
Parent
Free public education
Elementary school
Secondary school
Construction
Equipment
School facilities

(b) Additional definitions pertaining to the due process procedures in §§ 298.41–298.54 are found in § 298.43 of these regulations.

(c) The definitions in 34 CFR Part 77 (definitions in EDGAR that apply generally to education programs) do not apply to the regulations in this part.

(Sec. 595, 20 U.S.C. 3875)

§ 298.3 General responsibilities of State and local educational agencies.

(a) Except as provided in paragraph (b) of this section, a State educational agency (SEA)—

(1) Has the basic responsibility for the administration of funds made available under Chapter 2; and

(2) Is the State agency responsible for the administration and supervision of programs assisted with Chapter 2 funds.

(b) Section 566(c) of Chapter 2 provides that each local educational agency (LEA) has complete discretion, subject only to the provisions of Chapter 2, in determining how funds the agency receives under section 565(a) of Chapter 2 are divided among the purposes of Chapter 2 in accordance with the LEA's Chapter 2 application.

(Sec. 561(b), 20 U.S.C. 3811(b); sec. 564, 20 U.S.C. 3814; sec. 566(c), 20 U.S.C. 3816(c))

§ 298.4 State applications.

(a) Any State that desires to receive a grant under Chapter 2 shall file an application with the Secretary that meets the requirements in Section 564 of Chapter 2.

(b) The application may be submitted in any form that the State determines is appropriate.

(Sec. 564, 20 U.S.C. 3814)

§ 298.5 Allotments to States of Chapter 2 funds.

From the funds appropriated under Chapter 2 for any fiscal year, the Secretary:

(a) Reserves an amount that does not exceed one percent of the Chapter 2 appropriation for payments to Guam, American Samoa, the Virgin Islands, the Trust Territory of the Pacific Islands, and the Northern Mariana Islands, to be allotted in accordance with their respective needs. If no more reliable data are available, the Secretary determines respective needs according to the relative enrollments in public and private schools within each territory;

(b) Reserves an additional amount that does not exceed six percent of the Chapter 2 appropriation to carry out the purposes of Subchapter D of Chapter 2 (Secretary's Discretionary program); and

(c) Allots to each State an amount that bears the same ratio to the amount remaining after the funds in paragraphs (a) and (b) of this section are reserved as the school-age population of the State bears to the school-age population of all States, except that no State receives less than 0.5 percent of the remaining funds.

(Sec. 563, 20 U.S.C. 3813)

§ 298.6 State advisory committee.

(a) Any State that desires to receive funds under this program shall establish an advisory committee that meets the requirements in section 564(a)(2) of Chapter 2.

(b) The Secretary interprets section 564(a)(2) of Chapter 2 to permit any existing organization, including a State board of education, to be the advisory committee for the purpose of paragraph (a) of this section if the organization:

- (1) Is not the SEA under State law;
- (2) Is appointed by the Governor to be the advisory committee; and
- (3) Meets the representation requirements of section 564(a)(2) of Chapter 2.

(c) The State advisory committee advises the SEA on—

- (1) The allocation among authorized functions of funds reserved for State use under section 565(a) of Chapter 2;
- (2) The formula for the allocation of funds to LEAs; and
- (3) The planning, development, support, implementation, and evaluation of State programs assisted under Chapter 2.

(Sec. 564, 20 U.S.C. 3814)

§ 298.7 LEA applications.

An LEA may receive its allocation of funds under Chapter 2 for any year for which it has on file with the SEA an application that meets the requirements in Section 566 of Chapter 2.

(Sec. 566, 20 U.S.C. 3816)

§ 298.8 Allocation of Chapter 2 funds to LEAs.

(a) An SEA shall distribute to each LEA that has submitted an application as required in § 298.7 the amount of its allocation as determined under paragraph (b) of this section.

(b) From the funds made available each year under Chapter 2, an SEA shall distribute not less than 80 percent to LEAs within the State according to the relative enrollments in public and nonpublic schools within the school districts of those agencies, adjusted, in accordance with criteria approved by the Secretary, to provide higher per pupil allocations to LEAs that have the greatest numbers or percentages of children whose education imposes a higher than average cost per child, such as—

- (1) Children from low-income families;
- (2) Children living in economically depressed urban and rural areas; and
- (3) Children living in sparsely populated areas.

(c) In accordance with Section 565 of Chapter 2 and paragraph (b) of this section, an SEA must adjust its formula to provide higher allocations to LEAs with the greatest numbers or percentages of high cost children. The Secretary interprets Section 565 of Chapter 2 to require a State to provide an allocation to an LEA otherwise eligible even though it has no high cost children.

(d) The Secretary approves the SEA's criteria for adjusting allocations to LEAs if the criteria are consistent with Section 565 of Chapter 2 and reasonably calculated to produce an equitable distribution of funds.

(Sec. 565, 20 U.S.C. 3815)

§ 298.9 Reallocation.

(a) An SEA may reallocate to other LEAs Chapter 2 funds—

- (1) From an LEA that has chosen not to participate or does not choose to expend the full amount made available to it; or
- (2) That are recovered by the State based on a determination by the State that the LEA has failed to spend Chapter 2 funds in accordance with Federal law.

(b) A reallocation of funds under this section—

- (1) May be made only during the fiscal year for which the funds were appropriated or during the succeeding fiscal year;
- (2) Must be distributed consistent with the purposes of Chapter 2; and
- (3) Must be spent consistent with the requirements in Chapter 2 and the regulations in this part.

(Sec. 565, 20 U.S.C. 3815)

§ 298.10 Use of Chapter 2 funds.

SEAs and LEAs may use Chapter 2 funds for any activities that are consistent with the purposes of Chapter 2, including—

- (a) Basic skills development under Subchapter A;
- (b) Educational improvement and support services under Subchapter B; and
- (c) Special projects under Subchapter C.

(Sec. 571-582, 20 U.S.C. 3821-3842)

Subpart B—Fiscal Requirements That a State or Local Educational Agency Must Meet

§ 298.11 Maintenance of effort.

(a) *Basic standard.* Except as provided in § 298.12, the Secretary pays a State its full allocation of funds under Chapter 2 if the Secretary finds that either the combined fiscal effort per student or the aggregate expenditures within the State with respect to the provision of free public education for the preceding fiscal year was not less than 90 percent of the combined fiscal effort per student or aggregate expenditures for the second preceding fiscal year.

(1) *Meaning of "preceding fiscal year."* For purposes of determining maintenance of effort, the "preceding fiscal year" is the Federal fiscal year or the twelve-month fiscal period most commonly used in a State for official reporting purposes prior to the beginning of the Federal fiscal year for which funds are available.

Example.—For funds first made available on July 1, 1982, if a State is using the Federal fiscal year, the "preceding fiscal year" is Fiscal Year 1981.

(2)(i) *Expenditures to be considered.* The expenditures the Secretary considers in determining a State's compliance with the maintenance of effort requirement in this paragraph are State and local expenditures for free public education. These include expenditures for administration, instruction, attendance, health services, pupil transportation, plant operation and maintenance, fixed charges, and net expenditures to cover deficits for food services and student activities.

(ii) *Expenditures not to be considered.* The Secretary does not consider the following expenditures in determining a State's compliance with the maintenance of effort requirement in this paragraph:

- (A) Any expenditures for community services, capital outlay, or debt services.
- (B) Any expenditures of Federal funds.

(b) *Failure to maintain effort.* (1) If a State fails to maintain effort and a waiver under § 298.12 is not appropriate, the Secretary reduces the State's allocation of funds under Chapter 2 in the exact proportion to which the State fails to meet 90 percent of the State's combined fiscal effort per student or aggregate expenditures for the second preceding fiscal year.

(2) In determining maintenance of effort for the fiscal year immediately following the fiscal year in which the State failed to maintain effort, the Secretary considers the fiscal effort for the second preceding fiscal year to be 90 percent of the combined fiscal effort per student or aggregate expenditures for the third preceding fiscal year.

Example.—A State fails to maintain effort because its fiscal effort in the preceding fiscal year (1981) is less than 90 percent of its fiscal effort in the second preceding fiscal year (1980); then, in the following fiscal year, the State's fiscal effort in the second preceding year (1981) would be considered to be 90 percent of its fiscal effort in the third preceding fiscal year (1980).

(Sec. 585(a), 20 U.S.C. 3861(a))

§ 298.12 Waiver of the maintenance of effort requirement.

(a) *Waiver request.* A State that has not maintained its fiscal effort as required in § 298.11(a) may ask the Secretary to grant a waiver of that requirement by submitting a waiver request that includes—

(1) a statement of the combined fiscal effort per student and the aggregate expenditures for the two fiscal years being compared; and

(2) A description of the circumstances that the State considers to be exceptional or uncontrollable.

(b) *Secretary's criteria.* (1) The Secretary may grant a waiver, for one year only, of the maintenance of effort requirement in § 298.11(a) if the Secretary determines that the waiver is equitable due to exceptional or uncontrollable circumstances. Exceptional or uncontrollable circumstances include—

(i) A natural disaster;

(ii) A precipitous and unforeseen decline in the financial resources of the State; or

(iii) Other exceptional or uncontrollable circumstances.

(2) The Secretary does not consider tax initiatives or referenda to be exceptional or uncontrollable circumstances.

(c) *Effect of a waiver.* (1) If the Secretary grants a waiver under paragraph (b) of this section, the Secretary allocates to the affected State its full entitlement of Chapter 2 funds.

(2) In determining maintenance of effort for the fiscal year immediately following the fiscal year for which the waiver was granted, the Secretary considers the fiscal effort for the second preceding fiscal year to be 90 percent of the combined fiscal effort per student or aggregate expenditures for the third preceding fiscal year.

Example.—A State secures a waiver because its fiscal effort in the preceding fiscal year (1981) is less than 90 percent of its fiscal effort in the second preceding fiscal year (1980) due to exceptional or uncontrollable circumstances; then, in the following fiscal year, the State's fiscal effort in the second preceding fiscal year (1981) would be considered to be 90 percent of its fiscal effort in the third preceding fiscal year (1980).

(Sec. 585(a)(3), 20 U.S.C. 3861(a)(3))

§ 298.13 Supplement, not supplant.

An SEA or LEA that receives Chapter 2 funds:

(a) May use and allocate those funds only to supplement and, to the extent practical, increase the level of funds that would, in the absence of Federal funds made available under Chapter 2, be made available from non-Federal sources; and

(b) May not use Chapter 2 funds to supplant funds from non-Federal sources.

(Sec. 585(b), 20 U.S.C. 3861(b))

§ 298.14 Availability of funds.

(a) An SEA or LEA may obligate funds during the fiscal year for which the funds were appropriated and during the succeeding fiscal year.

(b) The time at which funds are considered to be obligated is determined according to standards commonly used in the State in which the SEA or LEA is located.

(Sec. 596, 20 U.S.C. 3876; Sec. 412(b) of GEPA, 20 U.S.C. 1225(b))

§ 298.15 Recordkeeping requirements.

(a) Section 564(a)(6) of Chapter 2 requires each State to keep records and provide information to the Secretary as may be required for fiscal audit and program evaluation, consistent with the responsibilities of the Secretary under Chapter 2.

(b) Under Section 566(a)(3) of Chapter 2, each LEA, in its application, must agree to keep records and provide information to the SEA as may reasonably be required for fiscal audit and program evaluation, consistent with the responsibilities of the SEA under Chapter 2.

(Sec. 564(a)(6), 20 U.S.C. 3814(a)(6); Sec. 566(a)(3), 20 U.S.C. 3816(a)(3))

§ 298.16 Access to records and audits.

For the purpose of evaluating and reviewing the use of Chapter 2 funds, the Inspector General of the Department and the Comptroller General are authorized to conduct audits and shall have access to any books, accounts, records, correspondence, or other documents that—

(a) Are related to programs assisted with Chapter 2 funds; and

(b) Are in the possession, custody, or control of SEAs, LEAs, or any grantees of SEAs or LEAs.

(Sec. 1744, 31 U.S.C. 1243 note; secs. 3, 4, and 6 of the Inspector General Act of 1978, Pub. L. No. 95-452 (5 U.S.C. App.); sec. 202 of the Intergovernmental Cooperation Act of 1968, Pub. L. No. 90-577 (42 U.S.C. 4212))

§ 298.17 State audits.

(a) *Basic requirement.* (1) In accordance with Section 1745 of the Omnibus Budget Reconciliation Act of 1981, each State shall conduct financial and compliance audits of Chapter 2 funds.

(2) A State may choose to follow the principles and procedures of OMB Circular A-102 to meet the audit requirements in this paragraph. If the State does so, it will be deemed to be in compliance with this paragraph.

(b) *Frequency of audit.* A State shall conduct the audits required by paragraph (a) of this section every two years. The first two-year period begins on July 1, 1982.

(c) *Audit standards.* Insofar as is practicable, a State shall conduct the audits required by paragraph (a) of this section in accordance with standards established by the Comptroller General for the audit of governmental organizations, programs, activities, and functions.

(d) *Audit remedy.* An LEA or any other subgrantee shall repay to the State the amount of Chapter 2 funds determined by the State not to have been spent in accordance with Federal law. Except to the extent that the State reallocates the funds recovered as authorized by § 298.9—or, in the case of funds reserved for State use, reobligates the funds through direct expenditures or an award to another recipient during the fiscal year for which the funds were appropriated or during the succeeding fiscal year—the State shall repay this amount to the United States.

(Sec. 1745, 31 U.S.C. 1243 note)

§ 298.18 Compromise of audit claims.

In deciding whether to compromise audit claims, or in recommending possible compromises to the

Departments of Justice, the Secretary may take into account—

- (a) The cost of collecting the claim;
- (b) The probability of the claim being upheld;
- (c) The nature of the violation involved;
- (d) Whether the practices of the SEA or LEA that resulted in the audit finding have been corrected;
- (e) Whether the SEA or LEA is in all other respects in compliance with Chapter 2; and
- (f) The extent to which the SEA or LEA agrees to use non-Federal funds to supplement Chapter 2 programs.

(Sec. 564(a)(6), 20 U.S.C. 3814(a)(6); Federal Claims Collection Act, 31 U.S.C. 951 *et seq.*; 4 CFR Part 103)

§§ 298.19–298.20 [Reserved]

Subpart C—How Children Enrolled in Private Schools Participate in Chapter 2 Programs

§ 298.21 Responsibility of SEAs and LEAs.

(a)(1) An LEA shall provide children enrolled in private schools in that LEA with such services, materials, and equipment or other benefits as will assure equitable (as compared to children enrolled in public schools) participation of such private school children in the purposes and benefits of Chapter 2 in accordance with the requirements in §§ 298.22–298.29 and Section 586 of Chapter 2.

(2) The LEA shall provide the opportunity to participate in a manner that is consistent with the number and needs of private school children in the school district of the LEA.

(3) The LEA shall exercise administrative direction and control over Chapter 2 funds and property that benefit children enrolled in private schools.

(4) Provision of services to children enrolled in private schools must be provided by employees of a public agency or through a contractor which is independent of the private school and of any religious organization.

(b)(1) An SEA shall ensure that each LEA complies with the requirements in §§ 298.22–298.29.

(2) If an SEA or a subgrantee or a contractor of an SEA or LEA conducts instructional programs or personnel training programs, it shall comply with these requirements as if it were an LEA.

(c) Under Sections 564(a)(3) and 566(a)(1) of Chapter 2, an application by an SEA or LEA must contain the planned allocation of funds required to implement Section 586.

(d) In accordance with Section 586(a)(1) of Chapter 2, the regulations in

this subpart only apply to children enrolled in nonprofit private schools. (Sec. 586, 20 U.S.C. 3862)

§ 298.22 Consultation with private school officials.

(a) An LEA receiving Chapter 2 funds shall consult with appropriate private school officials regarding the development and implementation of the Chapter 2 program before the LEA makes any decision that affects the opportunities of private school children to participate in the program.

(Sec. 586(a), 20 U.S.C. 3862(a))

§ 298.23 Needs, number of children, and types of services.

An LEA shall determine the following matters on a basis comparable to that used by the LEA in providing for participation of public school children:

- (a) The needs of children enrolled in private schools.
- (b) The number of those children who will participate in a Chapter 2 program.
- (c) The Chapter 2 services that the LEA will provide to those children.

(Sec. 586, 20 U.S.C. 3862)

§ 298.24 Factors used in determining equitable participation.

(a) *Equal expenditures.* Expenditures for Chapter 2 programs for children enrolled in private schools must be equal (consistent with the number of children to be served) to expenditures for Chapter 2 programs for children enrolled in the public schools of an LEA, taking into account the needs of the individual children and other factors that relate to such expenditures.

(b) *Other factors.* (1) *Services on an equitable basis.* An LEA shall provide for the participation in the Chapter 2 program of children enrolled in private schools on an equitable basis. In determining whether an LEA is providing for participation on an equitable basis, the services provided to private school children and the services provided to public school children are considered.

(2) *Same services.* If an LEA uses Chapter 2 funds to concentrate programs for public school children in a particular group, attendance area, or grade or age level, the LEA shall insure equitable opportunities for participation by children enrolled in private schools who—

- (i) Have the same needs as the public school children to be served; and
- (ii) Are in that group, attendance area, or grade or age level.

(3) *Different services.* If the needs of children enrolled in private schools are different from the needs of children enrolled in public schools, an LEA shall

provide Chapter 2 services for the private school children that address their needs on an equitable basis.

(Sec. 586, 20 U.S.C. 3862)

§ 298.25 Funds not to benefit a private school.

(a) An LEA may only use Chapter 2 funds to provide services that supplement the level of services that would, in the absence of Chapter 2 services, be available to children enrolled in a private school.

(b) An LEA shall use Chapter 2 funds to meet the needs of children enrolled in private schools, but not for the purpose of aiding the private school.

(Sec. 586, 20 U.S.C. 3862)

§ 298.26 Use of public school employees.

An LEA may use program funds to make public employees available in other than public facilities—

(a) To the extent necessary to provide equitable Chapter 2 services designed for children enrolled in a private school; and

(b) If those services are not normally provided by the private school.

(Sec. 586, 20 U.S.C. 3862)

§ 298.27 Equipment and supplies.

(a) To meet the requirements of Section 586(c) of Chapter 2, a public agency must keep title to and exercise continuing administrative control of all equipment and supplies that the LEA acquires with Chapter 2 funds.

(b) The public agency may place equipment and supplies in a private school for the period of time needed for the program.

(c) The public agency shall insure that the equipment or supplies placed in a private school—

- (1) Are used for Chapter 2 purposes;
- (2) Are used for secular, neutral, and nonideological purposes; and
- (3) Can be removed from the private school without remodeling the private school facility.

(d) The public agency shall remove equipment or supplies from a private school if—

- (1) The equipment or supplies are no longer needed for Chapter 2 purposes; or
- (2) Removal is necessary to avoid use of the equipment or supplies for other than Chapter 2 purposes.

(e) For the purpose of this section, the term "public agency" includes the LEA.

(Sec. 586, 20 U.S.C. 3862)

§ 298.28 Construction.

No Chapter 2 funds may be used for the construction of private school facilities.

(Sec. 586, 20 U.S.C. 3862)

§ 298.29–298.30 [Reserved]

**Subpart D—Due Process Procedures
Procedures for By-Pass**

§ 298.31 By-pass—General.

(a) The Secretary implements a by-pass if an SEA or LEA—

- (1) Is prohibited by law from providing Chapter 2 services for private school children on an equitable basis; or
- (2) Has substantially failed, or is unwilling, to provide services for private school children on an equitable basis.

(b) If the Secretary implements a by-pass, the Secretary waives an SEA's or LEA's responsibility for providing Chapter 2 services for private school children and arranges to provide the required services. Normally, the Secretary hires a contractor to provide the Chapter 2 services for private school children under a by-pass. The Secretary deducts the cost of these services, including any administrative costs, from the appropriate allotment of Chapter 2 funds provided to the State.

(Sec. 586(d), (e), and (g), 20 U.S.C. 3862(d), (e), and (g))

§ 298.32 Notice by Secretary.

(a) Before taking any final action to implement a by-pass, the Secretary provides the affected SEA and LEA with written notice.

(b) In the written notice, the Secretary—

- (1) States the reasons for the proposed by-pass in sufficient detail to allow the SEA and LEA to respond;
- (2) Cites the requirement that is the basis for the alleged failure to comply; and

(3) Advises the SEA and LEA that they have at least 45 days to submit written objections to the proposed by-pass and to request in writing the opportunity for a hearing to show cause why the by-pass should not be implemented.

(c) The Secretary sends the notice to the SEA and LEA by certified mail with return receipt requested.

(Sec. 586(h), 20 U.S.C. 3862(h))

§ 298.33 By-pass procedures.

Sections 298.34–298.36 contain the procedures which the Secretary uses in conducting a show cause hearing. These procedures may be modified by the hearing officer if all parties agree it is appropriate to modify them for a particular case.

(Sec. 586(h), 20 U.S.C. 3862(h))

§ 298.34 Appointment and functions of a hearing officer.

(a) If an SEA or LEA requests a show cause hearing, the Secretary appoints a hearing officer and notifies appropriate representatives of the affected private school children that they may participate in the hearing.

(b) The hearing officer has no authority to require or conduct discovery, or to rule on the validity of any statute or regulation.

(c) The hearing officer notifies the SEA, LEA, and representatives of the private school children of the time and place of the hearing.

(Sec. 586(h), 20 U.S.C. 3862(h))

§ 298.35 Hearing procedures.

(a) At the hearing, a transcript is taken. The SEA, LEA, and representatives of the private school children each may be represented by legal counsel, and each may submit oral or written evidence and arguments at the hearing.

(b) Within ten days after the hearing, the hearing officer indicates that a decision will be issued on the basis of the existing record, or requests further information from the SEA, LEA, representatives of the private school children, or Department officials.

(Sec. 586(h), 20 U.S.C. 3862(h))

§ 298.36 Post hearing procedures.

(a) Within 120 days after the hearing record is closed, the hearing officer issues a written decision on whether the proposed by-pass should be implemented. The hearing officer sends copies of the decision to the SEA, LEA, representatives of the private school children, and the Secretary.

(b) The SEA, LEA, and representatives of the private school children each may submit written comments on the decision to the Secretary within thirty days from receipt of the hearing officer's decision.

(c) The Secretary may adopt, reverse, or modify the hearing officer's decision.

(Sec. 586(h), 20 U.S.C. 3862(h))

§§ 298.37–298.40 [Reserved]

Other Due Process Procedures

§ 298.41 General.

Sections 298.41–298.54 contain rules for the conduct of:

- (a) Proceedings for the review of final audit determinations arising under Chapter 2; and
- (b) Withholding hearings arising under Chapter 2.

(Sec. 564(a)(6), 20 U.S.C. 3814(a)(6); Sec. 592, 20 U.S.C. 3872)

§ 298.42 Jurisdiction.

The Secretary designates the Education Appeal Board to hear proceedings for the review of final audit determinations and withholding hearings under Chapter 2.

(Sec. 564(a)(6), 20 U.S.C. 3814(a)(6); 34 CFR Part 78)

§ 298.43 Definitions.

For the purposes of §§ 298.41–298.54, the following definitions apply:

"Appellant" means an SEA that requests—

(a) A review of the final audit determination; or

(b) A withholding hearing.

"Authorized Department official" means—

(a) The Secretary; or

(b) A person employed by the Department who has been designated to act under the Secretary's authority.

"Board" means the Education Appeal Board of the Department.

"Board Chairperson" means the Board member designated by the Secretary to serve as administrative officer of the Board.

"Final audit determination" means a written notice issued by an authorized Department official disallowing expenditures made by a recipient under Chapter 2.

"Hearing" means any review proceeding conducted by the Board.

"Panel" means an Education Appeal Board Panel, consisting of at least three members of the Board designated by the Board Chairperson to sit in any case.

"Panel Chairperson" means the person designated by the Board Chairperson to serve as the presiding officer of a Panel.

"Party" means—

(a) The recipient requesting or appearing at a hearing under these regulations;

(b) The authorized Department official who issued the final audit determination being appealed or the notice of an intent to withhold funds; or

(c) Any person, group, or agency that files an acceptable application to intervene.

"Recipient" means the named party or entity that initially received Federal funds under Chapter 2.

"Withholding" means stopping payment of Federal funds under Chapter 2 to a recipient and stopping the recipient's authority to charge costs under Chapter 2.

(Sec. 564(a)(6), 20 U.S.C. 3814(a)(6); 20 U.S.C. 1234(a))

§ 298.44 Eligibility for review.

(a) Review under these regulations is available to a recipient that receives a written notice from an authorized Department official of:

- (1) A final audit determination; or
- (2) An intent to withhold funds.

(Sec. 564(a)(6), 20 U.S.C. 3814(a)(6); sec. 592, 20 U.S.C. 3872)

§ 298.45 Written notice.

(a) *Written notice of a final audit determination.* (1) An authorized Department official issues a written notice of a final audit determination to a recipient in connection with Chapter 2.

(2) In the written notice, the authorized Department official:

- (i) Lists the disallowed expenditures made by the recipient;
- (ii) Indicates the reasons for the final audit determination in sufficient detail to allow the recipient to respond;
- (iii) Cites the requirements that are the basis for the alleged failure to comply; and

(iv) Advises the recipient that it must repay the disallowed expenditures to the Department or, within 30 calendar days of its receipt of the written notice, request a review by the Board of the final audit determination.

(3) The authorized Department official sends the written notice to the recipient by certified mail with return receipt requested.

(b) *Written notice of an intent to withhold.* (1) An authorized Department official issues a written notice to a recipient under Chapter 2 of an intent to withhold funds.

(2) In the written notice, the authorized Department official:

- (i) Indicates the reasons why the recipient failed to comply substantially with a requirement that applies to the funds;
- (ii) Cites the requirement that is the basis for the alleged failure to comply; and

(iii) Advises the recipient that it may request a hearing before the Board.

(3) The authorized Department official sends the written notice to the recipient by certified mail with return receipt requested.

(Sec. 564(a)(6), 20 U.S.C. 3814(a)(6); sec. 592, 20 U.S.C. 3872)

§ 298.46 Filing an application for review of a final audit determination or a withholding hearing.

(a) An appellant seeking review of a final audit determination or a withholding hearing shall file a written application with the Board Chairperson no later than 30 calendar days after the date it receives written notice.

(b) In the application, the appellant shall attach a copy of the written notice and shall, to the satisfaction of the Board Chairperson:

- (1) Identify the issues and facts in dispute; and
- (2) State the appellant's position, together with the pertinent facts and reasons supporting that position.

(Sec. 564(a)(6), 20 U.S.C. 3814(a)(6); sec. 592, 20 U.S.C. 3872)

§ 298.47 Review of the written notice.

(a) The Board Chairperson reviews the written notice of the final audit determination or the intent to withhold funds after an application is received under § 298.46 to insure that the written notice meets the applicable requirements in § 298.45.

(b) If the Board Chairperson decides that the written notice does not meet the applicable requirements in § 298.45, the Board Chairperson returns the determination to the official who issued it so that the determination may be properly modified.

(c) If the official makes the appropriate modifications and the recipient wishes to pursue its appeal to the Board, the recipient shall amend its application within 30 calendar days of the date it receives the modification.

(Sec. 564(a)(6), 20 U.S.C. 3814(a)(6); sec. 592, 20 U.S.C. 3872)

§ 298.48 Acceptance of the application.

If the appellant files an application that meets the requirements of § 298.46, the Board Chairperson:

- (a) Issues, within 45 days of receiving the application, a notice of the acceptance of the application to the appellant and the authorized Department official who issued the written notice;
- (b) Refers the appeal to a Panel;
- (c) Arranges for the scheduling of initial proceedings; and
- (d) Forwards to the Panel and parties an initial hearing record that includes:

- (1) The written notice;
- (2) The appellant's application; and
- (3) Other relevant documents, such as audit reports.

(Sec. 564(a)(6), 20 U.S.C. 3814(a)(6); sec. 592, 20 U.S.C. 3872)

§ 298.49 Rejection of the application.

(a) If the Board Chairperson determines that an application does not satisfy the requirements of § 298.46, the Board Chairperson, within 45 days of receiving the application, returns the application to the appellant, together with the reasons for the rejection, by certified mail with return receipt requested.

(b) The appellant has 20 calendar days after the date it receives the notice of rejection to file an acceptable application.

(c) If an application is rejected twice, the Department may take appropriate administrative action to:

- (1) Collect the expenditure disallowed in the final audit determination; or
- (2) Withhold funds.

(Sec. 564(a)(6), 20 U.S.C. 3814(a)(6); sec. 592, 20 U.S.C. 3872)

§ 298.50 Intervention.

(a) A person, groups, or agency with an interest in and having relevant information about a case before the Board may file with the Board Chairperson an application to intervene.

(b) The application to intervene shall contain:

- (1) A statement of the applicant's interest; and
- (2) A summary of the relevant information.

(c)(1) If the application is filed before a case is assigned to a Panel, the Board Chairperson decides whether approval of the application to intervene will aid the Panel in its disposition of the case.

(2) If the application is filed after the Board Chairperson has assigned the case to a Panel, the Panel decides whether approval of the application to intervene will aid the Panel in its disposition of the case.

(d) The Board Chairperson notifies the applicant seeking to intervene and the other parties of the approval or disapproval of the application to intervene.

(e) If an application to intervene is approved, the intervenor becomes a party to the proceedings.

(f) If an application to intervene is disapproved, the applicant may submit to the Board Chairperson an amended application to intervene.

(Sec. 564(a)(6), 20 U.S.C. 3814(a)(6); sec. 592, 20 U.S.C. 3872)

§ 298.51 Practice and procedure.

(a) Practice and procedure before the Board in a proceeding for review of a final audit determination are governed by the rules in Subpart E of 34 CFR Part 78.

(b) Practice and procedure before the Board in a withholding hearing are governed by the procedures in the Administrative Procedure Act, 5 U.S.C. 554.

(Sec. 564(a)(6), 20 U.S.C. 3814(a)(6); sec. 592, 20 U.S.C. 3872)

§ 298.52 The Panel's decision.

(a) The Panel issues a decision, based on the record as a whole, in an appeal

from a final audit determination, or from a notice of an intent to withhold funds, within 180 days after receipt of the parties' final submissions, unless the Board Chairperson, for good cause shown, determines that issuance of the decision within such time in inappropriate.

(b) The Board Chairperson submits the Panel's decision to the Secretary and sends a copy to each party by certified mail with return receipt requested.

(Sec. 564(a)(6), 20 U.S.C. 3814(a)(6); sec. 592, 20 U.S.C. 3872)

§ 298.53 Opportunity to comment on the Panel's decision.

(a) *Initial comments and recommendations.* Each party has the opportunity to file comments and recommendations on the Panel's decision with the Board Chairperson within 30 calendar days of the date the party receives the Panel's decision.

(b) *Responsive comments and recommendations.* The Board Chairperson sends a copy of a party's initial comments and recommendations to each of the other parties by certified mail with return receipt requested. Each party may file responsive comments and recommendations with the Board Chairperson within 15 days of the date the party receives the initial comments and recommendations.

(c) The Board Chairperson forwards the parties' initial and responsive comments on the Panel's decision to the Secretary.

(Sec. 564(a)(6), 20 U.S.C. 3814(a)(6); sec. 592, 20 U.S.C. 3872)

§ 298.54 The Secretary's decision.

(a) The Panel's decision becomes the final decision of the Secretary 90 calendar days after the date the recipient receives the Panel's decision unless the Secretary, based on the record, modifies or sets aside the Panel's decision.

(b) If the Secretary modifies or sets aside the Panel's decision within the 90 days, the Secretary issues a decision that—

(1) Includes a statement of the reasons for this action; and

(2) Becomes the Secretary's final decision 60 calendar days after it is issued.

(c) In proceedings involving an appeal from a final audit determination or an intent to withhold funds, to the extent feasible, but consistent with the Secretary's obligation to enforce compliance with Chapter 2, the Secretary defers to a State's interpretation of the statutory requirements under Chapter 2.

(d) The Board Chairperson sends a copy of the Secretary's final decision and statement of reasons, or a notice that the Panel's decision has become the Secretary's final decision, to the Panel and to each party.

(e) The final decision of the Secretary is the final decision of the Department.

(Sec. 564(a)(6), 20 U.S.C. 3814(a)(6); sec. 592, 20 U.S.C. 3872)

The Secretary proposes to amend Title 34 of the Code of Federal Regulations as follows:

PART 74—ADMINISTRATION OF GRANTS

1. In 34 CFR 74.4 (administration of grants in EDGAR), by revising paragraph (a) to read as follows:

§ 74.4 Applicability of this part.

(a) *General.* Except where inconsistent with Federal statutes, regulations, or other terms of a grant, this part applies to all ED grants. However, this part does not apply to the program authorized under Chapter 2 of the Education Consolidation and Improvement Act of 1981. Further, unless expressly made applicable by ED, this part does not apply when the

grantee is a Federal agency, foreign government or organization, international organization such as the United Nations, for profit organization, or individual.

PART 76—STATE ADMINISTERED PROGRAMS

2. In 34 CFR 76.1 (general education regulations for State-administered programs), by adding a new paragraph (c) to read as follows:

§ 76.1 Programs to which Part 76 applies.

(c) The regulations in Part 76 do not apply to the program authorized under Chapter 2 of the Education Consolidation and Improvement Act of 1981.

PART 78—EDUCATION APPEAL BOARD

3. In 34 CFR 78.42 (Education Appeal Board regulations), by revising paragraph (b) and adding a new paragraph (c) to read as follows:

§ 78.42 Applicability of other laws and regulations.

(b) Other provisions of the Administrative Procedure Act and the Federal Rules of Civil Procedure do not apply to proceedings before the Board, except as provided in paragraph (c) of this section.

(c) In conducting hearings concerning expenditures under Chapter 2 of the Education Consolidation and Improvement Act of 1981, the Board applies the regulations in 34 CFR 298.41-298.54.

(20 U.S.C. 1234(e))

[FR Doc. 82-3800 Filed 2-9-82; 3:18 pm]

BILLING CODE 4000-01-M

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1981

PART XIV.-----SPECIAL PROVISIONS/BLOCK GRANTS

Sec. 62. Notwithstanding G.S. 143-16.1, all federal block grant funds received by the State between August 31, 1981, and July 1, 1983, shall be received by the General Assembly. This section is effective October 1, 1981.

Sec. 63. A new Article is added to Chapter 120 of the General Statutes to read:

"ARTICLE 13A.

"Joint Legislative Committee to Review Federal
Block Grant Funds.

"§ 120-80. Committee established; purpose.--There is established the Joint Legislative Committee to Review Federal Block Grant Funds. The Committee shall review acceptance and use of all federal block grant funds received by the State between August 31, 1981, and July 1, 1983. For purposes of this act, 'block grant' means a block grant under the Omnibus Budget Reconciliation Act of 1981.

"§ 120-81. Membership.--(a) The Committee consists of 12 members as follows:

(1) Six members of the House of Representatives appointed by the Speaker;

(2) Six members of the Senate appointed by the Lieutenant Governor.

Initial appointments shall be made by October 10, 1981, and those appointees shall serve until July 1, 1983. Members may continue

1 to serve despite expiration of a term in the General Assembly,
2 whether or not the member has been re-elected, but resignation or
3 removal from the General Assembly constitutes resignation or
4 removal from the Committee. A member continues to serve until
5 his successor is appointed. Vacancies shall be filled within 30
6 days by the original appointing authority.

7 "§ 120-82. Organization.--(a) The Speaker of the House of
8 Representatives and the Lieutenant Governor shall designate
9 cochairmen of the Committee. Meetings shall be called by either
10 of the cochairmen, and callings are subject to the Rules of the
11 House of Representatives and the Senate.

12 (b) All members, including the cochairmen have the right to
13 vote. A quorum is seven members. No action may be taken except
14 by a majority vote, with at least seven members present and
15 voting. House and Senate members may not vote separately; all
16 voting is joint. If neither cochairman is present but there is a
17 quorum, the members may elect a temporary chairman and hold a
18 meeting.

19 (c) Members receive subsistence and travel as provided in G.S.
20 120-3.1. The Committee is funded by the Legislative Services
21 Commission.

22 (d) The Committee may request professional and clerical
23 assistance from the Legislative Services Commission.

24 "§ 120-83. Powers.--The Committee may review all aspects of
25 the acceptance and use of federal block grant funds. The
26 Committee may also make recommendations to the General Assembly
27 for legislation relating to federal block grant funds.

1 "§ 120-84. Review procedure.--(a) After federal block grant
2 funds have been accepted by the General Assembly, the Director of
3 the Budget shall propose administration and use of those funds.
4 All proposals shall be submitted to the Committee, or to the
5 General Assembly if it is in session, for its prior approval.

6 (b) None of the following actions with regard to State use of
7 federal block grant funds may be taken without the prior approval
8 of the Committee or of the General Assembly if it is in session:

- 9 (1) acceptance of federal block grants,
- 10 (2) determination of pro rata reduction procedures and
11 amounts for State programs,
- 12 (3) determination of distribution formulas,
- 13 (4) transfer of funds between block grants,
- 14 (5) intradepartmental transfer of block grant funds,
- 15 (6) encumbrance of anticipated block grant funds,
- 16 (7) adoption of departmental rules relating to federal
17 block grant funds,
- 18 (8) contracting between State departments involving
19 block grant funds, and
- 20 (9) any other final action affecting acceptance or use
21 of federal block grant funds.

22 The Committee shall take action within 40 days of receiving a
23 request for approval from the Office of State Budget and
24 Management."

25 Sec. 64. The Governor shall designate the appropriate
26 office, agency, or department to administer each block grant
27 authorized by the Omnibus Budget Reconciliation Act of 1981.
28

1 Sec. 65. Each office, agency, or department which
2 administers a block grant authorized by the Omnibus Budget
3 Reconciliation Act of 1981 shall submit reports to the General
4 Assembly no later than May 10, 1982, on their administration of
5 each block grant for which each is responsible.

6 Sec. 66. (a) The appropriate office, agency, or
7 department designated by the Governor may receive, allocate and
8 distribute amounts allocated under Title I of the Housing and
9 Community Development Act of 1974 as amended by the Housing and
10 Community Development Amendments of 1981, Part 1 of Subtitle A of
11 Title 3 of Pub. L. No. 97-35, 95 Stat. 384 to 398.

12 (b) That office, agency, or department may allocate and
13 distribute funds under the authority of this section in
14 accordance with rules and regulations relating to analogous
15 federal grants for fiscal year 1980-81 until new rules and
16 regulations are promulgated under the authority of this section.

17 (c) That office, agency, or department may issue rules
18 and regulations to implement the Housing and Community
19 Development Amendments of 1981.

20 (d) That office, agency, or department may engage in
21 planning for community development activities.

22 Sec. 67. The appropriate office, agency, or department
23 designated by the Governor may disburse money and otherwise
24 administer the Community Services Block Grant Program. Funds
25 available under the program shall be disbursed in a manner
26 consistent with the purposes and requirements set out in the
27 Community Services Block Grant Act. Until new rules and
28

1 regulations are promulgated under authority of the Block Grant,
2 that office, agency, or department may disburse money and
3 otherwise administer the Block Grant under rules and regulations
4 relating to analogous federal grants for fiscal year 1980-81, in
5 a manner not inconsistent with the Community Services Block Grant
6 Act. This section is effective October 1, 1981.

7 Sec. 68. The Director of the Budget may, with the prior
8 approval of the Joint Legislative Committee to Review Federal
9 Block Grant Funds, or of the General Assembly if it is in
10 session, transfer funds from the Community Services Block Grant
11 Program for the purposes and subject to the restrictions set
12 forth in the Community Services Block Grant Act, Pub. L. No. 97-
13 35, §675(c) (5), 95 Stat. 515 (1981).

14 Sec. 69. Prior to the expiration of the first fiscal
15 year in which the State receives funds under the Community
16 Services Block Grant Program, the General Assembly shall conduct
17 public hearings on the proposed use and distribution of federal
18 block grant funds to be provided for the program during the
19 subsequent fiscal year. The Lieutenant Governor and the Speaker
20 of the House of Representatives shall appoint or designate a
21 committee to hold the hearings. That committee shall report to
22 the Joint Legislative Committee to Review Federal Block Grant
23 Funds, or to the General Assembly if it is in session.

24 Sec. 70. Part 26 of Article 7 of Chapter 143B of the
25 General Statutes is repealed.

26 Sec. 71. The appropriate office, agency, or department
27 designated by the Governor may disburse money and otherwise
28

1 administer the Social Services Block Grant under rules and
2 regulations relating to analogous federal grants for fiscal year
3 1980-81 until new rules and regulations are promulgated under the
4 authority of the Block Grant. This section is effective October
5 1, 1981.

6 Sec. 72. The appropriate office, agency, or department
7 designated by the Governor, or another department with which it
8 contracts, may establish and adopt rules and regulations
9 specifically to administer that portion of the Low Income Energy
10 Assistance Block Grant which provides that not more than fifteen
11 percent (15%) of available funds may be used for low-cost
12 residential weatherization or other energy-related home repairs
13 for low income households.

14 Sec. 73. The appropriate office, agency, or department
15 designated by the Governor may disburse money and otherwise
16 administer the Alcohol, Drug Abuse and Mental Health Block Grant
17 under rules and regulations relating to analogous federal grants
18 for fiscal year 1980-81 until new rules and regulations are
19 promulgated under the authority of the new Block Grant. This
20 section is effective October 1, 1981.

21 Sec. 74. The appropriate office, agency, or department
22 designated by the Governor may disburse money and otherwise
23 administer the Preventive Health and Health Services Block Grant
24 under rules and regulations relating to analogous federal grants
25 for fiscal year 1980-81 until new rules and regulations are
26 promulgated under the authority of the new Block Grant. This
27 section is effective October 1, 1981.

1 Sec. 75. The appropriate office, agency, or department
2 designated by the Governor, or another department with which it
3 contracts, may establish and adopt rules and regulations
4 specifically to administer that portion of the Preventive Health
5 and Health Services Block Grant that provides services pursuant
6 to the Mental Health Systems Act of 1980 §602, 42 U.S.C. §9512
7 (1981), as it provided on September 30, 1981.

8 Sec. 76. The appropriate office, agency, or department
9 designated by the Governor may disburse money and otherwise
10 administer the Maternal and Child Health Services Block Grant
11 under rules and regulations relating to analogous federal grants
12 for fiscal year 1980-81 until new rules and regulations are
13 promulgated under the authority of the new Block Grant. This
14 section is effective October 1, 1981.

15 Sec. 77. In disbursing funds from any federal block
16 grant during the 1981-82 and 1982-83 fiscal years, the State
17 shall require local governmental units to match the funds at the
18 same ratio as they were required to match analogous funds during
19 the 1980-81 fiscal year. Affected local governmental units may
20 expend local revenues, including ad valorem taxes, to meet this
21 matching requirement. This section is effective October 1, 1981.

Supreme Court
State of North Carolina
Raleigh

JOSEPH BRANCH, CHIEF JUSTICE
J. WILLIAM COPELAND
JAMES G. EXUM, JR.
DAVID M. BRITT
J. PHIL CARLTON
LOUIS B. MEYER
BURLEY B. MITCHELL, JR.
ASSOCIATE JUSTICES

BOX 1841
ZIP CODE 27602

16 February 1982

Honorable James B. Hunt, Jr.
Governor of North Carolina

Honorable James C. Green
Lieutenant Governor of North Carolina
and President of the Senate

Honorable Liston B. Ramsey
Speaker of the North Carolina House
of Representatives

Your communication of 21 January 1982 presents the following questions:

1. Is G.S. 143-23(b), as enacted by Section 82 of Chapter 1127 of the 1981 Session Laws, consistent with, or contrary to, in whole or in part, the pertinent provisions of the N.C. Constitution?
2. Is G.S. 120-84, as enacted by Section 63 of Chapter 1127 of the 1981 Session Laws, consistent with, or contrary to, in whole or in part, the pertinent provisions of the N.C. Constitution?

In answering these questions we will review briefly the pertinent provisions of the Constitution. We will then discuss each of the statutes in question in light of the constitutional provisions.

I.

The first section of our Constitution pertinent to our inquiry is Section 6 of Article I which provides:

Separation of powers. The legislative, executive, and supreme judicial powers of the State government shall be forever separate and distinct from each other.

This section is commonly referred to as the "separation of powers" provision of our Constitution. In the recent cases

of State of North Carolina ex rel. Wallace et al. v. Bone et al. and Barkalow et al. v. Harrington et al. (joint opinion filed 12 January 1982) we discussed the history and meaning of the separation of powers doctrine. For the sake of brevity we will not restate all that we said in that opinion. It suffices to say that the principle of separation of powers was clearly in the minds of the framers of our Constitution; and that the people of North Carolina, by specifically including a separation of powers provision in the original Constitution adopted in 1776, and readopting the provision in 1868 and 1970, are firmly and explicitly committed to the principle.

After declaring the principle of separation of powers in Article I, our Constitution then provides in Article II, Section 1, that "the legislative power of the State shall be vested in the General Assembly, which shall consist of a Senate and a House of Representatives." Article III, Section 1, provides that "the executive power of the State shall be vested in the Governor." Article IV, Section 1, vests all judicial power in the judicial branch of our government. It is clear that the framers of our Constitution followed the instructions given to them that our government "shall be divided into three branches distinct from each other, viz:

The power of making laws
The power of executing¹ laws and
The power of Judging."¹

Section 5 of Article III specifies certain constitutional duties of the Governor. Among these duties is that specified by Section 5(3) which provides in pertinent part as follows:

Budget. The Governor shall prepare and recommend to the General Assembly a comprehensive budget of the anticipated revenue and proposed expenditures of the State for the ensuing fiscal period. The budget as enacted by the General Assembly shall be administered by the Governor. (Emphasis added.)

In Wallace et al. v. Bone et al., supra, after reviewing the history of the separation of powers provisions of our State Constitution, and after reviewing decisions from numerous sister states, we concluded that Section 6 of Chapter 1158 of the 1979 Session Laws which provided for the appointment of two members of the House of Representatives and two members of the Senate to

¹The Colonial Records of North Carolina, Saunders, Vol. X, 870a, 870b.

the Environmental Management Commission violated Section 6 of Article I of the Constitution. This is so because "the duties of the EMC are administrative or executive in character and have no relation to the function of the legislative branch of government which is to make laws."

II.

We now consider the question presented with respect to Section 82 of Chapter 1127 of the 1981 Session Laws [G.S. 143-23(b)].

Since its enactment in 1929, G.S. 143-23 has provided:

All appropriations now or hereafter made for the maintenance of the various departments, institutions and other spending agencies of the State, are for the purposes and/or objects enumerated in the itemized requirements of such departments, institutions and other spending agencies submitted to the General Assembly by the Director of the Budget and the Advisory Budget Commission, and/or as amended by the General Assembly. Transfers or changes as between objects and items in the budget of any department, institution or other spending agency, may be made at the request in writing of the head of such department, institution or other spending agency by the Director of the Budget.

By Section 82 of Chapter 1127 of the 1981 Session Laws, the General Assembly enacted the following amendment to the statute quoted above:

G.S. 143-23 is amended by designating the present language as subsection (a) and by adding a new subsection (b) to read:

(b) Notwithstanding subsection (a), no requested transfer or change from a program line item may be made if the total amount transferred from that line item during the fiscal year would be more than ten percent (10%) of the amount appropriated for that program line item for that fiscal year, unless the Joint Legislative Commission on Governmental Operations has given its prior approval for that transfer. This restriction applies to all State departments with a total General Fund appropriation of at least fifty million dollars (\$50,000,000). All other departments shall apply the ten percent (10%) limitation to the summary by object line items. No transfers or changes, regardless of amount, from salary funds may be made without the prior approval of the Joint Legislative Commission on Governmental Operations. The Commission must take action

within 40 days of receiving a request for approval from the Office of State Budget and Management. Transfers or changes within the Medicaid program are exempt from this subsection.

Consistent with Section 5(3) of Article III of the Constitution, which provides that the Governor shall administer the budget, G.S. 143-2 designates the Governor as ex officio Director of the Budget.

The Joint Legislative Commission on Governmental Operations was established by Chapter 490 of the 1975 Session Laws to provide, among other things, for "the continuing review of operations of State government", and it is composed of the President of the Senate, the Speaker of the House of Representatives and twelve other members of the House and Senate. G.S. 120-71 through 120-79.

Obviously, the intended effect of G.S. 143-23(b), above quoted, is to give to a 13-member commission composed of 12 members of the House and Senate, and the President of the Senate who is usually the Lieutenant Governor, power to control major budget transfers proposed to be made by the Governor in his constitutional role as administrator of the budget.

Our Constitution mandates a three-step process with respect to the State's budget. (1) Article III, Section 5(3) directs that the "Governor shall prepare and recommend to the General Assembly a comprehensive budget . . . for the ensuing fiscal period." (2) Article II vests in the General Assembly the power to enact a budget [one recommended by the Governor or one of its own making]. (3) After the General Assembly enacts a budget, Article III, Section 5(3) then provides that the Governor shall administer the budget "as enacted by the General Assembly."

In our opinion the power that G.S. 143-23(b) purports to vest in certain members of the legislative branch of our government exceeds that given to the legislative branch by Article II of the Constitution. The statute also constitutes an encroachment upon the duty and responsibility imposed upon the Governor by Article III, Section 5(3), and, thereby violates the principle of separation of governmental powers.

III.

We next consider the question presented with respect to Section 63 of Chapter 1127 of the 1981 Session Laws [codified as G.S. 120-84].

The 1978 General Assembly enacted G.S. 143-16.1 which provides:

All federal funds shall be expended and reported in accordance with provisions of the Executive Budget Act. Proposed budgets recommended to the General Assembly by the Governor and Advisory Budget Commission shall include all appropriate information concerning the federal expenditures in State agencies, departments and institutions.

After the enactment of the current operations budget for fiscal 1981-83 by the 1981 General Assembly, Congress passed, and the President signed into law on 13 August 1981, P.L. 97-35, the Omnibus Budget Reconciliation Act of 1981, which made major changes in the organization of federal programs and made large sums of money available to the states in the form of block grants.

On 10 October 1981 the General Assembly enacted as Section 62 of Chapter 1127 of the 1981 Session Laws the following special provisions:

Notwithstanding G.S. 143-16.1, all federal block grant funds received by the State between August 31, 1981, and July 1, 1983, shall be received by the General Assembly. This section is effective October 1, 1981.

By Section 63 of Chapter 1127 of the 1981 Session Laws, the General Assembly added Sections 120-84.1 through 120-84.5 to the General Statutes. These new statutes establish a Joint Legislative Committee to Review Federal Block Grant Funds (G.S. 120-84.1). This Committee is composed of six members of the House of Representatives and six members of the Senate (G.S. 120-84.2), has organizational rules prescribed by statute (G.S. 120-84.3), and is empowered to review all aspects of the acceptance and use of federal block grant funds and to make recommendations to the General Assembly for legislation relating to federal block grant funds (G.S. 120-84.4). The most significant of these new statutes is G.S. 120-84.5, which provides as follows:

(a) After federal block grant funds have been accepted by the General Assembly, the Director of the Budget shall propose administration and use of those funds. All proposals shall be submitted to the Committee, or to the General Assembly if it is in session, for its prior approval.

(b) None of the following actions with regard to State use of federal block grant funds may be taken without the prior approval of the Committee or of the General Assembly if it is in session:

- (1) acceptance of federal block grants,
- (2) determination of pro rata reduction

- procedures and amounts for State programs,
- (3) determination of distribution formulas,
 - (4) transfer of funds between block grants,
 - (5) intradepartmental transfer of block grant funds,
 - (6) encumbrance of anticipated block grant funds,
 - (7) adoption of departmental rules relating to federal block grant funds,
 - (8) contracting between State departments involving block grant funds, and
 - (9) any other final action affecting acceptance or use of federal block grant funds.

The Committee shall take action within 40 days of receiving a request for approval from the Office of State Budget and Management.

Thus, the new G.S. 120-84, as enacted by Section 63 of Chapter 1127 of the 1980 Session Laws, purports to give to a 12-member committee of legislators (when the General Assembly is not in session) power over action proposed to be taken by the Governor with respect to the administration and use of federal block grant funds.

While we are not asked for an opinion on the validity of Section 62 of Chapter 1127 of the 1981 Session Laws quoted above, we question the validity of any statute which provides that funds accruing to the State or any of its agencies "shall be received by the General Assembly." Although the Constitution gives the General Assembly broad power to raise revenue and make appropriations, we find nothing in the Constitution that authorizes the legislative branch actually to receive funds. Article V, Section 7, provides:

No money shall be drawn from the State Treasury but in consequence of appropriations made by law, and an accurate account of the receipts and expenditures of State funds shall be published annually.

The inquiry presented relates to federal block grants under the Omnibus Reconciliation Act of 1981² and actually presents two questions: (1) Does the General Assembly have the authority to determine if the State or its agencies will accept the grants in question and, if accepted, the authority to determine how the funds will be spent? (2) May the General Assembly delegate to a legislative committee the power to determine if the grants will be accepted, and, if accepted, how they will be spent?

²G.S. 20-84.1 provides that "for purposes of this Act, 'block grant' means a block grant under the Omnibus Budget Reconciliation Act of 1981."

We decline to answer question (1) just posed. The briefs and materials submitted to us contain very little, if any, information about the grants, their purposes, for whom they are intended, and the conditions placed on them by Congress. Our independent research discloses that the Omnibus Budget Reconciliation Act of 1981 contains 575 pages and that its numerous sections refer to other federal enactments that are amended by it. The legislature neither being in session nor purporting presently to act, we do not perceive any exigent need to address this part of the inquiry and to engage now in the lengthy research that would be necessary to answer it. If our opinion on this question is deemed urgently needed, we will consider a further request, provided it is accompanied by in-depth information and briefs with respect to the grants being considered.

With regard to part (2) of the inquiry, if the General Assembly has the authority to determine whether the State or its agencies will accept the grants in question, and, if accepted, the authority to determine how the funds will be spent, it is our considered opinion that the General Assembly may not delegate to a legislative committee the power to make those decisions.

In several of the instances set forth in G.S. 120-84.5 the committee would be exercising legislative functions. In those instances there would be an unlawful delegation of legislative power. In the other instances the committee would be exercising authority that is executive or administrative in character. In those instances there would be a violation of the separation of powers provisions of the Constitution and an encroachment upon the constitutional power of the Governor. As stated above, our Constitution vests in the General Assembly the power to enact a budget -- to appropriate funds--, but after that is done, Article III, Section 5(3) explicitly provides that "the Governor shall administer the budget as enacted by the General Assembly."

IV.

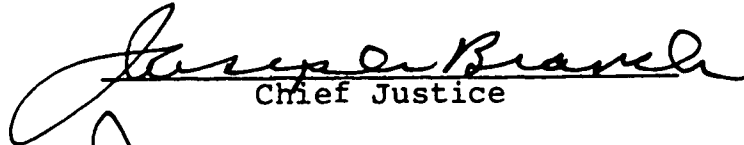
In sum, it is the opinion of the undersigned Chief Justice and Associate Justices:

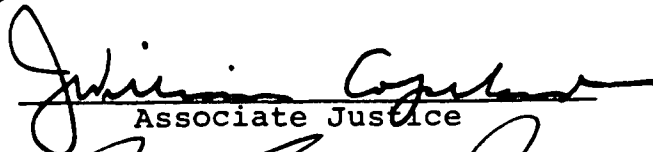
1. That Section 82 of Chapter 1127 of the 1981 Session Laws [codified as Section 143-23(b) in the 1981 Cumulative Supplement to Volume 3C of the General Statutes] violates Section 6 of Article I and Section 5(3) of Article III of our State Constitution; and

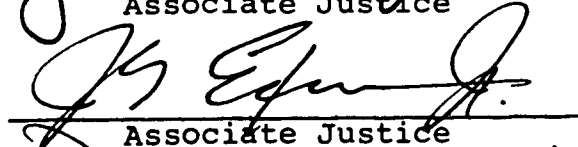
2. That those parts of Section 63 of Chapter 1127 of the 1981 Session Laws [codified as Sections 120-84.1 through 120-84.5 in the 1981 Supplement to the 1981 Replacement Volume 3B of the General Statutes] which purport to vest a legislative

committee with certain powers over federal block grants when the General Assembly is not in session constitute an unconstitutional delegation of legislative power, and also violate Section 6 of Article I and Section 5(3) of Article III of our State Constitution.

Respectfully,


Chief Justice

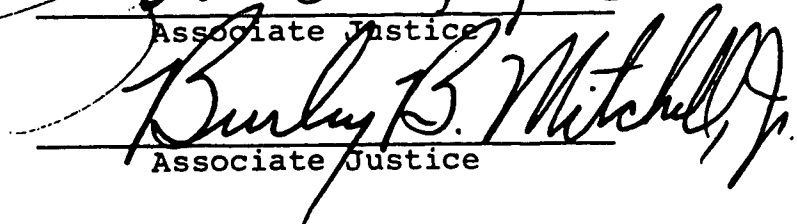

Associate Justice


Associate Justice


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Associate Justice

Appendix H

Chronological Summary of Congressional Authorization and Appropriations Bills

P.L. 97-12 1981 Supplemental Appropriations
P.L. 97-26 Public Health Service 1981 Supplemental Appropriations
P.L. 97-35 Omnibus Budget Reconciliation Act
P.L. 97-51 Legislative Branch Appropriations
P.L. 97-88 Department of Energy and Water Development Appropriations
P.L. 97-91 District of Columbia Appropriations
P.L. 97-92 1982 Continuing Appropriations (through 3/31/82)
P.L. 97-100 Department of Interior and related agencies Appropriations
P.L. 97-101 Department of Housing and Urban Development, Veterans,
NASA Appropriations
P.L. 97-102 Department of Transportation and related agencies Appropriations
P.L. 97-103 Department of Agriculture and related agencies Appropriations
P.L. 97-106 Military Construction Appropriations
P.L. 97-114 Department of Defense Appropriations
P.L. 97-121 Foreign Aid Appropriations
P.L. 97-161 Continuing Appropriations (through 9/30/82)

Pending as of 4/15/82

HR 4560 Department of Labor, Department of Health and Human Services,
and Department of Education Appropriations
HR 4169 Department of State, Department of Justice, Department of
Commerce, and Judiciary Appropriations
HR 4121 Department of Treasury, Postal Service, and General Government
Appropriations

Governor's Advisory Committee on Education Block Grants

<u>Category</u>	<u>Name</u>	<u>Race</u>	<u>County</u>
Local Board	Ed Holmes ** (Ph: 542-3232) Chatham County Schools Box 128 Pittsboro, N. C. 27312	W/M	Chatham
Local Board	Ms. Verla Insko (Ph: 629-6115) 610 Surry Road Chapel Hill, N. C. 27514	W/F	Orange
School Administrator	Dr. John Presson, Supt. Shelby City Schools (Ph: 704-487-6367) 316 Patton Drive Shelby, N. C. 28150	W/M	Cleveland
* School Administrator (non-public)	Sister Marie Kelly, Supt. Charlotte Catholic Schools (Ph: 704-377-6871) 3100 Park Road Charlotte, N. C. 28209	W/F	Mecklenburg
School Administrator (public)	LeRoy (Pop) Miller, Principal East Mecklenburg High (Ph: 704-537-3031) 6800 Monroe Road Charlotte, N. C. 28212	B/M	Mecklenburg
Legislator	Al Adams, Representative 224 Woodburn Road (Ph: 828-0564) Raleigh, N. C. 27605	W/M	Wake
Legislator	Marvin Ward, Senator 641 Yorkshire Road (Ph: 724-9104) Winston-Salem, N. C. 27106	W/M	Forsyth
* Parent	Marvin Smith (Ph: 704-693-4433) 148 Long John Dr. Hendersonville, N. C. 28739	W/M	Henderson
Parent	Herman Gardner (Ph: 525-5982-home) Route 2, Box 121 525-4861-farm Autryville, N. C. 28318	W/M	Sampson
* Parent	Reginald Stroud (Ph: 527-1493) 111 Tyree Road Kinston, N. C. 28501	W/M	Lenoir
* Teacher	Grace Edwards (Ph: 483-8671) Route 1, Box 231 Hope Mills, N. C. 28366	B/F	Cumberland

** Chairman

<u>Category</u>	<u>Name</u>	<u>Race</u>	<u>County</u>
* Higher Education	Ben Battle (Ph: 704-227-7311) Box 376-A Cullowhee, N. C. 28723	W/M	Jackson
Higher Education	Smith Goodrum (Ph: 704-689-1100) Mars Hill College Mars Hill, N. C. 28754	W/M	Madison
School Administrator (retired)	E. V. Wilkins (Ph: 793-5527 P. O. Box 357 793-2837 Residence Roper, N. C. 27970	B/M	Washington

Appendix J

The following are proposed plans for allocation of block grant funds for Fiscal Year 1983. These plans are reproduced as submitted to Department Secretaries and are not final plans. The plans are expected to be modified after public comments have been received at the hearings held across the state on March 22 - April 1, as listed in Appendix C. The proposed plans are provided here as a service to the reader to illustrate the kind of information and decisions that will be contained in the final plans.

Contents

- J-1 Memorandum from Secretary of Human Resources Sarah T. Morrow to Division Directors requiring submission of proposed plans for block grants for FY 1983
- J-2 Social Services Block Grant Proposed Plan
- J-3 Preliminary Block Grant Plans for Preventive Health/Health Services and Maternal and Child Health
- J-4 Proposal for Alcohol, Drug, and Mental Health Block Grant
- J-5 Proposed State Plan for the Low Income Home Energy Assistance Program Block Grant
- J-6 Proposed State Plan for Administering Funds Under the Community Services Block Grant Act
- J-7 (a) Preliminary Recommendations of the Division of Community Assistance Regarding the Community Development Block Grant Program Selection System

(b) Report of the Small Cities Community Development Technical Advisory Committee to the Local Government Advocacy Council
- J-8 A Possible Formula for Distribution of Education Block Grant Funds, If Allocations Were Based Primarily on Enrollment



STATE OF NORTH CAROLINA
DEPARTMENT OF HUMAN RESOURCES
325 NORTH SALISBURY STREET

JAMES B. HUNT, JR.
GOVERNOR

RALEIGH 27611

SARAH T. MORROW, M.D., M.P.H.
SECRETARY

January 27, 1982

TELEPHONE
919/733-4534

MEMORANDUM

TO: R. Jack Blackley, M.D.
Louis G. Christian
Ronald H. Levine, M.D., M.P.H.
John M. Syria

FROM: Sarah T. Morrow, M.D., M.P.H. *ST Morrow*

SUBJECT: Submission of Proposed Plans for Block Grants
for FY-1983

A tentative schedule for Block Grant planning, hearings, etc., has been developed. While it is not yet available for distribution, I felt it important to inform you of the first key date of the schedule.

The Department is to submit proposed 1983 plans by February 19, 1982. Because it is important that they be reviewed in the Secretary's Office, I am asking that you submit draft plans to my office by February 15, 1982.

The purpose of the proposed plans is to provide an opportunity for review of and comment on major programs and policies being contemplated under the Block Grants. These plans will be used as the basis for public hearings and Legislative review.

I know that it will not be possible to indicate specific funding levels, or county allocations, because we simply do not know how much federal money will be available. As a result, we will need to limit fiscal commitments. Estimates may be used based on the current year's appropriations.

There is some variety in the uses and administration of the five block grants received by DHR. Accordingly, I am not prescribing a format that must be used. I would strongly urge you to develop the plan in easy to understand, non-technical language. The plan should be brief, but should include the following kinds of information:

Dr. Levine
Mr. Syria
27, 1982

- 1) Description of the services or programs to be made available
- 2) Description of the clients expected to participate, including eligibility criteria
- 3) List of all anticipated grantees
- 4) Description of allocation criteria or formula
- 5) Description of any changes planned in existing programs, including disproportionate reductions or program elimination
- 6) Major policy changes affecting any of the above items.

The time available does not allow for adequate consultation with local counterpart agencies, provider groups or clients. It is important that we all emphasize that there will be an opportunity for such involvement during the comment period. What we are submitting now are only proposals. They are not to be confused with final plans expected to go to the General Assembly or the federal government.

The development of these plans gives us our first opportunity to describe our activities free of federal planning restrictions. I encourage you to use a simpler format and avoid the voluminous products the previous efforts have left behind.

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TITLE XX SOCIAL SERVICES BLOCK GRANT

Summary of Proposed Plan for SFY 1982-83

Department of Human Resources
Division of Plans and Operations
Operations Section
February 23, 1982

PURPOSE OF THE TITLE XX SOCIAL SERVICES BLOCK GRANT PLAN

The purpose of the Proposed Title XX Social Services Block Grant Plan for State Fiscal Year 1982-83 is to provide an opportunity for public review and comment on program allocations and policies. A revised version of the Plan will be submitted to the General Assembly in May and a Final Plan will be submitted to the Federal Government by July 1, 1982.

This Plan will highlight the services policy under Title XX and attempt to answer such basic questions as: What is Title XX? Who is eligible for Title XX funded services? Where does one apply for services? What agencies receive Title XX funds and how much do they receive?

THE TITLE XX SOCIAL SERVICES BLOCK GRANT

In SFY 1980-81, the State received \$74,968,700 in federal Title XX funds. In the current year, as a result of the Block Grant, the State's allotment is \$65,453,465 and we expect \$61,854,005 for SFY 1982-83 (it could be much less if the President's budget is approved). Comparing the SFY 1980-81 allotment to the allotment we expect to receive next year reveals a 17.5% reduction in available federal funds. The decrease in funding and the concomitant reduction in federal regulations has had a significant impact on the State's social services programs.

Title XX is the major source of federal funding for the provision of services such as day care for children and adults, protective services for adults and children, transportation, etc. (A complete listing of the Title XX funded services available in North Carolina is contained in Appendix A.) In addition to the costs of social services, the Title XX allotment to the State may be used to support the costs of administration and personnel training and retraining directly related to the provision of services.

While federal requirements have been lessened and/or eliminated under the amended Title XX legislation, North Carolina still places certain requirements on the provision of services funded under Title XX.

In North Carolina, twelve "mandated" services are currently required to be available statewide under Title XX. The services are: Adoption, Day Care for Children, Family Planning, Foster Care Services for Adults and Children, Protective Services for Adults and Children, Chore or Homemaker Services, Health Support, Individual and Family Adjustment, Chore Services for the Blind, and Adjustment Services for the Blind and Visually Handicapped. The remaining 19 services are considered optional and are offered based on county need and available resources.

Title XX funds have been and continue to be used to provide the State's high priority services to children and the elderly. The services are Day Care Services for Children and In-Home Services (Chore Service, Homemaker Service, Preparation and Delivery of Meals, Adult Day Care and Housing and Home Improvement). In SFY 1982-83, if the State receives the same federal funding it received for the current federal year, approximately \$8.9 million in Title XX federal funds will be set aside for Day Care. These funds may be spent only for day care services for children.

The primary providers of services are the county departments of social services. Social services are also provided through a number of public and private agencies such as the Division of Mental Health, Mental Retardation,

and Substance Abuse Services, the Division of Services for the Blind, and United Cerebral Palsy.

APPLICATION FOR SERVICES

Individuals may go to either the county department of social services or the local health department to have their eligibility determined for Title XX funded services; depending upon the individual's particular need(s).

Those individuals needing only family planning services may go directly to the county health department and apply for Family Planning Services.

The 100 county departments of social services are responsible for receiving applications and determining and redetermining eligibility for all other Title XX funded services.

Persons with questions regarding Title XX funded services may call the county department of social services, the local health department (for family planning information), or by calling (TOLL FREE) 1-800-662-7030.

ELIGIBILITY CRITERIA AND FEES

There are three categories of individuals who may be eligible to receive Title XX funded services.^{1/} The first category is based on an individual's status in terms of two major income maintenance programs--the Aid to Families with Dependent Children (AFDC) and Supplemental Security Income (SSI) Programs. The second category is based on family income level.^{2/} In the third category, services may be provided under certain conditions without regard to income maintenance status or the amount of family income. The three eligibility categories are described below.

1. Income Maintenance Status

Current recipients of Aid to Families with Dependent Children and persons whose needs are taken into account in determining the needs of AFDC recipients are eligible for Title XX funded services. Also eligible are current recipients of Supplemental Security Income benefits and those who receive regular payments from the State to supplement SSI benefits.

^{1/} The term "eligible" as used in this Plan has a very specialized meaning. It does not mean that persons who do not meet Title XX eligibility requirements cannot have their social services needs met; it means only that the agencies providing services to such persons cannot claim Federal reimbursement under Title XX for costs incurred.

^{2/} For purposes of determining eligibility and fees for service, a family is defined as follows: For any Title XX service except family planning services, family means the basic family unit consisting of one or more adults and children, if any, related by blood, marriage, or adoption, and residing in the same household. Where related adults, other than spouses, or unrelated adults reside together, each is considered a separate family. Children living with non-legally responsible relatives, emancipated minors, and children living under the care of unrelated persons are also considered to be one-person families. For family planning services, family will be defined in accordance with federal regulations, 42 CFR Part 59, Grants for Family Planning Services.

2. Family Income Status (Income Eligible Clients)

Individuals may be eligible for services on the basis of family size and income. For purposes of eligibility under Title XX in North Carolina, the State has established three income levels. In order to clearly illustrate the differences between these levels, the income figures for a family of four will be used in the following explanation. Individuals are eligible to receive Title XX funded services if their gross family income is less than \$16,252. This is the maximum income eligibility level and is referred to as 100% of the established income. Not all persons below this income are eligible for all services, however. Persons with incomes between 80% and 100% of the established income are eligible for 10 services, those with incomes between 60% and 79% are eligible for 28 and those with incomes less than 60% are eligible for all 31 services. (See Appendix A) The practical significance of these income levels is that certain services will be available to members of families with incomes at the lower income levels that will not be available to members of families with higher income levels.

3. Without Regard to Income (Other Clients)

Protective Services for Adults, Protective Services for Children, and Information and Referral may be provided to anyone without regard to the amount of family income. The provision of these services is based solely on the individual's need for the service. In addition, under North Carolina social services program, any service in this Plan which is available in the geographic area in which the individual lives may be provided without fee and without regard to income during the first twelve months after Protective Services for Children or Adults is initiated. Such services must be provided in conjunction with the provision of Protective Services, and must be directed at the goal of preventing or remedying neglect, abuse or exploitation of children and adults unable to protect their own interests.

Fees will be charged for some services based on the income level of the family.

ALLOCATIONS FOR SFY 1982-83

Congress has authorized \$2.45 billion nationally in Title XX federal funds for Federal Fiscal Year 1983. North Carolina's share of the authorized federal Title XX funds would provide \$62,820,474 for State Fiscal Year 1982-83. Because the chances of getting all that Congress has authorized are very small, however, for purposes of the Title XX Plan, it has been assumed that North Carolina will get the same allotment for FFY 1982-83 as it received for FFY 1981-82. This would provide \$61,854,005 for SFY 1982-83. The Department of Human Resources has proposed to allocate Title XX funds to the various DHR divisions as shown on Table 1. When making allocations to the divisions, three types of allocations, where appropriate, were identified: services, training, and administration. Divisions receiving funds earmarked for training are being given the option of using those funds for services. However, funds specifically allocated for training may not be used for administration.

The amended Title XX law does not require the State to match the federal funds. North Carolina, however, still requires matching funds in order for an allottee to receive federal Title XX funds. Most services are funded at 75% federal financial participation (FFP) with the remaining 25% being paid for with state and local funds. Family Planning Services may be reimbursed with 90%

FFP while some child day care services are reimbursed with 100% FFP. (The rate of FFP for various services is being studied and may be changed.)

Since the State does not know how much federal Title XX money will actually be available to the State for 1982-83, and in order to be able to deal with all reasonable contingencies, three different sets of allocation recommendations have been prepared. Each set is based on a different level of federal funding. Level A is based on a federal allotment for FFY 1982-83 which is equal to that for the current federal fiscal year. The Department of Human Resources believes this to be the most likely appropriation. Level A provides \$61,854,005 for SFY 1982-83. Level B, which is based on the federal funds called for in the Social Services Block Grant legislation, would provide \$62,820,474 for SFY 1982-83. The Department of Human Resources believes that Level B is the least likely contingency. Level C allocations are based on the Title XX budget request made by President Reagan. Level C probably represents the lowest funding level that could occur. Level C would provide \$53,619,691 for SFY 1982-83.

Table 1 shows how funds are proposed to be allocated among the various DHR divisions and agencies based on the three possible funding levels. In addition, allocations for the current state fiscal year are included for comparison purposes. Table 2 displays allocations to county departments of social services for SFY 1982-83 based on Level A federal funding.

CHANGES IN TITLE XX POLICIES (PROPOSED AND RECENTLY IMPLEMENTED)

Expanding Portals of Entry for Title XX Funded Services

In order to increase administrative flexibility, changes have already been made by the Department in 1982 to transfer eligibility determination for family planning services from county social services departments to health departments. This transfer enables the agency which provides the service to determine eligibility as well. The Department is currently exploring other services for which the portal of entry might be similarly expanded.

Eliminating Income Eligibility Requirements for Some Services

Further administrative relief can be provided by eliminating the income eligibility requirements for services which are provided almost exclusively to clients currently meeting income requirements or which are required by state law to be available to all clients who need them. The services mandated by state law which are under consideration for provision without regard to income are adoption services, foster care services for children and adults, and adjustment services for the blind and visually impaired. A test is being proposed to determine the effect of eliminating the income eligibility requirement for employment and training support services, individual and family adjustment services, and the primary components of delinquency prevention, health support, and problem pregnancy services.

Rate Setting Requirements

A proposed fiscal policy change involves rate setting procedures for day care providers which are units of state government or county departments of social services. Currently this category of service provider is subject to more detailed rate setting, budget, and documentation requirements than other providers. The Department proposes that all public providers be subject to the same rate setting requirements as other providers, in order to simplify procedures and remove unnecessary duplicative regulations.

Purchase of Service Requirements

A fourth proposed change concerns Title XX requirements for services purchased through contracts. Because there are no longer any federal regulations requiring purchase of service mechanisms stricter than those of state and local governments, the Department proposes rule changes to have state and local procurement standards also govern Title XX service and training contracts.

Purchasing Eligibility Determination and Case Management

A fifth proposal would increase flexibility by allowing for the purchase of eligibility determination, redetermination and case management for Title XX funded services. The Department is proposing that each Division holding responsibility for Title XX eligibility and case management functions may fulfill these obligations directly or through administrative agreements with public or private agencies not involved directly with the provision of Title XX funded services.

Less Frequent Redetermination of Client Eligibility

A sixth proposal is to change the requirement for six month redetermination of client eligibility for Title XX funded services to twelve month redetermination. This change would reduce administrative cost and time, and provide more flexibility to the Divisions.

Simplified Title XX Reporting

Two revisions in the Services Information System (SIS) reporting requirements will save both time and money. The first revision allows for all recipients to be considered in one category for reporting purposes. The second revision eliminates the requirement for an individual goal assignment to recipients of services under Title XX. Both changes, which are currently being implemented, will greatly simplify the reporting system without sacrificing information of any substantive management value. In addition, the definitions of services presented in Appendix A are being examined in order to determine if some definitions can be combined with others in order to streamline Title XX reporting.

Changes in Day Care for Children

Because federal regulations which prohibited the maintenance of waiting lists for multiple target groups within a service are no longer in effect, the Department recommends combining its two separate day care definitions, Day Care Services for Children and Day Care to Meet the Developmental Needs of Children, which describe the same service, and establishing priorities in the target population. This change will simplify the administration of day care programs.

In support of state policy which encourages giving priority to employment and training related cases, the Department also recommends expanding eligibility for day care services to include the children of present and former recipients of Aid to Families with Dependent Children who are enrolled full-time in a four-year college.

Establishing Priorities for In-Home Services

In-Home Services is another area in which the Department supports establishing a means of setting priorities within target populations. Since previous federal regulations did not allow for this, North Carolina adopted a policy of considering all clients equally eligible, providing service on a "first come, first served" basis and placing those not able to be served immediately on a waiting list. Because this policy allowed persons of greater need to be listed behind persons of lesser need, it has been of concern to a variety of constituent groups.

A recently passed Statute, House Bill 405, allows for a comprehensive screening program in certain pilot counties. The Department proposes to explore the establishment of priorities within target populations for the following Title XX funded services: in-home services (chore and homemaker), day care services for adults, housing and home improvement services, and preparation and delivery of meals.

Lowering the Income Eligibility for Health Support - Transportation

Another proposal is to lower the income eligibility level for health support - transportation to ensure that the service remains available for the very poor and to enable county departments of social services to meet their responsibility to make health support - transportation available to Medicaid recipients.

EMPHASIS ON THE ADMINISTRATION'S PRIORITIES

The State is currently using five different methods of influencing the way county departments of social services budget and expend their Title XX allocations: (1) service mandates - DHR requires every county department to make certain services available. (2) earmarked funds - Part of each department's Title XX allocation is "earmarked" for day care for children. The money may be budgeted and spent only for day care. (3) variable match rates - Different services have different rates of county financial participation. Day care and in-home services have the lowest county participation. Other services require more. (4) minimum level requirements - A county department must budget and expend ten percent of the federal Title XX funds in its budget for in-home services and 15 percent for day care. If the county meets certain conditions, a waiver of this requirement may be obtained. (5) maintenance of effort requirements - In order to obtain any of the state-appropriated funds for in-home services and day care, a county department must budget and expend as much county money on in-home services and day care as they spent in SFY 1978-79.

Many county departments have requested relief from the combination of minimum levels and maintenance of effort requirements, especially within the context of recent federal budget cuts and the other methods DHR uses to influence their budgets. The requirements are also very difficult to track and enforce. In order to decrease administrative burdens and still give meaningful priority to day care and in-home services, alternatives are being considered to replace the current maintenance of effort and minimum level requirements.

Some thought is also being given to the "mandated" services and whether or not these services are indeed the essential services which all county departments of social services should provide. It is possible that a careful examination of the needs of high priority target groups would reveal sets of essential services that do not correspond to the set of currently mandated services. If this were true, changes in required services would be proposed.

SUMMARY OF AVAILABLE SERVICES BY ELIGIBILITY CATEGORY

Title XX Funded Services	Available to Income Maintenance Clients	Available to Those With Less Than 60% of Established Income	Available to Those With 60 to 79% of Established Income	Available to Those With 80 to 100% of Established Income	Available Without Regard to Income
Adjustment Services for the Blind and Visually Impaired	X	X	X		
Adoption Services	X	X	X		
Chore Services for the Blind	X	X	X	X	
Community Living Services	X	X	X		
Day Care Services for Adults	X	X	X	X	
Day Care Services for Children	X	X	X	X	
Day Care to Meet Developmental Needs of Children	X	X	X	X	
Day Treatment Services: Day/Night Treatment for Alcoholics	X	X	X		
Day Treatment Services: Day/Night Treatment for the Emotionally Disturbed	X	X	X		
Delinquency Prevention Services	X	X	X		
Employment and Training Support Services	X	X	X		
Family Planning Services	X	X	X		
Foster Care Services for Adults	X	X	X		
Foster Care Services for Children	X	X	X		
Health Support Services	X	X	X		
Home-Based Training Services for the Mentally Retarded	X	X	X		
Housing and Home Improvement Services	X	X	X		
Individual and Family Adjustment Services	X	X	X	X	X
Information and Referral	X	X	X	X	X
In-Home Services: Chore Services	X	X	X	X	X
In-Home Services: Homemaker Services	X	X	X	X	X
Personal and Family Counseling	X	X	X	X	X
Preparation and Delivery of Meals	X	X	X	X	X
Problem Pregnancy Services	X	X	X	X	X
Protective Services for Adults	X	X	X	X	X
Protective Services for Children	X	X	X	X	X
Residential Services for Alcoholics	X	X	X	X	
Residential Treatment for the Emotionally Disturbed	X	X	X		
Services to Meet Special Needs of the Aging, Disabled, or Handicapped	X	X	X		
Social Development Through Therapeutic Group Services	X	X			
Transportation	X	X			

1/ In addition to the three services listed in this column, any of the services listed in this Table and available in the geographic area where the individual lives may be provided without a fee and without regard to income to an adult or child who is in immediate and present danger of neglect, abuse or exploitation during the first twelve month period after the initiation of Protective Services for Adults or Children.

Table 1.

DEPARTMENT OF HUMAN RESOURCES
Title XX
Recommended Allocations for SFY 1982-83

January 20, 1982

Provider/Program	Current Level SFY 1981-1982	Level A SFY 1982-1983		Level B SFY 1982-1983		Level C SFY 1982-1983	
	Total Annual Alloc. 7/81-6/82	Total Annual Alloc. 7/82-6/83	Total Annual Alloc. 7/82-6/83	Total Annual Alloc. 7/82-6/83	Total Annual Alloc. 7/82-6/83	Total Annual Alloc. 7/82-6/83	Total Annual Alloc. 7/82-6/83
Regular Title XX Service Funds							
Department of Human Resources							
Title XX Branch and Chief							
Audit Services	570,234	504,824	504,824	504,824	437,812		
Asset & Accounting Section	86,339	81,537	81,537	81,537	70,882		
Transportation Planner	5,152	-	-	-	-		
Transportation Services Section	2,923	-	-	-	-		
Volunteer Services Section	33,258	32,504	32,504	32,504	28,177		
Special Project - Texas Dept. of H.R.	15,000	-	-	-	-		
DSR TOTAL	714,806	618,865	618,865	618,865	536,478		
DSR/MR/SAS							
Administration	307,815	300,415	300,415	300,415	280,422		
ADAP							
Alcohol Services							
Community Living Services							
Det. Day Care	5,864,878	5,289,783	5,289,783	5,289,783	4,895,461		
Drug Services							
ED-Day Treatment							
ED-Residential Treatment							
MR-Early Childhood							
DSR/MR/SAS TOTAL	5,872,193	5,590,198	5,590,198	5,590,198	4,848,001		
Division of Services for the Blind							
Management and Support	228,551	209,552	209,552	209,552	181,885		
Services Purchased	1,083,353	2,374,349	2,374,349	2,374,349	2,058,264		
Services Provided	1,442,719						
DSB TOTAL	2,754,623	2,583,901	2,583,901	2,583,901	2,240,149		
Division of Youth Services							
Therapeutic Residential	185,018	284,063	284,063	284,063	246,247		
Therapeutic Camping	149,056						
DYS TOTAL	304,074	284,063	284,063	284,063	246,247		
Division of Health Services							
Child Medical Evaluation	103,898						
Direct Nutrition	114,328	1,700,879	1,700,879	1,700,879	1,474,490		
Family Planning	1,574,437						
DHS TOTAL	1,792,663	1,700,879	1,700,879	1,700,879	1,474,490		
Division of Facility Services							
Consult. & Tech. Assistance	112,895	105,647	105,647	105,647	91,563		
Division of Administration							
Personnel Administration	4,729	-0-	-0-	-0-	-0-		

DEPARTMENT OF HUMAN RESOURCES
Title XX
Recommended Allocations for SFY 1982-83

January 29, 1982

Provider/Program	Current Level SFY 1981-1982	Level A SFY 1982-1983		Level B SFY 1982-1983		Level C SFY 1982-1983	
	Total Annual Alloc. 7/81-9/82	Total Annual Alloc. 7/82-6/83	Total Annual Alloc. 7/82-6/83	Total Annual Alloc. 7/82-6/83	Total Annual Alloc. 7/82-6/83	Total Annual Alloc. 7/82-6/83	Total Annual Alloc. 7/82-6/83
Day Care Section							
DC Prog. Mgt.	260,032						
DC County Depts.	5,356,331	5,704,097		5,820,460		4,944,740	
State Level Contracts	345,963						
DCS TOTAL	5,962,326	5,704,097		5,820,460		4,944,740	
Division of Social Services							
State Regional Administration	2,391,040	2,261,664		2,261,664		1,960,580	
County Depts.	39,097,452	37,340,113		38,190,219		32,369,211	
Contracts	220,623	294,164		294,164		255,003	
DCS TOTAL	41,709,115	39,895,941		40,746,047		34,584,794	
Two Party Contracts	398,005						
Sub-total Allocated	59,625,580	56,483,591		57,450,061		48,904,214	
Unallocated	211,617						
I. SUB-TOTAL - FMS Service Funds	59,837,197	56,483,591		57,450,061		48,904,214	

DEPARTMENT OF HUMAN RESOURCES
Title XX
 Recommended Allocations for SFY 1982-83

January 29, 1982

<u>Provider/Program</u>	<u>Current Level SFY 1981-1982</u>	<u>Level A</u>		<u>Level B</u>		<u>Level C</u>	
		<u>Total Annual Alloc. 7/81-6/82</u>	<u>Total Annual Alloc. 7/82-6/83</u>	<u>Total Annual Alloc. 7/82-6/83</u>	<u>Total Annual Alloc. 7/82-6/83</u>	<u>Total Annual Alloc. 7/82-6/83</u>	<u>SFY 1982-1983</u>
<u>II. 100% Title XX Day Care Service Funds</u>							
<u>Title XX Branch, and Chief</u>							
DM/MR/SAS							
Dev. Day Care	49,153	49,537	49,537	49,537	42,942		
	248,899	248,899	248,899	248,899	218,754		
Day Care Section							
Administration	334,922	334,787	334,787	334,787	281,534		
Co. Dept. of Social Services	3,041,735	2,927,367	2,927,367	2,927,367	2,942,078		
State Level Contracts	561,270	531,402	531,402	531,402	434,928		
DC3 TOTAL	3,937,927	3,793,556	3,793,556	3,793,556	3,288,510		
See Party Contracts	17,061	-0-	-0-	-0-	-0-		
Sub-total Allocated	4,253,810	4,091,992	4,091,992	4,091,992	3,547,246		
Unallocated							
IS. 800-TOTAL - 100% DC Funds	4,253,810	4,091,992	4,091,992	4,091,992	3,547,246		

DEPARTMENT OF HUMAN RESOURCES
Title XX
Recommended Allocations for SFY 1982-83

January 29, 1982

<u>Provider/Program</u>	<u>Current Level SFY 1981-1982</u>	<u>Level A</u> SFY 1982-1983		<u>Level B</u> SFY 1982-1983		<u>Level C</u> SFY 1982-1983	
	<u>Total Annual Alloc. 7/81-6/82</u>	<u>Total Annual Alloc. 7/82-6/83</u>	<u>Total Annual Alloc. 7/82-6/83</u>	<u>Total Annual Alloc. 7/82-6/83</u>	<u>Total Annual Alloc. 7/82-6/83</u>	<u>Total Annual Alloc. 7/82-6/83</u>	<u>Total Annual Alloc. 7/82-6/83</u>
III. Title XX Training Funds							
<u>Department of Human Resources</u>							
<u>Title XX Branch and Chief</u>							
<u>Non-Volunteer Services</u>							
<u>DCS/HR/SAS</u>							
<u>Division Operated Programs</u>	97,334	84,179	84,179	84,179	72,973		
<u>State Level Contracts</u>	6,309	6,663	6,663	6,663	5,776		
<u>DCS/HR/SAS TOTAL</u>	100,607	90,737	90,737	90,737	78,658		
<u>State Level Contracts</u>	91,254	121,672	121,672	121,672	105,477		
<u>DCS/HR/SAS TOTAL</u>	191,861	212,409	212,409	212,409	184,132		
<u>Division of Services for the Blind</u>	80,288	48,000	48,000	48,000	41,610		
<u>Division of Youth Services</u>	8,678	9,000	9,000	9,000	7,802		
<u>Division of Health Services</u>	22,070	9,333	9,333	9,333	8,091		
<u>Division of Aging</u>	28,390	27,652	27,652	27,652	23,971		
<u>Day Care Section</u>							
<u>Program Management</u>	144,518	151,321	151,321	151,321	131,176		
<u>State Level Contract</u>	171,901	229,201	229,201	229,201	198,588		
<u>DCS TOTAL</u>	316,419	380,522	380,522	380,522	329,864		
<u>Division of Social Services</u>							
<u>In-House Staff Dev. Training</u>	208,125	180,000	180,000	180,000	156,037		
<u>State Level Contracts</u>	123,011	164,014	164,014	164,014	142,170		
<u>BSS TOTAL</u>	331,136	344,014	344,014	344,014	298,211		
<u>Two Party Contracts</u>	309,868	-0-	-0-	-0-	-0-		
<u>Sub-total - Allocated</u>	1,362,458	1,121,772	1,121,772	1,121,772	972,435		
<u>Unallocated</u>	-0-	-0-	-0-	-0-	-0-		
III. SUB-TOTAL - Training Funds	1,362,458	1,121,772	1,121,772	1,121,772	972,435		

January 29, 1982

DEPARTMENT OF HUMAN RESOURCES
Title XX
Recommended Allocations for FY 1982-83

Provider/Program	Current Level SFY 1981-1982	Level A SFY 1982-1983		Level B SFY 1982-1983		Level C SFY 1982-1983	
		Total Annual Alloc. 7/82-6/83	Total Annual Alloc. 7/82-6/83	Total Annual Alloc. 7/82-6/83	Total Annual Alloc. 7/82-6/83	Total Annual Alloc. 7/82-6/83	Total Annual Alloc. 7/82-6/83
Summary							
1. Regular Title XX Funds	99,025,580	56,483,591	57,450,060	48,964,214			
2. 100% Title XX Funds	4,253,810	4,091,992	4,091,992	3,547,246			
333. 79% Title XX Fund - Training	1,382,258	1,121,772	1,121,772	972,433			
Total Funds Allocated	65,241,848	61,697,355	62,663,824	53,483,895			
Unallocated	211,617	156,650	156,650	135,796			
Total Funds Available	65,453,465	61,854,005	62,820,494	53,619,691			

Current Level - SFY 1981-1982 - 20% of North Carolina share of FTY 1981 allotment of 2.976 billion (\$76,251,848) plus 75% of North Carolina share of FTY 1982 allotment of 2.4 billion (\$61,854,005).

Level A - SFY 1982-1983 - 20% of North Carolina share of FTY 1982 allotment of 2.4 billion (\$61,854,005) plus 75% of North Carolina share of FTY 1983 allotment of 2.4 billion (\$61,854,005). This is continuing funding at the level approved for FTY 1982.

Level B - SFY 1982-1983 - 20% of North Carolina share of FTY 1982 allotment of 2.4 billion (\$61,854,005) plus 75% of North Carolina share of FTY 1983 allotment of 2.45 billion (\$62,142,430). This amount (\$6,480) is the level currently provided for by Section 2003 of the Social Security Act.

Level C - SFY 1982-1983 - 20% of North Carolina share of FTY 1982 allotment of 2.4 billion (\$61,854,005) plus 75% of North Carolina share of FTY 1983 allotment of 1.974 billion (\$50,876,920). This amount (\$1,974) is the level recommended to OMS by President Reagan.

Table 2. TITLE XX ALLOCATIONS OF FEDERAL FUNDS TO COUNTY DEPARTMENTS OF SOCIAL SERVICES
FOR SFY 1982-83 (Includes Allocations for Day Care for Children, In-Home
Services and all other services)

ALAMANCE	\$ 579,285	JOHNSTON	\$ 508,640
ALEXANDER	133,549	JONES	97,871
ALLEGHANY	71,084	LEE	281,623
ANSON	188,669	LENOIR	482,688
ASHE	152,576	LINCOLN	221,173
AVERY	94,099	MACON	110,897
BEAUFORT	326,955	MADISON	180,185
BERTIE	207,789	MARTIN	189,435
BLADEN	257,964	MCDOWELL	263,559
BRUNSWICK	235,505	MECKLENBURG	3,397,264
BUNCOMBE	866,175	MITCHELL	109,721
BURKE	452,499	MONTGOMERY	144,459
CABARRUS	448,239	MOORE	300,471
CALDWELL	346,071	NASH	543,014
CAMDEN	54,857	NEW HANOVER	984,533
CARTERET	237,905	NORTHAMPTON	269,000
CASWELL	186,447	ONslow	595,149
CATAWBA	551,474	ORANGE	590,785
CHATHAM	186,166	PAMLICO	74,539
CHEROKEE	132,913	PASQUOTANK	196,153
CHOWAN	98,021	PENDER	168,033
CLAY	83,367	PERQUIMANS	74,625
CLEVELAND	579,779	PERSON	265,741
COLUMBUS	428,463	PITT	768,929
CRAVEN	637,780	POLK	102,525
CUMBERLAND	1,950,984	RANDOLPH	412,863
CURRITUCK	65,033	RICHMOND	295,187
DARE	67,038	ROBESON	955,195
DAVIDSON	571,454	ROCKINGHAM	529,351
DAVIE	135,009	ROWAN	516,243
DUPLIN	328,599	RUTHERFORD	348,752
DURHAM	2,224,391	SAMPSON	351,507
EDGEcombe	539,615	SCOTLAND	316,778
FORSYTH	2,399,799	STANLY	268,581
FRANKLIN	220,542	STOKES	173,769
GASTON	1,080,586	SURRY	350,622
GATES	82,540	SWAIN	85,584
GRAHAM	55,711	TRANSYLVANIA	158,091
GRANVILLE	227,016	TYRRELL	56,021
GREENE	134,118	UNION	535,230
GUILFORD	3,812,838	VANCE	325,215
HALIFAX	627,032	WAKE	2,048,883
HARNETT	427,211	WARREN	173,976
HAYWOOD	288,383	WASHINGTON	136,191
HENDERSON	310,080	WATAUGA	171,960
HERTFORD	203,119	WAYNE	719,870
HOKE	150,685	WILKES	560,738
HYDE	47,892	WILSON	509,635
IREDELL	472,118	YADKIN	170,964
JACKSON	161,739	YANCEY	111,713
		TOTAL	<u>\$45,325,094</u>

PRELIMINARY BLOCK GRANT PLANS
FOR FISCAL YEAR 1982-83
February, 1982

PREVENTIVE HEALTH/HEALTH SERVICES
AND
MATERNAL AND CHILD HEALTH

authorized by
The Omnibus Reconciliation Act of 1981

DEPARTMENT OF HUMAN RESOURCES
Sarah T. Morrow, M.D., M.P.H.
Secretary

DIVISION OF HEALTH SERVICES
Ronald H. Levine, M.D., M.P.H.
Director

INTRODUCTION

The responsibility for implementation of the Preventive Health/Health Services and Maternal and Child Health Block Grants rests with the North Carolina Department of Human Resources, Division of Health Services. Within the Division of Health Services, the Health Assurance Section administers the Preventive Health/Health Services Block; the Maternal and Child Care Section administers the Maternal and Child Health Block.

Tentative plans for the expenditure of these block grant funds during the state FY 82-83 are included in this document. Programs to be funded and methods used for distribution of the funds within each block are presented, along with a chart illustrating services and resource allocation. Lists of anticipated grantees are included.

It is important for readers to be cautious in their interpretations of the budget data provided in this document for the following reasons:

- The state and federal fiscal years cover two different 12 month periods (state; July 1-June 30; federal; October 1-September 30). Therefore, the proposed July 1, 1982-June 30, 1983 budget covers receipts from two federal block grant fiscal years (3 months of FY 82, July 1-September 30, 1982 and 9 months of FY 83, October 1-June 30, 1983).
- The proposed budget is based on the best information available as of February, 1982. This information, preliminary at best, indicates that no further cuts will be made in these two block grants.

Public health services are provided statewide through 83 autonomous local health departments: 74 county-operated offices and 9 district offices serving multi-county areas. Nineteen (19) Developmental Evaluation Centers offer multi-disciplinary evaluation services for children throughout the state. Public health services are provided in approximately 289 sites which employ 5000 local employees. Certain services are also available through contractual arrangements with private providers and through the purchase of care from private providers on a fee-for-service basis.

Division of Health Services

Health Assurance Section

Preliminary Preventive Health Services Block Grant Plan State Fiscal Year 1982-83 July 1, 1982-June 30, 1983

Purpose: The North Carolina Department of Human Resources, Division of Health Services, is responsible for administering the Preventive Health Services Block Grant. (PHSBG). This block includes the following nine programs: (1) Emergency Medical Services; (2) Fluoridation; (3) Health Education/Risk Reduction; (4) Health Incentive Grants (314.D); (5) High Blood Pressure Control; (6) Home Health Planning; (7) Indian Health Services; (8) Rape Crisis and Rape Intervention; and (9) Rodent Control. North Carolina will utilize the funds from this block grant to reduce premature death and disability.

Block Grant Consolidation

Prior to establishment of the PHSBG, the Department of Human Resources (DHR) had received federal financial assistance under five of the nine programs as categorical funding. The categorical programs included in PHSBG that were federally funded in Fiscal Year 1980-81 are: (1) Emergency Medical Services; (2) Fluoridation; (3) Health Education/Risk Reduction; (4) Health Incentive Grants (314.D); and (5) High Blood Pressure Control. The programs that were folded into the PHSBG that were not federally funded in Fiscal Year 1980-81 are (1) Rodent Control; (2) Home Health Planning; (3) Indian Health Services; and (4) Rape Crisis and Rape Intervention. For Fiscal Year 1981-82 North Carolina received a PHSBG allocation for programs under the five former categorical programs and for Rape Crisis and Rape Intervention. DHR had received no financial assistance for Indian Health Services, Rodent Control, and Home Health Planning prior to Fiscal Year 1981-82. Consequently, DHR will receive and will use no PHSBG funds for these purposes in Fiscal Year 82-83.

The amount which North Carolina will receive under PHSBG will be less than the past combined total of the categorically funded programs. North Carolina expects to lose as much as \$573,958 from the amounts actually received in Fiscal Year 1980-81 and \$1,230,958 less than the total amount appropriated in Fiscal Year 80-81. For Fiscal Year 1981-82 money received under the PHSBG was allocated to the six programs, the five previously funded programs and Rape Crisis and Rape Intervention. It is the intent of the Division of Health Services to use PHSBG funds in support of these six program activities during Fiscal Year 1982-83.

Description of PHSBG Programs

1. Emergency Medical Services (EMS)

Two of the top five leading causes of death in North Carolina - diseases of the heart, specifically myocardial infarction, and accidents - are areas where it has been demonstrated that a comprehensive emergency medical services system can have a significant impact on morbidity and mortality. Although the most recent figures

available indicate that North Carolina's accidental death rate has improved from 65.5 in 1970 to 56.3 in 1978, it still remains above the national average of 49.5. Increased accessibility and availability of emergency medical services has a positive impact on reducing mortality and morbidity attributable to myocardial infarction in both rural and urban areas of the State. Fiscal Year 1982-83 funding for emergency medical services under the PHSBG will be geared towards impacting on these health problems through developing comprehensive and coordinated regional EMS systems. Part of the available funds will be used to provide grants to the three regional EMS organizations in North Carolina. Grants will provide staffing and support to enable the projects to continue their activities in designating trauma centers, developing trauma center outreach programs, coordinating and conducting training programs, developing and implementing transfer agreements and treatment protocols, conducting public education programs, and improving public access to the EMS system.

The Fiscal Year 1982-83 projected allocation of PHSBG funds for EMS is \$1,097,250. This is the same amount of PHSBG funds allocated to the State for the 1981-82 federal fiscal year. It is, however, a \$365,750 reduction from the amount of federal financial assistance for EMS under the 1980-81 categorical program. The Fiscal Year 1982-83 projected allocation reflects the 25% reduction from the amount provided to the State in federal Fiscal Year 1980-81.

2. Fluoridation

There are 476 municipal water supplies serving 3,170,042 persons out of a total population of 5,600,000 that could provide fluoridated water for their constituents. One-half of North Carolina's population is located in rural areas, and the remaining population not served by fluoridated water live in towns with a population under 10,000. The school water fluoridation program in North Carolina is one of the largest in the nation. At the present time 127 rural schools are serving 51,776 pupils with fluoridated water. Fiscal Year 1982-83 funds from this grant will continue to maintain existing schools fluoridation projects, train local personnel in surveillance procedures, and install equipment in selected schools meeting the criteria for fluoridation.

Grants will be provided for towns and schools which have approved fluoridation and for assistance to communities and schools with inoperable fluoridation equipment.

The Fiscal Year 1982-83 projected allocation of PHSBG funds for fluoridation is \$161,897. This is the same amount of PHSBG funds allocated to the State for the 1981-82 federal fiscal year. It is, however, a \$53,966 reduction from the amount of federal financial assistance for fluoridation under the 1980-81 categorical program. The Fiscal Year 1982-83 projected allocation reflects the 25% reduction from the amount provided to the State in federal fiscal year 1980-81.

3. Health Education Risk Reduction (HERR)

The overall purpose of the project is to reduce the risk of developing chronic diseases and preventable health conditions in specific target populations through the development and implementation of Health

Education Risk Reduction Programs.

The need for such programs is evidenced in Leading Causes of Mortality, which states "compared age for age to all Americans during 1979, North Carolinians experienced about 10% more mortality, 10% more from heart disease, 29% more from stroke, 14% more from diabetes." In 1975, the North Carolina mortality rate from cancer was shown to be 6% lower than that of the United States. By 1979, the North Carolina cancer mortality rate was only 1% lower than the national rate. From 1973 to 1979, age-adjusted death rate for cancer of the trachea, bronchus, and lung has risen 26.2%.

During Fiscal Year 1982-83 HERR intervention projects will receive \$260,560. This is the same amount of PHSBG funds allocated to the State for the 1981-82 federal fiscal year. It is, however, a \$153,997 reduction from the amount made available to the State for the project under the terms of the State's contract with the Center for Disease Control for the 1980-81 federal fiscal year.

4. High Blood Pressure Control

In North Carolina, an estimated 1.2 million persons are hypertensive. This estimate is based on the National Health Examination Survey of 1971-74 and the Citizen's Surveys of 1976 and 1977 conducted by the N.C. Department of Administration. It is estimated that 87 percent of the hypertensive population do not have their blood pressure under adequate control. High Blood Pressure is the leading cause of heart disease and stroke, which are respectively, the first and third leading causes of deaths in North Carolina. In 1977, 21,951 persons died from heart disease and stroke. Of these, 6,111 persons were between the ages of 19 and 65, and therefore, died prematurely. The cost of health care for the 74,000 disabled stroke patients in North Carolina is estimated at \$266 million dollars per year.

During Fiscal Year 1982-83 the program refined initiatives to control high blood pressure among the State's residents. Statewide initiatives will focus upon identification and promulgation of intervention strategies and models to deal with the problem of high blood pressure in the work setting. Community based initiatives will focus on the role and approach of the local health department as a planning, organizing, and coordinating resource for formulating a community wide response to the problem of high blood pressure. Fiscal Year 1982-83 objectives include: (1) increasing the number of persons receiving high blood pressure services; (2) improving monitoring patients with high blood pressure; (3) establishing new projects in industries; (4) establishing new community projects sponsored by community organization and (5) supporting professional education activities.

The Fiscal Year 1982-83 projected allocation of PHSBG funds for High Blood Pressure Control is \$264,107. This is \$66,027 less than from the amount of PHSBG funds allocated to the State for the 1981-82 federal fiscal year. Further, it is \$237,090 reduction from the amount of federal financial assistance for high blood pressure control under the 1980-81 categorical program. The Fiscal Year 1982-83 projected allocation meets the federal allocation requirements for high blood pressure control.

5. Rape Crisis/Rape Prevention (RC/RP)

The incidence of rape in North Carolina has been increasing steadily. In the first six months of 1981, reported rapes continued to increase more than other violent crimes. Rape is considered to be significantly under-reported. Some research indicates that only one of every five rapes is reported.

During Fiscal Year 1981-82 RC/RP will provide funds to private, non-profit corporations, agencies, and groups with an appropriate fiscal agent. Priority will be given to the agencies that demonstrate significant and broadbased community support, including local financial support, and to programs that demonstrate ability to assist the Office of Services to Victims of Sexual Assault in establishing services in surrounding communities by providing technical assistance. Emphasis in training programs will be on a cooperative inter-agency approach to assisting victims of sexual assault and to provide education in the area of rape prevention.

The Fiscal Year 1982-83 projected allocation of PHSBG funds for RC/RP is \$76,602. This is the same amount of PHSBG funds allocated to the State for the 1981-82 federal fiscal year. DHR received no federal financial assistance for RC/RP prior to the 1981-82 fiscal year.

6. Health Incentive Grant (314.D)

Preventive Health Services Block Grant funds allocated for Health Incentive Grant (314.D) purposes are distributed directly to the counties under the DHR Aid-to-Counties allocation formula.

North Carolina General Statute 130-13 requires each county in this state to make public health services available to its residents. The Health Incentive Grant is a part of general support allocated to local health agencies and is used for basic public health purposes.

The Fiscal Year 1982-83 projected allocation of PHSBG funds for Health Incentive Grant activity is \$428,870 compared to \$1,680,000 received by North Carolina in FY 1979-80 and reduced annually since then. This represents a \$447,998 reduction from the amount of federal financial assistance for Health Incentive Grants under the 1980-81 program.

Projected Programs, Services, and Funds Allocations

The six programs within the block grant that are funded are listed on the following chart along with the characteristics of persons/agencies served, services provided, allocations for Fiscal Year 1981-82 and proposed Fiscal Year 1982-83 allocations and the methodology for distribution of these funds.

Division of Health Services
Health Assurance Section

Preventive Health Services Block Grant
Projected Programs, Services, Resource Allocation
State Fiscal Year 1982-83

Program	Characteristics of Persons/Agencies Served	Services Provided	Projected Fiscal Year 1982-83 Allocation	Methodology for Distributing Funds
Emergency Medical Services	Agencies involved in planning, establishing expanding and improving local Emergency Medical Systems.	Funding for comprehensive and coordinated regional EMS Systems. Provide educa- tion, consultation, technical assistance, and other support services necessary to assist regions in carrying out EMS programs.	\$1,097,250(a)	As stipulated in the Preventive Health Services Block Grant Law, funds will continue to be used to provide grants to the regional EMS organizations that received grants in Fiscal Year 1980-81.
Fluoridation	Towns and schools which have approved fluoridation or provide for assistance to communities and schools with inoperable fluoridation equipment.	Funding to purchase equipment and train local personnel in the development of a local fluoridated water system. Provide technical assistance to local towns and school systems.	\$ 161,897(b)	Based on grant applications submitted to the Division of Health Services by local towns and school systems.
Health Education/ Risk Re- duction	Local health departments or school systems for persons at risk of developing chronic diseases and preventable health conditions in specific target populations.	Provide lifestyle assessment and counseling to persons at risk of developing preventable health conditions in order to initiate behavior change. To complete a risk factor prevalence survey.	\$ 260,560(c)	Based on grant application funded by the Center for Disease Control during Fiscal Year 1980-81.

(a) Amount assumes that the PHSBG award for Federal Fiscal Year 1982-83 will be equal to the Federal Fiscal Year 1981-82 allocation. Amount is consistent with statutory, regulatory requirements, and assurances governing the allocation of PHSBG funds.

(b) Id. (same as in footnote (a))

(c) Amount is equal to the amount of Center for Disease Control (CDC) contract funds transferred to the PHSBG for Health Education/Risk Reduction Projects originally funded by CDC in Federal Fiscal Year 1979-80. Health Education/Risk Reduction funds in the PHSBG are fixed and earmarked based upon the terms, conditions, and assurances of the CDC/DHS contract.

Program	Characteristics of Persons/Agencies Served	Services Provided	Projected Fiscal Year 1982-83 Allocation	Methodology for Distributing Funds
High Blood Pressure Control	Local Health Departments for services to persons who have or who are at risk of develop- ing high blood pressure; business and industrial work setting and professionals.	Screening and health education for those with borderline blood pressures; referral for treat- ment for those with elevated blood pressures; monitoring for those diagnosed hyperten- sives to assure compliance with prescribed treatment; consul- tation and professional education.	\$ 264,107(d)	Based on grant applications and requests for consultation and technical assistance submitted to the Health Assurance Section, Division of Health Services. Grants and requests are approved based on need as determined by an analysis of health status indicators of target populations.
Rape Crisis/ Rape Pre- vention	Local nonprofit entities who provide services to victims of rape or persons interested in rape prevention.	Funding for local agencies to develop or expand rape crisis/ rape prevention activities, provide technical assistance, training, other support ser- vices.	\$ 76,602(e)	Based on grant applications submitted to the Council on the Status of Women. Grants are approved based on need, community support and involvement and agency administrative capabili- ties.
Health Incen- tive Grants 314/0	Local Health Departments and the clients they serve.	General support to local agencies for basic public health services.	\$ 428,870(f)	Based on allocation formula developed by the Division of Health Services. Major factors in the aid to counties formula are: county appropriations for public health, county population and county property valuation.
Total Projected PHSBG Allocation Fiscal Year 1982-83			\$2,289,286	

(d) See note (a) and (b) above.

(e) Amount assumes that the PHSBG award for Federal Fiscal Year 1982-83 will be equal to the Federal Fiscal Year 1981-82 allocation. The amount represents the State's share of a \$3,000,000 federal set aside for Rape Crisis/Rape Prevention Services in the PHSBG.

(f) Amount assumes that the PHSBG award for Federal Fiscal Year 1982-83 will be equal to the Federal Fiscal Year 1981-82 allocation. The amount represents the balance of PHSBG funds available for distribution once all other statutory, regulatory requirements and assurances applicable to other PHSBG programs have been met.

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DIVISION OF HEALTH SERVICES
HEALTH ASSURANCE SECTION
PREVENTIVE HEALTH SERVICES BLOCK GRANT

List of Anticipated Grantees
Fiscal Year 1982-83

Below is a list of PHSBG Grantees for Fiscal Year 1981-82. The Fiscal Year 1981-82 list is to be regarded as an indicator as to the nature, character and classes of anticipated PHSBG grantees for Fiscal Year 1982-83. The 1981-82 list is an indicator only. It is anticipated that the PHSBG 1982-83 grantee list will be essentially consistent with the 1981-82 list.

Emergency Services

Western North Carolina Emergency Medical Services Systems, Inc. (Health Service Area I)
 Eastern Carolina Emergency Medical Services Systems, Inc. (Health Service Area VI)
 Southwestern North Carolina Planning and Economic Development Commission (Region A)
 Land of Sky Regional Council (Region B)
 Isothermal Planning and Development Commission (Region C)
 Region D Council of Governments (Region D)
 Western Piedmont Council of Governments (Region E)
 Centralina Council of Governments (Region F)
 Piedmont Triad Council of Governments (Region G)
 Pee Dee Council of Governments (Region H)
 Northwest Piedmont Council of Governments (Region I)
 Triangle J Council of Governments (Region J)
 Kerr-Tar Regional Council of Governments (Region K)
 Region L Council of Governments (Region L)
 Region M Council of Governments (Region M)
 Lumber River Council of Governments (Region N)
 Cape Fear Council of Governments (Region O)
 Neuse River Council of Governments (Region P)
 Mid-East Commission (Region Q)
 Albemarle Regional Planning and Development Commission (Region R)

Fluoridation

<u>Town</u>	<u>County</u>	<u>School</u>	<u>County</u>
Weldon	Halifax	Cartoogechaye	Macon
Havelock	Carteret	Cowee	Macon
Fremont	Wayne	Cullasaja	Macon
Conway	Northampton	Iolta	Macon
Gaston	Northampton	Macon Middle	Macon
Lasker	Northampton	Nantahala	Macon
Severn	Northampton	Otto	Macon
Woodland	Northampton	Union	Macon

Fluoridation (Cont.)

<u>Town</u>	<u>County</u>	<u>School</u>	<u>County</u>
Kenansville	Duplin	Rock Springs #1	Lincoln
Eureka	Wayne	Iron Station	Lincoln
Seaboard	Northampton	Northbrook #1	Lincoln
Cape Hatteras	Dare	Northbrook #2	Lincoln
Pasquotank Co.	Pasquotank	Northbrook #3	Lincoln
Saratoga	Wilson		

Health Education Risk Reduction

New Hanover County Health Department
 Guilford County Health Department
 Franklin County Health Department
 Buncombe County School System

Health Incentive Grant (314-D)

These funds will be allocated to each county health department on a formula basis (see attached document explaining methodology of distributing these funds).

High Blood Pressure Control

The following county health departments:

Anson	Duplin	Pender
Bertie	Edgecombe	Roberson
Cabarrus	Guilford	Rockingham
Carteret	Haywood	Rowan
Caswell	Hyde	Sampson
Person	Washington	Surry
Cleveland	Mecklenburg	Warren
Columbus	Montgomery	Wayne
Craven	New Hanover	
Cumberland	North Hampton	

Rape Crisis Prevention

The following private, non-profit agencies:

<u>Agency</u>	<u>County</u>
Reach	Cherokee
Crisis Council	Anson
Crime Against Women	Currituck
Sexual Assault	Guilford
Victim Assistance Program	Mecklenburg

Rape Crisis Prevention (Cont.)

<u>Agency</u>	<u>County</u>
Rape Crisis Center	Wake
Rape Crisis Volunteers	Cumberland
Rape Contact	Forsyth
Cape Fear Substance Abuse	New Hanover
Rape Crisis Center	Buncombe
Neuse-Trent Rape Assistance	Craven
Chatham County Outreach	Orange/Chatham
Rape Crisis Alliance	Alamance
Union County Rape Crisis Volunteers	Union
W.O.M.E.N.	Halifax
Rape Crisis Intervention	Wayne
RASA	Caldwell
Rape Prevention	Carteret
Oasis	Watauga
Rape Prevention through Awareness	Durham

DIVISION OF HEALTH SERVICES

MATERNAL AND CHILD CARE SECTION

PROPOSED MATERNAL AND CHILD HEALTH (MCH) BLOCK GRANT PLAN FISCAL YEAR 1982-83

Block Grant Consolidation

The purpose of the MCH block grant is to assist states in assuring that mothers and children, particularly those with low income or with limited availability of health services, have access to quality maternal and child health services. These services are aimed at 1) reducing maternal and infant mortality, 2) reducing the incidence of preventable diseases and disabling conditions among children, 3) promoting the health of mothers and children, and, 4) maximizing the health status of children with disabilities.

The MCH block grant to states consolidates the following five categorical programs: maternal and child health/crippled children's program; supplemental security income disabled children's program; lead-based paint poisoning prevention program; sudden infant death syndrome (SIDS) program, and adolescent pregnancy program.

Availability of Services and Eligibility Criteria

In North Carolina, maternal and child health/crippled children's services have been available statewide since the 1930's; supplemental security income disabled children's services have been available statewide since 1979; federal funding of lead-based paint poisoning prevention services has been limited to Cabarrus County through a special competitive grant; sudden infant death syndrome program services have been available statewide through a special competitive grant since 1979; the state has never received federal adolescent pregnancy program funds.

Financial eligibility criteria for certain programs are set biennially by the General Assembly through the State Appropriations Act. Program rules may also require that individuals meet certain medical criteria. Eligibility for preventive health services (e.g. well child and prenatal care) varies according to local county policy, with emphasis given to serving low-income families. Any family experiencing a crib death is eligible for SIDS program services and any individual at risk of increased lead absorption is eligible for the screening and follow-up services provided by the lead-based paint poisoning prevention project in Cabarrus County.

Program Areas and Allocations

For FY 1981-82, North Carolina continued to receive separate categorical funding for SIDS and lead-based paint poisoning prevention while receiving their share of these funds in the MCH block grant. This represents a one-time windfall. Continued support of SIDS and lead-based paint activities in FY 1982-83 will require actual use of block grant funds.

A "follow the dollar" approach was utilized in determining program reductions under the first year of block grant funding. This approach gave the Division of Health Services time to analyze needs and set priorities for block grant funds in FY 1982-83, and minimized the impact of reduced federal funding on programs included in this block.

Based upon an analysis of the use of FY 1981-82 block grant funds and current needs information, funding for four service areas is proposed for FY 1982-83. Listed below in order of priority are descriptions of these service areas with their approximate funding percentages:

- 1) Preventive, Diagnostic and Treatment Services for Women and Children. Approximately 64% of block grant funds will support prenatal, delivery, postpartum, family planning and newborn nursery services, and basic health assessment and treatment services (including immunizations) for children. Studies indicate that these services offer the most positive cost-benefit ratio.
- 2) Specialized Care for Disabled Children. Approximately 35% of block grant funds will support diagnostic and treatment services, including a wide array of ambulatory care clinics, and reimbursement for specialty care provided in physicians' offices, hospitals, and other health care facilities. These services are directed at the earliest possible diagnosis and treatment of disabilities to maximize health status and minimize expenditures on inpatient and long-term care services.
- 3) Sudden Infant Death Syndrome Program Services. This special emphasis will receive approximately .7% of block grant funds to provide grief counseling and education services to families whose children die from crib death, and public education to professional groups who are likely to encounter SIDS families (e.g. police, rescue squads, emergency room personnel, ministers, funeral directors, etc.). The program also analyzes information relating to the occurrence of SIDS in North Carolina.
- 4) Lead-Based Paint Poisoning Prevention Services. This special project is located in Cabarrus County and is aimed at preventing disabilities in children. It will receive approximately .3% of block grant funds. Services include early screening, detection, and follow-up of children with increased levels of lead absorption and lead abatement activities.

Projected MCH block grant funding for State FY 1982-83 is \$9,175,000. Based upon the priorities listed above, funding priorities for individual programs, activities, and related support services are detailed on the attached chart.

Program and Policy Changes

Sudden Infant Death Syndrome Program. Allocation of approximately \$54,625 in block grant funds to the SIDS program is proposed, representing a 27% reduction in funding from that received under separate categorical funding in FY 1981-82. Cost savings will result from a number of economies to be implemented:

(1) reduction of travel and training costs and (2) elimination of the SIDS Advisory Council. The State Perinatal Advisory Council will be asked to assume the program's advisory function since SIDS is the leading cause of postneonatal mortality in North Carolina.

Lead-Based Paint Poisoning Prevention Program. Allocation of approximately \$30,000 in block grant funds to the lead-based paint poisoning prevention project in Cabarrus County is proposed, representing a 40% reduction in funding from that received under separate categorical funding in FY 1981-82. This allocation will enable Cabarrus County to complete a three-year project that has been funded directly by the Department of Health and Human Services. Data from the project will be helpful to the State in assessing the lead toxicity problem in North Carolina and in evaluating the effectiveness of various lead abatement strategies. Negotiations have been initiated for the Cabarrus County project to provide technical assistance, consultation and training to other counties and Division of Health Services personnel. With the current screening activities carried out by all local health departments and existing State Laboratory capabilities, this would provide the basis for a more intensive statewide effort.

Adolescent Pregnancy. North Carolina has not received adolescent pregnancy program funds from the Department of Health and Human Services. Use of block grant funds specifically for this purpose is not being proposed for FY 1982-83. Many local health department maternity programs already concentrate their outreach and follow-up efforts on the pregnant adolescent, because they are at increased risk of poor pregnancy outcome (e.g. prematurity). Pregnancy prevention efforts are also emphasized through the health education and family planning efforts of local health departments. Therefore, many communities are already beginning to make progress in dealing with the social, economic, and medical problem of adolescent pregnancy through existing programs.

Reimbursement Services for Disabled Children. One of the Division's goals has been the development of a non-categorical uniform system of reimbursement services for disabled children. In past years, categorical federal regulations required separate service authorization and reimbursement systems for two programs - the Crippled Children's Program and the SSI Disabled Children's Program - now included in the MCH block.

In the current fiscal year, the CC Program will expend approximately \$6 million in state and federal funds for hospitalization, appliances, drugs, etc. This program has always focused exclusively on medical interventions. The SSI Program will expend approximately \$600,000. While this program has supported non-medical interventions in past years, budget reductions in the current year have required that greatest emphasis be placed on medical interventions and travel necessary to reach such services.

For FY 82-83, the Division's proposal is to combine these authorization systems under the CC Program. This will allow us to streamline the authorization process, reduce administrative costs, and reduce the confusion faced by local providers. Uniform eligibility guidelines will be in effect. (In this regard, approval has already been granted to exclude SSI money payments

from income eligibility calculations for all Division of Health Services purchase-of-care programs. Thus, virtually all SSI-eligible children would be financially eligible for CC Program services.) Because of reduced resources, and based on the Division's primary mandate, covered services would continue to be restricted to medical interventions. Educational services would not be covered, and it is likely that no travel would be covered.

In summary, the Division's objective is to meet the medical needs of as many indigent disabled children as possible. The consolidation of the separate authorization systems of the SSI and CC Programs should not only maximize administrative efficiency, but also maximize the availability and effectiveness of funds in meeting these urgent medical needs.

Anticipated Grantees. See attachment.

Maternal and Child Health Block Grant

Projected Programs, Services, Resource Allocation by Priority
FY 82-83

Priority Area: Preventive, Diagnostic, and Treatment Services for Women and Children

Program	Characteristics of Persons/Agencies Served	Services Provided	Projected FY 82-83 Allocation	Methodology for Distributing Funds
Maternal and Child Health	Low income women, infants and children	Child Health screening, diagnostic and treatment services, and immunizations. Routine and high-risk prenatal care, and delivery services	4,672,133	Funds are allocated on the basis of number of live births, poverty, and individual county needs.
Dental Health	Primarily school-age children - especially those from low income families	Preventive, diagnostic and treatment services	243,564	Funds complement other funds in Division's Dental Health Section to support dental personnel who work at local level.
Family Planning	Low income women of child-bearing age	Educational, medical and contraceptive services	310,113	Funds are allocated on the basis of need and performance.
Genetics	Families at risk for genetic diseases and all infants with PKU or hypothyroidism	Medical diagnostic services at medical centers, screening for the presence of metabolic disease in infants, and reimbursement for special formulas for infants and children with PKU	56,510	Funds complement other funds in Division's Genetics Program to support services at four medical genetics centers

Priority Area: Specialized Care for Disabled Children

Program	Characteristics of Persons/Agencies Served	Services Provided	Projected FY 82-83 Allocation	Methodology for Distributing Funds
Crippled Children	Chronically, physically handicapped children who meet financial eligibility requirements established by the legislature.	Amulatory clinic services for diagnosis and treatment, plus reimbursement for hospitalization, drugs, appliances, etc., provided by physicians, hospitals and others.	1,829,114	Funds for ambulatory care clinics distributed based on applications citing needs and proposed service plans.
Developmental Evaluation Centers	Multi-handicapped children with an emphasis on younger children, particularly those identified in high-risk infant programs	Multi-disciplinary evaluation, treatment planning and intervention services.	1,121,766	Funds distributed to 19 DEC's based on needs of disabled children in catchment area.
<u>Priority Area: Sudden Infant Death Syndrome Services</u>				
Sudden Infant Death Syndrome (SIDS)	All families in North Carolina experiencing a SIDS (crib) death	Grief counseling and information services to bereaved families. The SIDS Project also provides public information, education and training to SIDS counselors, funeral home directors, and rescue squad workers.	54,625	Not applicable. Funds support central office project activities.

Priority Area: Lead-Based Paint Poisoning Prevention Services

Lead Based Paint Poisoning Prevention Program	All persons at risk of increased lead absorption in Cabarrus County	Screening, diagnostic, treatment and abatement services. The project also provides technical assistance and consultation to other than local health departments.	30,000	Project is currently limited to Cabarrus County.
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MCH Support Services

Program	Characteristics of Persons/Agencies Served	Services Provided	Projected FY 82-83 Allocation	Methodology for Distributing Funds
General Administrative Support	All programs in the MCH Block	Division support in the area of statistics, contracts, budget, purchase of care, personnel, legal issues, etc.	679,044	Based on Division cost allocation plan
Vital Records	State and local planners and providers of services for mothers and children	Registration of vital events needed to determine Maternal and Child Health status of North Carolina residents	144,171	Not applicable. Funds support activities in Division's Vital Records Branch.
Health Education	Local providers of services for mothers and children	Consultation, technical assistance, and other support services needed by local providers to develop the educational component of their Maternal and Child Health Programs	40,726	Not applicable. Funds complement other funds in Division's Health Education Branch to provide services through regional offices.
Nutrition	Local providers of services for mothers and children	Consultation, technical assistance, and other support services needed by local providers to develop the nutrition component of their Maternal and Child Health Programs	93,234	Not applicable. Funds complement other funds in Division's Nutrition Branch to provide services through regional offices.

MCH BLOCK GRANT TOTAL 9,275,000

DIVISION OF HEALTH SERVICES
MATERNAL AND CHILD CARE SECTION
MATERNAL AND CHILD HEALTH BLOCK GRANT

List of Anticipated Grantees
Fiscal Year 1982-83

All local health departments in North Carolina will receive MCH block grant funds in FY 1982-83. In addition to local public health agencies, it is anticipated that a number of other agencies will receive block grant funds. They are as follows:

Duke University Medical Center
Bowman Gray School of Medicine
UNC School of Medicine
ECU School of Medicine
Charlotte Memorial Hospital
Forsyth Memorial Hospital
Memorial Mission Hospital
Moses Cone Hospital
N.C. Baptist Hospital
N.C. Memorial Hospital
Pitt Memorial Hospital
Wake Medical Center
Cape Fear Valley Hospital
UNC School of Public Health

Wake Area Health Education Center
Fayetteville Area Health Education Center
Nash General Hospital
Rutherford Hospital, Inc.
Roanoke Chowan Hospital
C.J. Harris Community Hospital
Appalachian State University
East Carolina University
Eastern N.C. School for the Deaf
Mountain Neurological Associates
Southeastern Speech and Hearing Services,
Inc.
Western Carolina Center
Western Carolina University



North Carolina
Department of
**Human
Resources**

Division of
**Mental Health,
Mental Retardation,
Substance Abuse Services**
R. J. Blackley, M.D., *Director*

James B. Hunt Jr.
Governor
Sarah T. Morrow, M.D., M.P.H.
Secretary
Tom Gilmore
Deputy Secretary

February 15, 1982

M E M O R A N D U M

TO: Sarah T. Morrow, M.D., M.P.H.
Secretary, Department of Human Resources

FROM: R. J. Blackley, M.D. *RJB*
Director
Division of MH/MR/SAS

SUBJECT: Block Grant Proposal for FY 82-83

Attached is the Division's proposal for utilization of Alcohol, Drug and Mental Health Block Grant funds for FY 83.

If you should have questions or need further information, do not hesitate to contact me.

RJB/DW/is
Attachment
cc: R. Patterson Webb



ALCOHOL, DRUG ABUSE, MENTAL HEALTH

BLOCK GRANT PROPOSAL

FY 82-83

Submitted by the Division of Mental
Health, Mental Retardation, and
Substance Abuse Services

February 15, 1982

INTRODUCTION

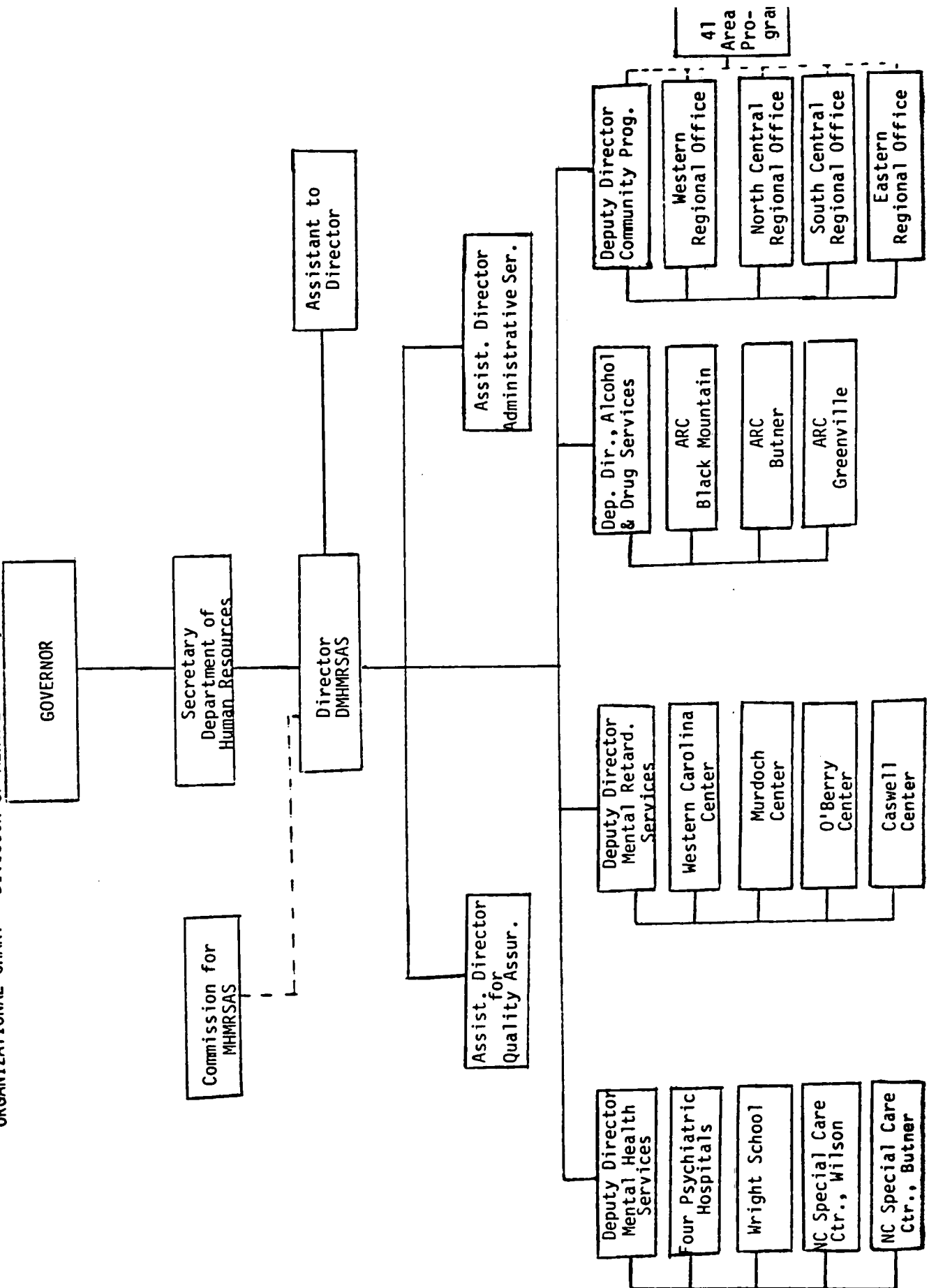
The Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35) absorbed the federal service programs related to the problems of alcoholism, drug abuse, and mental health into a new "block grant." The funds associated with this block grant are allocated by formula to a state, and the governor is then free, within the limits of the law, to allocate funds as is considered most appropriate for his state.

At the state level, the Alcohol, Drug, Mental Health Block Grant will be administered by the Department of Human Resources, Division of Mental Health, Mental Retardation, and Substance Abuse. Block Grant funds will be channelled from the Division to local mental health, mental retardation, and substance abuse authorities and other eligible service providers. (See organizational chart on page 2.)

North Carolina has a well-established statewide service system based on 41 area mental health, mental retardation, and substance abuse programs which serve the residents of designated geographic service areas. These local programs provide the comprehensive array of services as required by the ADMH Block Grant legislation. In accord in the state-local partnership, the local authority decides the quantity of certain services that will be made available while the state monitors the quality of these services through program standards and other mechanisms.

Contained herein is the proposal for utilization of the Alcohol, Drug, Mental Health Block Grant for fiscal year 1983. In implementing the provisions of the ADMH Block Grant legislation, efforts will be made to incorporate this federal program into existing state administrative structure.

ORGANIZATIONAL CHART - DIVISION OF MENTAL HEALTH, MENTAL RETARDATION, AND SUBSTANCE ABUSE



DESCRIPTION OF SERVICES

Alcohol Services

The appropriate portion of funds in this Block Grant which are made available to the State for alcohol services will be used to continue those projects currently funded under categorical Hughes, Decriminalization, and NIAAA project grants. This effort has and will continue to fund elements of a comprehensive alcoholism treatment program to include treatment, education, and intervention services, with some administrative support within given constraints (Section 1914(d)).

Services to be provided will be within the components defined below:

Treatment and Rehabilitation Services

Outpatient Counseling: Individual, group, marital and/or family therapy on an outpatient basis with clients, and/or their collaterals, who are experiencing alcohol-related problems.

Residential Treatment Services; A facility which bridges the gap between prior service and community living. Provides preventive and continuing services for persons who do not require hospitalization, but who benefit from a supportive living arrangement and need a non-medical, residential facility.

Day/Night Services: The continuous delivery of intensive treatment services (minimum availability of three hours/day, five days/week) provided in a therapeutic milieu setting for clients with alcohol problems. Program activities include: individual and group therapy, occupational therapy, recreation therapy, etc.

Detoxification Services include: Outpatient detoxification - short-term treatment, usually 3-5 days, of acute alcohol withdrawal on an outpatient basis, utilizing either a medical or non-medical regimen, and Social Setting Detoxification - short-term treatment, usually 3-5 days, of acute alcohol withdrawal, usually in a residential or non-medical setting, utilizing a nutritional regimen, rest and support. Medical services are provided as a back-up.

Aftercare Services; Those program services which provide care to patients who have progressed sufficiently through emergency, inpatient, intermediate, and/or outpatient services to a point in their recovery where they will benefit from a level of continued contact which will support and increase the gains made to date in the treatment process.

Intervention, Prevention, and Education Services

Primary Prevention: Those activities and programs directed toward non-abusers with the specific goal of preventing substance abuse in the future.

Public Information: The dissemination of information relative to substance use and abuse; usually in the form of a mass media campaign with the goal of increasing awareness.

Education: An instructive process of imparting knowledge so as to increase the awareness, receptivity and sensitivity of the community, the change attitudes, and to stimulate social action when called for.

Occupational Program (Employee Assistance Program): An employee-employer benefit package that is designed to identify, motivate, and refer, at an early stage, those employees who develop personal medical problems that contribute to unacceptable patterns of job performance.

Outreach: The process of reaching into a community systematically for the purpose of identifying persons in need of services, alerting persons and their families to the availability of services, locating needed services and enabling persons to enter and accept the services delivery system.

Court Programs: Activities designed to assist persons with alcohol-related problems who are involved with the judicial system. This includes: consultations and evaluations for judicial system personnel; court-referred educational programs (DUI classes); counseling or other direct treatment services to clients referred by the court; and pretrial diversion arrangements with district attorneys.

Emergency Services (Crisis Intervention): An organized array of episodic, Unscheduled intervention capabilities of either a medical or non-medical nature, ordinarily used by those experiencing a crisis relating to alcohol abuse. Crisis telephones and crisis intervention services are the usual service capabilities.

Drug Services

The appropriate portion of funds in this Block Grant which are made available to the State for drug services will be used to provide services such as the following:

Residential Drug Free: Services that are provided in a residential treatment center which is a group care facility where clients reside 24 hours per day and which provides a therapeutic regimen for the treatment of drug dependent persons. The primary part of the drug treatment does not include any chemical agent or medication.

Outpatient Drug Free: These are treatment services provided to clients on a regularly scheduled basis. Services include group, individual and family counseling, and other supportive and rehabilitation activities. This service does not include meals or lodging for clients.

Outpatient Methadone Detoxification: This is the primary treatment modality that is the period of planned withdrawal from drug dependency supported by use of methadone as the prescribed medication, individual and family counseling, and other supportive and rehabilitation activities. This service cannot exceed 21 days without approval from the State Methadone Authority. This service does not include meals or lodging for clients.

Outpatient Methadone Maintenance: This is the treatment modality assigned to the client during which methadone is prescribed to achieve stabilization and eventual withdrawal from opiate drugs. Simultaneously, other outpatient services are provided that include individual and family counseling, and other supportive and rehabilitative activities. This service does not include meals or lodging for clients.

Primary Drug Abuse Prevention: These are programs that are designed to reach participants before they have any significant contact with drug use in order to decrease the likelihood that they will experience any significant drug problems in the future and aim to achieve such diverse goals as influencing drug knowledge and attitudes, increasing self-esteem, strengthening positive qualities, reducing conformity to peers, reducing alienation, reducing motivation and individual control, clarifying values, improving communication and problem solving skills, and improving school and family adjustment.

Crisis Intervention: Services directed toward the short-term alleviation of acute emotional and/or behavioral distress. This service includes hotline telephone counseling services which provide short-term telephone drug abuse supportive counseling and referral, drug abuse telephone crisis intervention, and general information related to drug abuse. In addition, a crisis center shall also have the capacity to conduct off-site counseling, crisis intervention, outreach services, and drug education services for the community.

Day/Night Services: Refers to intensive therapeutic treatment services for clients who reside outside the clinic. The non-residential clients participate in an intensive treatment regimen a substantial period of time each week according to a minimum attendance schedule as defined by the North Carolina Drug Commission Standards and Guidelines. The treatment services, with or without medication, include individual, group, and family counseling and scheduled programs of assigned client activities or work functions at the clinic. Other services provided may include training in self-help, social development activities, education, job development, and legal services.

Mental Health Services

The appropriate portion of funds in this Block Grant which are made available to the State for mental health services will be used to make grants to eligible community mental health centers for the provision of comprehensive mental health services. The following services may be provided by each area program through the use of ADMH Block Grant funds:

Outpatient Services: Outpatient services are to provide diagnostic services and a range of treatment modalities for persons requiring this level of intervention. These services will usually be provided on a regularly scheduled basis with arrangements made for non-scheduled visits during times of increased stress or crisis. Specialized outpatient services will be provided to meet the specific needs of children, the elderly, individuals who are chronically mentally ill, and residents of the mental health service area who have been discharged from inpatient treatment at a mental health facility.

Emergency Services: 24-hour/day emergency services are to provide face-to-face crisis intervention by mental health professionals, as well as a crisis telephone service manned by mental health professionals or trained mental health workers.

Day Treatment Services: Day treatment and/or partial hospitalization services are to provide individualized therapeutic and rehabilitative services for those persons who require less than 24-hour/day care, but more than outpatient care.

Screening Services: Screening services for patients being considered for admission to State mental health facilities are to assess the comprehensive service needs of the client; to plan for the delivery of mental health and/or other needed services in the least restrictive setting practicable; and to link the client with the services identified.

Consultation and Education: Consultation and education services are to prevent mental and emotional disorders, provide early identification and treatment of these disorders when they occur, and minimize the debilitating effects of the disorders.

Transitional Residences for Emotionally Handicapped Adults: Transitional residential programs are operated directly by the area authority or through contract with a non-profit agency. These programs provide a residential base for semi-independent individuals during a period of social, psychological, and vocational rehabilitation.

Community Support Programs: A community support program is a network of services and programs for chronically mentally ill adults organized around and delivered through membership in a peer support group or similar kind of organization. The goal of a community support program is to assist chronically mentally ill adults to meet their needs and develop their potentials without being isolated or excluded from the communities in which they live.

Residential Treatment Programs for Emotionally Disturbed Children: A treatment program for children which provides intensive treatment outside of their own home or substitute foster home for 24 hours per day over an extended period of time.

Consistent with Section 1915(3)(A)(B)(C) of P.L. 97-35, the State agrees to make grants to community mental health centers for services which are:

1. provided principally to individuals residing in a defined geographic area;
2. provided within the limits of the center's capacity, to any individual residing or employed in the mental health service area regardless of ability to pay for such services, current or past health condition, or any other factor, and
3. are available and accessible promptly, as appropriate and in a manner which preserves human dignity and assures continuity and high quality care.

CLIENTS TO PARTICIPATE

Federal Alcohol, Drug, and Mental Health Block Grant funds will be integrated into the broader funding scheme of local mental health, mental retardation, and substance abuse programs. The criteria for admission to services financed through the Block Grant will be the same as those currently in existence, e.g., an appropriate diagnosis of alcoholism drug abuse or emotional disturbance. The quantity and location of services for the various diagnostic categories will be determined in large part by the local mental health, mental retardation, and substance abuse authorities in consultation with the Division of Mental Health, Mental Retardation, and Substance Abuse.

Indirect services such as consultation, education, and prevention activities will potentially benefit every resident of the State. Each of the 41 area programs is required to provide these services and the consultation, education, and prevention services are available to all organizations and individuals in the geographical service area.

While ADMH Block Grant funds may be used to fund any of the services previously described, during the 83 fiscal year, emphases for the mental health portion of the Block Grant will be placed on the provision of services to the chronically mentally ill and the mentally ill elderly. These emphases are consistent with the Block Grant legislation and the priorities of the Division. Additionally, programs for the chronically mentally ill and elderly were curtailed when federal Medicaid funds were reduced. ADMH Block Grant will play a crucial role in helping to offset the loss of Medicaid funds.

The priority for use of the alcohol-drug portion of the Block Grant, during FY 82-83, will be to continue those projects previously funded through the various categorical grant programs.

LIST OF ANTICIPATED GRANTEES

Funds appropriated for the Alcohol, Drug, and Mental Health Block Grant will be made available to the 41 area mental health, mental retardation, and substance abuse authorities which serve the 100 counties of the State. In keeping with the provisions of Section 1915(c)(4) of P.L. 97-35, the area authority must provide the following services in order to be eligible to receive ADMH Block Grant funds:

1. 24-hour emergency care services,
2. outpatient services, including specialized outpatient services for children, the elderly, individuals who are chronically mentally ill, and residents of its mental health service area who have been discharged from inpatient treatment. at a mental health facility,
3. day treatment or other partial hospitalization services,
4. screening for patients being considered for admission to State mental health facilities to determine the appropriateness of such admission,
5. consultation and education services.

Local area authorities which receive grants are then free to provide the agreed upon services directly or to contract with other agents for the provision of service consistent with Section 1914(b)(5), i.e., a state may not use its allotment to provide financial assistance to any entity other than a public or non-profit private entity.

Following is a list of anticipated grant recipients. With regard to contract agencies, this list is not meant to be all inclusive.

Smoky Mountain Area Program
P. O. Box 280
Dillsboro, NC 28725

Counties Served: Jackson, Haywood,
Macon, Cherokee, Clay, Graham, Swain

Blue Ridge Area Program
356 Biltmore Avenue
Asheville, NC 28801

Counties Served: Buncombe, Madison,
Mitchell, Yancey

New River Area Program
210 West King Street
Boone, NC 28607

Counties Served: Alleghany, Ashe,
Avery, Watauga, Wilkes

Trend Area Program
318-A Fourth Ave., East
Hendersonville, NC 28739

Counties Served: Transylvania,
Henderson

Foothills Area Program
One NorthSquare
Morganton, NC 28655

Counties Served: Caldwell, Burke,
Alexander, McDowell

Rutherford-Polk Area Program
City Route 3, 311 Fairground Rd.
Spindale, NC 28160

Counties Served: Rutherford, Polk

Cleveland Area Program
222 Crawford Street
Shelby, NC 28150

County Served: Cleveland

Gaston-Lincoln Area Program
401 N. Highland Street
Gastonia, NC 28052

Counties Served: Gaston, Lincoln

Catawba Area Program
Route 3, Box 339
Hickory, NC 28601

County Served: Catawba

Mecklenburg Area Program
501 Billingsley Road, Cottage A
Charlotte, NC 28211

County Served: Mecklenburg

Tri-County Area Program
165 Mahaley Avenue
Salisbury, NC 28144

Counties Served: Rowan, Iredell,
Davie

Piedmont Area Program
P. O. Box 1050
457 Lake Concord Road
Concord, NC 28025

Counties Served: Stanly, Cabarrus,
Union

Surry-Yadkin Area Program
Rockford Street, P. O. Box 8
Mt. Airy, NC 27030

Counties Served: Surry, Yadkin

Forsyth Area Program
725 Highland Avenue
Winston-Salem, NC 27101

Counties Served: Forsyth, Stokes

Rockingham Area Program
P. O. Box 55
Wentworth, NC 27375

County Served: Rockingham

Guilford Area Program
200 N. Edgeworth Street
Greensboro, NC 27401

County Served: Guilford

Alamance-Caswell Area Program
1946 Martin Street
Burlington, NC 27215

Counties Served: Alamance, Caswell

Orange-Person-Chatham Area Program
333 McMasters Street
Chapel Hill, NC 27514

Counties Served: Orange, Person,
Chatham

Durham Area Program
414 East Main Street
Durham, NC 27701

County Served: Durham

Vance-Warren-Granville-Franklin
Area Program
C-10 Ruin Creek Road
Henderson, NC 27536

Counties Served: Vance, Granville,
Franklin, Warren

Davidson Area Program
205 Old Lexington Road
Thomasville, NC 27360

County Served: Davidson

Sandhills Area Program
P. O. Box 457
West End, NC 27376

Counties Served: Moore, Hoke,
Richmond, Montgomery, Anson

Southeastern Regional Area Program
P. O. Box 552
Lumberton, NC 28358

Counties Served: Robeson, Bladen,
Scotland, Columbus

Cumberland Area Program
P. O. Box 2068, Owen Drive
Fayetteville, NC 28302

County Served: Cumberland

Lee-Harnett Area Program
130 Carbonton Road
Sanford, NC 27330

Counties Served: Lee, Harnett

Johnston Area Program
P. O. Box 411
Smithfield, NC 27577

County Served: Johnston

Wake Area Program
3001 Falstaff Road
Raleigh, NC 27610

County Served: Wake

Randolph Area Program
204 E. Academy Street
Asheboro, NC 27203

County Served: Randolph

Southeastern Area Program
2023 South Seventeenth Street
Wilmington, NC 28401

Counties Served: New Hanover,
Brunswick, Pender

Onslow Area Program
215 Memorial Drive
Jacksonville, NC 28540

County Served: Onslow

Wayne Area Program
301 N. Herman Street, Box DD
Goldsboro, NC 27530

County Served: Wayne

Wilson-Greene Area Program
1709 S. Tarboro Street
P. O. Box 3756
Wilson, NC 27893

Counties Served: Wilson, Greene

Edgecombe-Nash Area Program
P. O. Box 4047
Rocky Mount, NC 27801

Counties Served: Edgecombe, Nash

Halifax Area Program
P. O. Box 1199
210 Smith Church Road
Roanoke Rapids, NC 27870

County Served: Halifax

Neuse Area Program
2000 Neuse Boulevard
P. O. Box 1636
New Bern, NC 28560

Counties Served: Craven, Jones,
Pamlico, Carteret

Lenoir Area Program
1007 N. College Street
Kinston, NC 28501

County Served: Lenoir

Pitt Area Program
Rt. 8, Box 289A
Greenville, NC 27834

County Served

Roanoke-Chowan Area Program
Ahoskie, NC 27910

Counties Served: Hertford, Bertie,
Gates, Northampton

Tideland Area Program
1308 Highland Drive
Washington, NC 27889

Counties Served: Beaufort, Washington,
Tyrrell, Hyde, Martin

Albemarle Area Program
Kramer Building
Elizabeth City, NC 27909

Counties Served: Pasquotank, Chowan,
Perquimans, Camden, Dare, Currituck

Duplin-Sampson Area Program
P. O. Box 499
Duplin General Hospital
Kenansville, NC 28349

Counties Served: Duplin, Sampson

Contract Agencies

Wesley Hall of Alamance, Inc.

Flynn Christian Fellowship Houses of Hickory, Inc.

Archway East

Lincoln Community Health Center

Durham Council on Alcoholism, Inc.

The Women's Christian Fellowship Home of Rocky Mount

First Step Farm

Alcoholism Residential Care Authority

Wayside Haven, Inc.

House of Prayer, Inc.

High Point Council of Alcohol Abuse and Alcoholism

Day by Day Home of Johnston County, Inc.

Exodus House, Inc.

Gateway House, Inc.

The Center and Fellowship Home of Kinston, Inc.

Hope Haven, Inc.

Charlotte Council on Alcoholism

Bethlehem Center

Homewood, Inc.

Social Setting Detox (ARI)

Albemarle House, Inc.

Alph House, Inc.
Randolph Fellowship Home, Inc.
Hope Valley, Inc.
Stepping Stone Manor
Sencland Alumni Association, Inc.
Twelve Steps Home, Inc.
Flynn Christian Fellowship Home of Goldsboro, Inc.
Wayside Christian Fellowship Home of Wilson, Inc.
Flynn Christian Fellowship Home of Wilson, Inc.
Catawba Council on Alcoholism, Inc.
Gateway House, Inc.
Gaston Community Action, Inc.
High Point Drug Action Council, Inc.
Greensboro Drug Action Council, Inc.
Council on Drug Abuse
Drug Action of Wake County, Inc.
Cape Fear Substance Abuse Council
CARELINE, Inc.
REAL Crisis, Inc.
Charlotte Drug Education Center, Inc.
Open House, Inc.
Horizon House, Inc.
Cleveland CODAP, Inc.
YES, Inc.
Cup of Water, Inc.

DESCRIPTION OF ALLOCATION PROCESS

Allocation of ADMH Block Grant funds will be directly influenced by Sections 1915(c)(2) and 1915(c)(6)(A) of P.L. 97-35. Section 1915(c)(2) requires the State to make grants to each community mental health center within the state which received a grant under the Community Mental Health Centers Act in fiscal year 1981 and which would be eligible to receive a grant for its operation under that Act for such fiscal year if such grants were made under such Act. In order to comply with this stipulation, the State will fund the following mental health grantees during FY 83 at a level proportionate to the reduction in the federal appropriation: Wayne Area Program, Roanoke-Chowan Area Program, Pitt Area Program, Rutherford-Polk Area Program, Trend Area Program, New River Area Program, Piedmont Area Program, and the Gaston-Lincoln Area Program.

The Grant anniversary dates of the existing mental health grantees will be converted to coincide with the beginning of the State fiscal year--July through June. Allocations to the eight continuing mental health grantees for State fiscal year 82-83 will be for the length of time required to get the grantee in line with the State fiscal year. For example, Trend Area Program which has an anniversary date of September 1, 1982, will receive an allocation for the ten-month period of September 82 through June 83 based on the proportionate federal reduction.

Section 1915(c)(6)(A) requires the state to use the funds allotted to it under the ADMH Block Grant for mental health, alcohol, and drug abuse activities in direct proportion to the amount of money the state received under the Mental Health Centers Act in 1981 and under Section 301 and 312 of the Comprehensive Alcohol Abuse and Alcoholism Prevention, Treatment, and Rehabilitation Act of 1970 and Sections 409 and 410 of the Drug Abuse, Prevention, Treatment, and Rehabilitation Act in fiscal year 80. In order to comply with this provision in the law, the State must spend 59% of the ADMH Block Grant for mental health services and 41% for alcohol-drug services.

Differing procedures will be used for allocating the mental health and alcohol-drug portions of the Block Grant. The State's ADMH Block Grant allotment is based on the amount of federal money that came into the State for mental health services in fiscal year 81 and for alcohol-drug services in fiscal year 80. In fiscal year 81, there were 18 mental health centers receiving funds through the Mental Health Centers Act. Ten of those eighteen centers "graduated" from federal funding during fiscal year 82, thus reducing the number of grantees which the state is required to fund per Section 1915(c)(2) of P.L. 97-35. As mentioned earlier in this proposal, these eight grantees will be funded during FY 83 at a level comparable to the reduction in the federal appropriation. According to initial estimates, a total of 3.4 million dollars will be needed to satisfy the funding requirements for the eight grantees. The State anticipates receiving approximately \$5.3 million through the mental health portion of the ADMH Block Grant. If the State does receive the amount anticipated, there would be approximately 1.9 million dollars remaining in the mental health portion of the Block Grant after allocations are made to the eight continuing grantees. This 1.9 million dollars will be combined with approximately 3.5 million dollars in mental health Block Grant funds which are being carried over from FY 82, thus making available approximately 5.4 million dollars to be allocated to those centers which are not currently receiving federal mental health funds.

The projected 5.4 million dollars will be allocated on an adjusted per capita basis to the four DMHMRSAS regions. (Regional population figures will be adjusted by deleting the population of those 8 catchment areas which will be funded on continuation basis. Since funding for these 8 areas comes off the top of the mental health allotment, exclusion of their population in figuring the per capita regional allocation provides for a more equitable distribution of remaining funds.) The regional management teams, which include the area directors within the geographical regions, will make decisions, based on the recently completed strategic plans, regarding the further allocation of funds to the individual catchment areas.

According to adjusted population figures, the projected 5.4 million dollars will be allotted to the four regions in the following amounts:

North Central Region	- \$1.4 million
South Central Region	- \$1.4 million
Eastern Region	- \$1.1 million
Western Region	- \$1.5 million

The funding strategy of the Division relative to the alcohol-drug portion of the Block Grant is to spread the impact of the funding reduction over a two-year period - FY 83 and 84 - thereby minimizing the disruption in the service delivery system. Beginning July 1, 1982, each current grant recipient will receive a fifteen percent reduction in federal funding. (The reduction will be based on the grantees' fiscal year 82 allocation.) All funds remaining after these allocations are made will be held in reserve to be applied toward FY 84 funding.

Any matching previously required when federal Block Grant funds were of a categorical nature will remain. Also in keeping with Section 1915(c)(1) of P.L. 97-35, Block Grant funds allocated will be used to supplement and increase the level of State, local, and other non-federal funds and will in no event supplant such State, local, and other non-federal funds.

IMPACT OF FEDERAL FUNDING REDUCTIONS - FY 82-83

The full impact of the reduction in federal mental health and alcohol-drug funding will not be realized during the 82-83 fiscal year. As a result of the forward-funding procedure used by the federal government during the 81-82 fiscal year, the State received a funding windfall. This windfall will be carried over to the 82-83 fiscal year and used to minimize service reductions.

Although local programs will experience a reduction in federal funding, we do not anticipate disproportionate service reductions to any segment of our client population.

POLICY CHANGES

Heretofore it has been the policy of the Division of Mental Health, Mental Retardation and Substance Abuse Services, per federal requirement, to contract directly with certain local private non-profit drug abuse service providers. Since the ADMH Block Grant legislation no longer requires this practice, funding for these drug abuse service providers will be channelled through the local mental health, mental retardation, and substance abuse authority. This policy change will make the flow of funds to these providers consistent with that used for all other private non-profit agencies.



North Carolina
Department of
**Human
Resources**

Division of
Social Services
John Syria, Director


Appendix J-5

James B. Hunt Jr.
Governor
Sarah T. Morrow, M.D., M.P.H.
Secretary
Tom Gimore
Deputy Secretary

February 5, 1982

MEMORANDUM

TO: Sarah T. Morrow
Secretary
Department of Human Resources

FROM: John M. Syria 

Attached is the proposed State Plan for the Low Income Home Energy Assistance Program Block Grant for FY 1983.

While extensive consultation on these proposals was not possible during the time frame allowed, all members of an Energy Subcommittee of the County Directors' Association were contacted regarding their views on program changes. All emphasized that the program had run smoothly this year and stressed that major changes should not be made. Several members expressed interest in a vendor payment system, but only if it could be done simply and with little additional administrative expense. Further consultation will be sought from clients, other agencies, advocacy groups and interested citizens during a public comment period. In addition, the Division of Social Services will conduct several "debriefing sessions" to obtain input for the FY 1983 program.

In addition, I asked for review and comment from Doug Culbreth in the Energy Division. Mr. Culbreth indicates he has no problems with the proposed plan. He has indicated that there is a strong possibility that there would be no Department of Energy Weatherization funds for 1983. With this in mind, the Energy Division would like to apply for the full 15% allowable under the Low Income Home Energy Assistance Program.

Consequently, we are including for consideration proposed changes to the State Plan: a) vendor payments which we are currently doing a feasibility study on, and b) increasing Crisis Intervention funding. Also you have indicated a possibility of transferring up to 10% of Energy dollars to either Health or Social Services Block grants. This is not shown in the proposed plan. This should probably be added to the plan if you make that decision.

I will be glad to discuss this proposal with you if you wish.

JMS/kh

Attachments

cc: Richard Rideout
Bob Fitzgerald
Lucy Bode



Proposed State Plan for the Low Income Home Energy Assistance Block Grant for FY 1983

I. Funding

The Low Income Home Energy Assistance block grant funds three components: the Low Income Energy Assistance Program (LIEAP), the Crisis Intervention Program (CIP) and a weatherization program. While Congress authorized \$1.875 billion nationally in FY 1982 (\$35.5 million for North Carolina), the first continuing resolution set the funding level at \$1.4 billion (\$26.5 million for the state), and the second continuing resolution set the funding level at \$1.75 billion (\$33.1 million for the state). The state received 80 percent of its allocation based on the \$1.75 billion level in January 1982. The distribution of these funds were as follows:

LIEAP Payments	\$21,064,000
CIP Payments	787,200
LIEAP and CIP Administration	2,427,600
Weatherization	2,237,200
TOTAL	\$26,516,000

The Department plans to maintain approximately the same percentages for funding in FY 1983. Due to the number of requests for services from the Crisis Intervention Program in FY 1982, the Department does plan to increase funds for this component in FY 1983.

II. Services Provided

The LIEAP program provides a one-time payment to help eligible households in paying their heating bills. In FY 1982 approximately 143,000 households received average payments of about \$147. The payments varied from \$60 to \$514 depending upon the number in the household, their income, the climatic region of the state and the type of fuel used. The Department plans to continue varying payments according to these criteria. While payments have been made directly to eligible households in the past, the Division of Social Services is currently studying the feasibility and administrative costs of a vendor payment system.

The Crisis Intervention Program is designed to assist low income persons in a heating related crisis situation. Allocations are provided to county departments of social services to provide a maximum benefit of \$200 per household. County departments are given flexibility in payment method (direct payments, vendor payments, in-kind services, etc.)

Funds are transferred to the Department of Commerce Energy Division to carry out weatherization activities. Maximum assistance is \$1,000 per home.

III. Eligibility Criteria

Households will be eligible for LIEAP if their income is at or below the 1980 non-farm poverty level; their assets have a value of \$2,200 or less; and they are vulnerable to rising costs of heating. Certain income will not be included (e.g., federally required exclusions, income of a child under 14 or under 18 if in school, irregular income and in-kind contributions). Deductions will be allowed for Medicare, hospital insurance premiums, standard work related expenses and actual child care costs. All assets will be counted except household or personal belongings, cars, home, income producing property, insurance, value of prepaid burial contracts, burial plots, savings of a student under 18 who is saving his money for school expenses, relocation assistance

payments, money in a checking account to meet monthly needs, non-salable life estate or remainder interests, heir property and HUD community development block grants. Households in private living arrangements (whether they rent or own) will be considered fully vulnerable to rising heating costs. Households in public housing or who receive Section 8 subsidies will be considered partially vulnerable (and thus eligible for a percentage of a fully payment) if they are responsible for a portion of their heating bills.

Households will be eligible for the Crisis Intervention Program if their income is at or below 150 percent of the 1980 non-farm poverty level and they are experiencing or are in danger of experiencing a life threatening or health related emergency situation and sufficient, timely and appropriate assistance is not available from any other source.

Households will be eligible for weatherization assistance if their income is at or below 150 percent of the 1980 non-farm poverty level. Special consideration in providing assistance will be given to elderly and handicapped persons, persons currently receiving weatherization assistance, persons whose homes are in the poorest condition and persons with highest fuel costs.

IV. Federal Assurances

In addition to providing assistance to eligible households using the criteria above, the Department will also follow all the other assurances outlined in the Home Energy Assistance Act. These include provision of outreach (the Division of Social Services will require each county department of social services to submit an acceptable outreach plan); coordination with other low-income energy-related programs; the use of only 10 percent of the state's allocation for program administration; provision of public participation in program development; provision of fair administrative hearings for households denied assistance; and establishment of fiscal control and fund accounting procedures to assure the proper disbursement of funds.

V. Anticipated Grantees

The Department plans to continue the transfer of funds to Department of Commerce Energy Division for provision of weatherization assistance.

The Department also plans to provide an administrative allocation from the total LIEAP and CIP administrative allotment to the Commission on Indian Affairs to conduct outreach and application-taking for members of Indian tribes.

VI. Allocation Criteria

Allocation to county departments of social services will be made for program administration and for Crisis Intervention payments based upon the number of households estimated to be eligible for assistance.

The allocation to the Commission on Indian Affairs will also be based upon an estimate of eligible households.

VII. Changes in Existing Program

As mentioned earlier, the Department is considering a change from direct payments to a vendor payment system. The only other possible change is increased funding for the Crisis Intervention Program.

VIII. Subcontracting the Application-taking Process

If a county department wishes, it may subcontract application-taking activities to another local agency. Before entering into a contract with another agency, the county department must consult with the county attorney to determine whether county law permits such contracting.

James B. Hunt, Jr., Governor
J. M. Harclath
Secretary



NORTH CAROLINA
DEPARTMENT
OF COMMERCE

Energy Division
Carson D. Culbreth, Acting Director
(919) 753-2230

February 5, 1982

MEMORANDUM

FEB 5 1982

TO: John M. Syria
FROM: Doug Culbreth *C.*
SUBJ: LIHEAP/Weatherization Assistance

I appreciate the opportunity that you provided for me to review the Low-Income Home Energy Assistance Program Plan for 1983. I have no problems with the proposed plan.

I just recently returned from a regional Energy Director's meeting at the Department of Energy and was informed that there is a strong possibility that there would be no Department of Energy Weatherization funds for 1983. With this in mind, the Energy Division would like to apply for the full 15% allowable under the LIHEAP.

Again, I appreciate the assistance that you have provided and I look forward to a continued working relationship with your office. If you need additional information, feel free to call.

CDC/pg

THE NORTH CAROLINA STATE PLAN
FOR ADMINISTERING FUNDS UNDER
THE COMMUNITY SERVICES BLOCK GRANT ACT

Division of Economic Opportunity
North Carolina Department of
Natural Resources and Community
Development
Post Office Box 27687
Raleigh, North Carolina 27611

September 16, 1981

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THE NORTH CAROLINA STATE PLAN FOR ADMINISTERING
FUNDS UNDER THE COMMUNITY SERVICES BLOCK GRANT ACT

I. Agency Designation

Governor James B. Hunt, Jr. has designated the Division of Economic Opportunity of the North Carolina Department of Natural Resources and Community Development as the State agency to administer the Community Services Block Grant Program.

II. Need for an Anti-Poverty Program*

Poverty is the inability of families to provide the necessities of life -- food, shelter, and clothing. It persists in North Carolina despite sustained economic growth in the state over the past decade. The latest available data indicate that one in six households is poor and another one in twenty households is "near poor". Problems which hit all people during the last few years -- double-digit inflation, spiraling fuel cost, and unemployment -- have hit the poor hardest of all.

The number of people living in poverty in North Carolina, which had begun to decline in the 1970's, is now on the increase. In 1970, there were 992,900 poor persons in the state or 20.2 percent of the total population. By 1975, the number of poor persons had decreased to 788,000 or 14.7 percent of the total population. However, 1980 poverty figures indicate that the number of poor persons has increased to 859,781, an increase of 71,781.

*The statistics of poverty in this section are based on "official poverty line" criterion established by the Office of Management and Budget (OMB). OMB's definition of poverty is updated annually and is based on changes in per-capita income and costs of living.

Sources for data used in this section are:

1. Report of The North Carolina State Economic Opportunity Office, 1981
2. Pov-er-ty in North Carolina, North Carolina Department of Human Resources

In addition to the 859,781 persons in 1980 living below the poverty guidelines, an additional 282,102 people constitute the "near poor", those who have incomes just one-fourth higher than the poverty guidelines. If these persons experience one crisis such as illness or loss of work, they often fall from the "near poor" to the poor category.

In the development of anti-poverty programs at the State and local levels, current conditions and trends within the State need to be addressed. Some of these trends and conditions include:

- A. There is a feminization of poverty in North Carolina. Among heads of poor households, the incidence of poverty is higher for females (58 percent) than for their male counterparts (42 percent). One factor contributing to the feminization of poverty is female heads of household are primarily employed in three occupational categories: service, clerical, and farm. Males, on the other hand, tend to be concentrated in the labor, craftsmen, and operative occupational categories.
- B. There is a concentration of poverty among minorities in North Carolina. While Blacks and Native Americans comprise less than one-fourth of the State's population, the distribution of poverty households by race shows that 42 percent of the State's 333,000 poverty households are headed by Blacks or Native Americans.
- C. The vast majority (77 percent) of households below the poverty level in North Carolina are headed by persons with less than a high school education.

- D. Among poverty households, 20 percent indicated difficulty obtaining transportation either to medical facilities or to two or more of the following places: grocery stores, work, public agencies, school activities, or other necessary places.
- E. Approximately one-third of the state's poor households live in substandard housing.
- F. Among households below the poverty level, one-third have indicated that they have at least one member who has a serious medical problem requiring frequent medical attention. Serious illness is indicated in 26 percent of all poverty households.
- G. Poverty households reporting at least one member with a disability or handicap comprise 10 percent of all poverty households.
- H. The incidence of households below the poverty level that have indicated inadequate nutrition is 22 percent.
- I. One-half of all poverty households have heads aged 60 years or older. This is considerably above the national average. While the majority of male heads of poverty households are under 60 years of age, the majority of female heads are over 60.
- J. North Carolina has a large number of "working poor" (30 percent of the poor heads of household are employed, 40 percent are unemployed, and 30 percent are retired).

III. Goals and Objectives

Several areas are proposed for action during the Federal Fiscal Year 1982 by the Division of Economic Opportunity. A major goal is to make the transition of the anti-poverty program from a federal to state administered program over a twelve-month period. Another goal is to provide a better mechanism to deliver services to low-income people and to ensure that local agencies, primarily Community Action Agencies, continue to improve the administration of anti-poverty programs. The third goal is to provide the Governor, the General Assembly and other State agencies with better information about the problems and causes of poverty and to recommend how to use existing resources better.

To achieve these goals, the Division of Economic Opportunity has established the following objectives:

- A. To ensure sound administration of the State's anti-poverty program as it is transformed from a Federal to a State program.
- B. To increase the capacity of local agencies to administer their programs by emphasizing training and technical assistance.
- C. To expand the involvement of the poor in decision making.
- D. To encourage the expanded utilization of programs that have been shown to be effective in meeting the needs of the poor.
- E. To provide a range of services and activities having a measurable and potentially major impact on causes of poverty in the state's communities, or those areas of the state's communities, where poverty is a particularly acute problem.
- F. To provide activities designed to assist low-income participants including the elderly poor-
 - 1. To secure and retain meaningful employment;
 - 2. To attain an adequate education;
 - 3. To make better use of available income;
 - 4. To obtain and maintain adequate housing and a suitable living environment;
 - 5. To obtain emergency assistance through loans or grants to meet immediate and urgent individual and family needs, including the need for health services, nutritious food, housing, and employment-related assistance;
 - 6. To remove obstacles and solve problems which block the achievement of self-sufficiency;
 - 7. To achieve greater participation in the affairs of the community; and

- 8. To make more effective use of other programs related to the purposes of this subtitle.
- G. To provide, on an emergency basis for the provision of such supplies and services, nutritious foodstuffs, and related services, as may be necessary to counteract conditions of starvation and malnutrition among the poor.
- H. To coordinate and establish linkages between governmental and other social services programs to assure the effective delivery of such services to low-income individuals; and
- I. To encourage the use of entities in the private sector of the community in efforts to ameliorate poverty.

IV. State Agency Functions and Responsibilities

A. Organizational Structure

The Division of Economic Opportunity has the responsibility for carrying out activities necessary for effective administration of programs under the Community Services Block Grant in North Carolina.

To carry out this responsibility, the Division of Economic Opportunity is organized into four sections: Administration, Planning and Policy, Fiscal Operations, and Program Operations.

B. Development of the State Plan

The State Plan is North Carolina's plan of action for meeting the needs of the state's poor.

In order to assure citizen participation, the Division of Economic Opportunity for the 1982 Fiscal Year State Plan will publish public announcements in the state's five leading newspapers telling where the plan may be reviewed. Further, the State Plan will be submitted to the State Clearinghouse and to each Board of County Commissioners.

As needed, the State Plan will be revised on an annual basis. However, the State Plan may be amended during the year if:

1. a new or amended Federal statute or regulation requires a new plan provision, or conflicts with any existing plan provision;
2. a U.S. Supreme Court decision changes the interpretation of a statute or regulation;
3. the State changes the designation of the State Agency or adds, substantially modifies, or deletes any Statewide program objectives; or
4. other circumstances warrant a change.

C. Grantee Application and Approval Process

The Division of Economic Opportunity's Agency Administrative Manual will set forth the requirements and procedures for submission and review of applications from grantees. The Manual will cover requirements for project information, budget information, supporting data, time frames for submission,

standards by which grant applications will be measured, staff responsibilities in the process, approval authority, and document flow prior to the release of funds to a grantee. These policies and procedures will be designed to assure each grantee's programs will comply with Section 675(c)(1) of the Community Services Block Grant Act, hereafter referred to as the Act.

The major component of each eligible agency's application will be an Anti-Poverty Plan which contains provisions required by the Act and a commitment that the agency will administer activities funded under the Act in accordance with all Federal and State requirements. The Anti-Poverty Plan also must contain a detailed statement of the manner in which the agency is developing a comprehensive and coordinated system throughout the planning and service area for all activities authorized under the Act. Before an eligible grantee may receive funds under the Act, it must have a community Anti-Poverty Plan approved by the Division of Economic Opportunity. The grantee may use Act funds only for activities in its approved plan.

Each Anti-Poverty Plan submitted to the Division of Economic Opportunity shall:

1. Describe the significant poverty-related problems in the community with appropriate statistical data (and sources) as derived from the assessment of needs;
2. Describe the cause(s) of each problem;
3. Prioritize the poverty-related problems;
4. Analyze the resources available to solve each problem;
5. State the goal(s) which the program operator proposes to achieve during the program year plan (for each poverty-related problem which the program operator proposes to address);
6. Describe possible alternative strategies for achieving these goals (for each poverty-related problem which the program operator proposes to address) during the grant period;
7. Establish at least one objective for each strategy to be implemented. Each objective and strategy shall be related to the goal for the poverty-related problem stated;

8. List the activities to be carried out in order to reach the objective(s). Activities should be specific and measurable to determine if the program operator is making progress toward achieving the objective; and
9. Include a budget detailing how funds will be allocated to accomplish each project objective.

D. Grantee Monitoring and Assessment

The Division of Economic Opportunity will conduct both programmatic and fiscal monitoring of grantees and contractors. The purpose of the monitoring visits will be to ensure project adherence to applicable laws, regulations, and operating procedures as set forth in their contract with the Division.

The Division will monitor the grantees to assure they are:

1. Utilizing funds as authorized by the Act and their contract.
2. In compliance with the prohibitions against political activities as set forth in Sections 675(c), (b), and (7) of the Act.
3. Coordinating their program with the energy crisis program as required in Section 675(c) (8) of the Act.
4. Using accounting procedures which will safeguard the assets of the grantee as required in Section 675(a) (9) of the Act.
5. In compliance with other provisions of its contract with the Division of Economic Opportunity.
6. Performing the functions and services prescribed in the approved application.

E. Training and Technical Assistance

The Division of Economic Opportunity will conduct an annual assessment of statewide training needs to determine the types of training to be provided.

The Division of Economic Opportunity will provide training and on-going technical assistance (including on-site visits) to grantees and public and private

agencies and organizations engaged in activities relating to the needs of North Carolina's poor.

The technical assistance provided will be closely related to the Division's assessment and monitoring findings of a grantee, needs identified by grantees themselves, and areas of need identified through the review of plans and applications submitted under the Act.

In general, training and technical assistance activities will be funded from Division and local agency administrative funds.

F. Coordination and Mobilization of Resources

The State will ensure coordination at both the State and local levels, between anti-poverty programs and the energy crisis intervention program, as required by Section 675 (c) (8) of the Act.

Since the inception of the low-income energy assistance program, the Division has been working closely with the Division of Social Services of the N.C. Department of Human Resources which is the administering agency for this year's Low-Income Energy Assistance Program. A staff member of the Division is serving on the Energy Assistance Advisory Planning Committee of the Division of Social Services.

For the purpose of the State Plan, coordination is defined as formal or informal arrangements through which the Division of Economic Opportunity brings together the planning and service resources of the Division and other existing public and private agencies in North Carolina for the purpose of expanding or strengthening services for poor persons through cooperative efforts and in support of common objectives.

In fulfillment of its coordination responsibilities, the Division of Economic Opportunity will provide for:

1. Dissemination of information on the needs of the poor;
2. Development of a cooperative working relationship between organizations which can benefit the poor;
3. Identification and development of resources other than those available through the Community Services Block Grant to increase the level of services to poor persons; and
4. Joint funding and programming to achieve the objectives established for the programs, to the maximum extent feasible.

G. Advocacy Responsibilities

The Division of Economic Opportunity will carry out advocacy responsibilities on behalf of North Carolina's low-income population to ensure that they receive all rights to which they are entitled and to encourage and assist the development of services and benefits which can meet their needs and contribute to their independence and dignity. These activities are in compliance with Section 675 (c) (1) of the Act.

The Division of Economic Opportunity will act as a special advocate for the poor in state government by:

1. Working for representation of poor people on state committees and other instrumentalities which develop policy, provide advice or operate programs affecting the poor; and
2. Assessing state poverty-related programs and state administrative procedures, and working to make them more responsive to the needs of the poor.

V. Funding Plan

A. General

A gradual transition of the Community Action Program from federal to state administration will occur over a twelve-month period beginning October 1, 1981.

During the transition period, funding for community action agencies will consist of a combination of Community Services Administration Fiscal Year 1981 funds and Fiscal Year 1982 funds made available under the Community Services Block Grant by the Division of Economic Opportunity. In other words, as an agency's Community Services Administration funding terminates at the end of its program year, Fiscal Year '82 Community Services Block Grant funds will be utilized to extend a modified version of a community action agency's current work program for another program year.

For example, if a community action agency's program year ends on February 28, 1982, it will operate on funds provided by the Community Services Administration through February 28, 1982. The Division of Economic Opportunity will provide operating funds from March 1982 through February 28, 1983 to the agency by making a grant from Community Services Block Grant Act funds.

So long as a local agency is carrying out a work program approved and funded by the Community Services Administration, the local agency will be accountable to the federal government rather than to the State. Accordingly, the State is precluded from bringing a community action agency under the Community Services Block Grant until the end of the community action agency's current program year and the community action agency will receive no state funds until that time.

During the transition period, the Division will provide community action agencies with training and technical assistance to familiarize grantee boards and staff with program implementation procedures.

B. Allocation of Funds in Federal Fiscal Year 1982

Section 675 (c) (2) requires that in Fiscal Year 1982, not less than 90 percent of the funds allotted to North Carolina will be used to make grants to "eligible entities" as defined in Section 673 (1) or to organizations serving migrant or seasonal farmworkers.

Under this State Plan, not less than 90 percent of the funds allocated to North Carolina will be used to make grants to eligible entities. Eligible entities are organizations which were officially designated in FY '82 as a community action agency or a community action program under the provisions of Section 210 of the Economic Opportunity Act (EOA) of 1964, unless that entity lost its designation for failure to comply with provisions of the Economic Opportunity Act. Migrant and Seasonal farmworkers organizations will also be eligible for these funds.

The amount of Community Services Block Grant Act funds to be received by each eligible entity from Federal Fiscal Year 1982 funds will be based on 221 grant levels established pursuant to the Economic Opportunity Act of 1964, as amended. An eligible entity's funding level will be based on its percentage of the statewide 221 grant level in Fiscal Year 1981.

Of the total funds received by the State, five percent shall be used by the Division of Economic Opportunity for administration.

The remaining five percent of the funds shall be used to further the goals of the Community Services Block Grant Act. These funds may be used to fund:

1. Demonstration grants to eligible entities;
2. Grants to Limited Purpose Agencies; and
3. Grants to migrant and seasonal farmworkers organizations and Indian tribes.

VI. Determination of Eligible Grantees

A. General Policies

Section 675 (c) (2), (3) and (4) of the Act established certain requirements the State must meet in determining to whom grants may be made.

Eligible entities are organizations which have been officially designated as a community action agency or a community action program under the provisions of section 210 of the Economic Opportunity Act of 1964 for fiscal year 1981, unless such community action agency or a community action program lost its designation under section 210 of such Act as a result of a failure to comply with the provisions of such Act.

In the case of a community action agency or non-profit private organization, each board will be constituted so as to assure that (A) one-third of the members of the board are elected public officials, currently holding office, or their representatives, except that if the number of elected officials reasonably available and willing to serve is less than one-third of the membership of the board, membership on the board of appointive public officials may be counted in meeting such one-third requirement; (B) at least one-third of the members are persons chosen in accordance with democratic selection procedures adequate to assure that they are representative of the poor in the area served; and (C) the remainder of the members are officials or members of business, industry, labor, religious, welfare, education, or other major groups and interest in the community.

Special consideration will be given in the designation of local community action agencies to any community action agency which is receiving funds under any Federal anti-poverty program on the date of the enactment of the Act, except that (A) the State shall, before giving such special consideration, determine that the agency involved meets program and fiscal requirements established by the State; and (b) if there is no such agency because of any change in the assistance furnished to programs for economically disadvantaged persons, the State shall give special consideration in the designation of community action agencies to any successor agency which is operated in substantially the same manner as the predecessor agency which did receive funds in the fiscal year preceding the fiscal year for which the determination is made.

B. Certification and Recognition

Recognition is defined as approval by the Division of a local Economic Opportunity Agency to serve a particular community.

To be recognized, an agency must meet certain certification requirements which are to be set forth in the Agency's Administrative Manual. Once certification has been given by the Division, an agency will be formally recognized as a local Economic Opportunity Agency and will be eligible to receive funds from the Division. Only one local Economic Opportunity Agency will be recognized in each county; however, more than one limited purpose agency may be recognized in a County.

VII. Fiscal Controls and Procedures

A. State Controls

Section 675 (c) (9) of the Act requires the State, to establish the fiscal control and fund accounting procedures necessary to ensure proper disbursement of, accounting for, and monitoring of the grant funds. Further, the State will conduct an audit of its transfer and expenditures.

In order to assure the proper disbursement of the Federal funds received by North Carolina under the Community Services Block Grant, the Division of Economic Opportunity will follow established State procedures for fiscal control including all applicable Federal and/or State rules and regulations.

B. Grantee Controls

To further assure proper fiscal control, the Division of Economic Opportunity will require all grantee/contractors to meet standards as prescribed by the Agency. These standards will be incorporated in the contracts between the Division and grantees. Requirements will include, but not limited to, the following:

1. Procurement Requirements and Standards
2. Property Management Standards
3. Fiscal Reporting System Standards
4. Cost Allocation Plans

5. North Carolina Local Fiscal Control Act
6. A letter from a Certified Public Accountant attesting that the agency's accounting procedures are adequate to secure the funds for purposes permitted under the Act.

C. Monitoring and Assessment

The Division of Economic Opportunity shall institute a system of monitoring and assessment to assure that all grantees/contractors are complying with the standards established by the Division and all applicable laws. The Division will provide for at least semi-annual assessment of grantees; submission of a written report of assessment findings to grantees; review of written reports from each grantee; and follow-up technical assistance to correct any identified problems or deficiencies.

D. Suspension and/or Termination of Funds

The Division of Economic Opportunity shall institute a procedure for suspension and/or termination of funding. Funding may be suspended temporarily pending corrective actions by a grantee. Funding may be terminated when a grantee is determined to be out of compliance with its contract provisions or when the Division and the grantee agree that continuation of a project will not produce beneficial results.

E. Audit

The Division of Economic Opportunity shall provide for an audit of all funds received under the Community Services Block Grant in accordance with generally accepted auditing standards, including the standards of:

1. The U.S. General Accounting Office's publication, Standards for Audit of Governmental Organizations, Programs, Activities and Functions; and
2. Any specific audit instructions issued by the Division of Economic Opportunity

The Division of Economic Opportunity may subsequently monitor any grantee/contractor to verify that appropriate actions are being taken to fulfill audit recommendations. If audit findings of a grantee/contractor are deemed sufficiently serious, the Division may immediately begin suspension or termination procedures.

VIII. Provisions To Meet Other Requirements

- A. Cooperation With Federal Investigations (Section 675 (c) (10))

The State will permit and cooperate with Federal investigations as outlined in Section 679. A requirement calling for cooperation by grantees will be incorporated in their contracts.

- B. Compliance With Nondiscrimination and Other Provisions of the Community Services Block Grant Act

The State will meet the conditions related to the non-discrimination provisions outlined in Section 677 and other conditions of this Act. Further, compliance by all grantees will be required.

- C. Prohibit Use of Funds For Construction Purposes (Section 680)

The State and its grantees will adhere to the provisions of Section 680.

- D. Transfer of Funds to Other Programs Limited to Five Percent (Section 675 (c) (5))

At this time North Carolina does not plan to transfer any of its allotment under this program to the Older Americans Act, Head Start, or energy crisis intervention. However, if these plans are changed, no more than five percent of such funds will be transferred.

E. Prohibit Political Activities (Section 675
(c) (7))

The State will prohibit the use of Act funds for any activities to provide voters with transportation to the polls or provide similar assistance in connection with an election or any voter registration activity.

F. Coordination with Emergency Energy Crisis Intervention Programs (Section 675 (c) (8))

The State will provide for coordination between antipoverty programs in each community, where appropriate, with emergency energy crisis intervention programs under title XXVI of this Act (relating to low-income home energy assistance) conducted in each community.

NORTH CAROLINA COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

SELECTION SYSTEM

PRELIMINARY RECOMMENDATIONS OF THE DIVISION OF COMMUNITY ASSISTANCEA. PREFACE

The Housing and Community Development Act of 1974, as amended in 1981, permits States to assume responsibility for administering the Small Cities Community Development Block Grant Program. Should North Carolina decide to accept administration of this program, the Department of Natural Resources and Community Development, Division of Community Assistance will be the agency responsible for administering the program.

This report describes the preliminary policies and procedures NRCD has designed to distribute Community Development Block Grants to local governments. These rules, and those described in the administrative regulations, will govern the allocation and management of the North Carolina Community Development Block Grant Program. The selection system presented in this report is outlined below:

- A. Preface
- B. Program purpose and objectives
- C. Eligible applicants
- D. Eligible activities
- E. Type of grants
- F. Distribution of funds
- G. Size of grants
- H. Selection methods
- I. Timing
- J. Applications
- K. Community Revitalization
- L. Economic Development
- M. Development Planning
- N. Urgent Needs

B. PROGRAM PURPOSE AND OBJECTIVES

The purpose of the North Carolina Community Development Block Grant Program is to develop viable communities across the state, by providing decent housing and a suitable living environment and expanding economic

opportunities, principally for persons of low and moderate income. More specifically, community development funds will be directed towards the following objectives, consistent with the basic purpose of the program:

(1) The elimination of slums and blight and the prevention of blighting influences and the deterioration of property and neighborhood and community facilities of importance to the welfare of the community, principally for persons of low and moderate income;

(2) The elimination of conditions which are detrimental to health, safety, and public welfare, through code enforcement, demolition, interim rehabilitation assistance, and related activities;

(3) The conservation and expansion of the Nation's housing stock in order to provide a decent home and a suitable living environment for all persons, but principally those of low and moderate income;

(4) The expansion and improvement of the quantity and quality of community services, principally for persons of low and moderate income, which are essential for sound community development and for the development of viable urban communities;

(5) A more rational utilization of land and other natural resources and the better arrangement of residential, commercial, industrial, recreational, and other needed activity centers;

(6) The reduction of the isolation of income groups within communities and geographical areas and the promotion of an increase in the diversity and vitality of neighborhoods through the spatial deconcentration of housing opportunities for persons of lower income and the revitalization of deteriorating or deteriorated neighborhoods to attract persons of higher income;

(7) The restoration and preservation of properties of special value for historic, architectural or esthetic reasons; and

(8) The alleviation of physical and economic distress through the stimulation of private investment and community revitalization in areas with population outmigration or stagnating or declining tax base.

CDBG funds should not be used to replace local financing of on-going community development activities.

The proposed selection system has been developed so as to give maximum feasible funding priority to activities which will benefit low- and

moderate-income families or aid in the prevention or elimination of slums or blight or to meet other community development needs having a particular urgency.

It is also the purpose of this program to provide communities with a flexible instrument for solving their local community development needs. To that end, the North Carolina Department of Natural Resources and Community Development encourages local governments to develop projects and applications which, based on locally identified needs and priorities, address the basic purpose and objectives of the North Carolina Community Development Block Grant Program.

C. ELIGIBLE APPLICANTS

Eligible applicants are all units of general local governments excluding the following metropolitan cities: Asheville, Winston-Salem, High Point, Greensboro, Burlington, Charlotte, Gastonia, Concord, Salisbury, Durham, Raleigh, Fayetteville, Jacksonville, Wilmington and Hickory. Any other metropolitan cities or urban counties that may be designated by HUD in the future will also be ineligible. An application may be submitted individually, jointly, or by a county on behalf of other general units of local government. Eligibility does not mean that a community will automatically receive funding if it applies. Each applicant must still meet all requirements dealt with in the application process.

D. ELIGIBLE ACTIVITIES

Applicants can undertake any eligible activities set forth in the Housing and Community Act of 1974, as amended, Section 105(a).

E. TYPES OF GRANTS

Applicants can apply for funding under four different program categories: Community Revitalization, Economic Development, Development Planning and Urgent Needs.

F. DISTRIBUTION OF FUNDS

Community Development Block Grant funds will be awarded on a competitive basis to eligible units of city and county government. No eligible applicant will be denied access to these funds for any reason except as expressly authorized in the regulations. Competition will not be restricted by geographic, demographic, metropolitan or non-metropolitan designations.

(1) Set Asides: Each program year funds will be reserved for the Community Revitalization, Economic Development, Development Planning and Urgent Needs program categories. During FY 1982, no more than one percent

will be awarded to Development Planning applications, and \$1 million will be set aside for Urgent Needs applications. The remaining funds will be distributed between the Community Revitalization and Economic Development program categories based on the approximate percentage of funds requested under the program categories. The Urgent Needs set-aside will be re-allocated if the funds are not awarded to Urgent Needs applicants.

(2) Multi-year grant commitments: NRCD will honor all multi-year grant commitments made by HUD to recipients in Federal fiscal years 1980 and 1981, unless HUD determines that any of these recipients have not performed adequately. HUD will remain responsible for monitoring the performance of programs funded by HUD, and NRCD will monitor the program it funds in subsequent years. NRCD may reduce the commitment amount should HUD decrease the State's Small Cities allocation. In such instances, HUD will reduce fiscal years 1982 and 1983 commitments proportionate to the State reductions, consistent with HUD regulations. Because of the uncertainty of future Community Development Block Grant funding, NRCD will make no additional multi-year grant commitments.

G. SIZE OF GRANTS

There will be no minimum grant amount for applications or awards. Maximum grant amounts are established as follows:

Community revitalization	\$ 750,000
Economic development	750,000
Development planning	20,000
Urgent needs	500,000

Local governments applying for Community Revitalization, Economic Development and Development Planning grants may receive no more than \$750,000 in any one program year. Any recipient may also receive up to \$500,000 for Urgent Needs.

H. SELECTION METHOD

NRCD will distribute grants on a competitive basis, because the demand for funds far exceeds the amount available. Local governments will develop applications to NRCD, describing their proposed projects, their community's needs and how they will carry out the projects. Applicants must address their projects to one of the four program categories (community revitalizations, economic development, development planning and urgent needs). Projects will be evaluated against other proposals competing in the same program category.

Applications may include more than one project proposal within each program category and may have more than one project approved.

(1) Thresholds: All applicants must meet identified minimum thresholds of performance/capacity and benefit to low and moderate income persons in order to be considered for funding.

(2) Selection criteria: Several selection criteria will be used to evaluate all applications. Specific measures used within these criteria, and the importance of the criteria relative to each other will differ between program categories.

(3) Local Option activities: Applicants may use up to fifteen percent of their CDBG funds to finance eligible activities which may be unrelated to proposed activities. For example, a local government may propose a housing rehabilitation project, but would also like to spend a small amount of money on a water line in another part of the community. These activities will not be evaluated for the purpose of rating the applications, except that the entire application must exceed the appropriate low and moderate income threshold (fifty-one percent for Community Revitalization programs, twenty-five percent for Economic Development programs).

In Community Revitalization applications, these local option funds may be used outside of identified target areas. They may also be used for activities similar or unrelated to the activities proposed in the target areas. In such cases, applicants may choose whether or not these activities should be evaluated for rating purposes.

Any funds used for local option activities may only be used for eligible CDBG activities as defined in federal law.

I. TIMING

(1) Funding cycles: Applications for Community Revitalization and Development Planning programs will be reviewed and grants awarded on an annual cycle. In fiscal year 1982, Economic Development awards will also be made once per year, but in subsequent years grants will be awarded twice a year.

(2) Schedule: NRCD will announce FY 1982 grant awards in August, 1982, and for subsequent years, award announcements will be made in April.

After FY 1982, Economic Development awards will be announced in twice during the year.

J. APPLICATIONS

Local governments are required to submit only one application, regardless of the number of proposed projects. Applications with more than one project should prepare application items #2 - 7 for each project. Only one summary page and certification (items #1 and #8) will be required.

(1) Summary page: A one page summary of the project, cost of the project and application. A form will be prepared by NRCD for applicants.

(2) Needs statement: A description of the needs of the community as defined by the applicant. This statement should also describe how the applicant intends to address these needs with Community Development Block Grant funds.

(3) Project narrative: A description of the program to be carried out with assistance from the Community Development Block Grant Program.

(4) Budget: An estimate of the total cost of the project, identifying the amount of CDBG funds and other public and/or private funds required to carry out the project.

(5) Schedule: A timetable identifying major milestones and estimated completion date.

(6) Administration plan: Information on the organization of the program staff within the local governments' administrative structure.

(7) Maps: Illustrative maps showing the locations of the proposed activities, and the general location of the target area or project site in the community.

(8) Certifications: Assurances from the applicant that the program will be carried out in a manner consistent with all relevant federal and state laws and executive orders.

K. COMMUNITY REVITALIZATION

This program category encompasses all those activities that local governments carry out to improve, preserve or develop primarily residential areas in their communities. Example of activities that will be considered under this program are:

- Housing rehabilitation through loans and/or grants
- Development of neighborhood parks and open space
- Comprehensive treatment of neighborhood deficiencies
- Property acquisition, clearance and demolition, sale of property

- Neighborhood public facilities (water, sewer, drainage, streets, etc.)
- Neighborhood centers

All eligible CDBG activities may be carried out under this category. Projects may have multiple activities, addressing many needs in the area, or simply propose one specific activity.

(1) Targeting: At least eighty-five percent of the total CDBG award must be spent in target areas identified by the applicant. The remaining fifteen percent may be spent on Local Option Activities.

(2) Threshold requirements: In order to be considered for funding, in excess of fifty percent of a project's CDBG funds, must benefit low and moderate income persons. In addition, applicants must have proven capacity to operate a community development program. For applicants that have been previously funded, audit and monitoring findings and drawdown rates will be used to determine capacity. Those applicants that have never received CDBG funds will be evaluated on the basis of their current and proposed staff capacity, organizational structure, and fiscal accountability.

(3) Selection Criteria: Projects will be evaluated against four selection criteria. The four criteria will have the following maximum scores:

Community needs	20%
Program impact	40%
Benefit to low and moderate income persons	20%
Other public and private funds	<u>20%</u>
	100%

(a) Community needs: Both absolute and relative measures of poverty and substandard housing shall be used to determine community needs. NRCD will use data available from federal and state agencies to calculate community needs scores. These measures represent the needs of the entire local government. Scores are determined relative to other applicants applying under the community revitalization category. The following measures will be used:

Absolute number of persons in poverty	25%
Percentage of persons in poverty	25%
Absolute number of substandard housing units	25%
Percentage of substandard housing units	<u>25%</u>
	100%

(b) Program impact: The following measures will be used to determine potential impact of proposed programs:

Cost effectiveness	25%
Financial feasibility	25%
Project appropriateness	25%
Severity and treatment of needs	<u>25%</u>
	100%

(c) Benefit to low and moderate income persons: The percentage of CDBG funds directly benefiting low and moderate income persons will be used as the measure of this criteria. Costs of planning and administration will not be counted in total costs. In addition, up to fifteen percent of the project cost which is used for Local Option activities may be eliminated from this calculation if the applicant chooses.

(d) Other public and private funds: Other private and public funds that support the proposed project will be included under this category. Only funds that are firmly committed will be considered. Scores will be determined based on a ratio of other funds to CDBG funds.

L. ECONOMIC DEVELOPMENT

The Economic Development program category includes a broad range of project types that are related by the fact that they all promote the creation or retention of jobs and essential services in a community. Examples of projects in this category are:

- Provision of public facilities for employment, training and business development
- Financing working capital, machinery, or buildings to encourage profit-making business to create new jobs.
- Capitalizing a local development corporation to help expand existing businesses.

All eligible CDBG activities may be undertaken for the purposes of economic development.

(1) Targeting: Economic Development projects need not be targeted to a specific neighborhood.

(2) Threshold requirements: In order to be considered for funding, in excess of twenty-five percent of a project's CDBG funds must benefit low and moderate income persons. In addition, applicants must have proven capacity to operate a community development program. For applicants that have been previously funded, audit and monitoring findings will be used to determine capacity. Those applicants that have never received CDBG funds will be evaluated on the basis of their current and proposed staff capacity, organizational structure, and fiscal accountability. No Economic Development Project will be funded that could be financed entirely with other private or public resources. Applicants will be required to submit statements that projects will not be financially viable without the use of CDBG funds. Finally, all projects must be financially feasible, in order to be considered.

(3) Selection Criteria: Projects will be evaluated against four criteria, weighed in the following fashion:

Community needs	20%
Project impact	40%
Benefit to low and moderate income persons	20%
Other public and private funds	<u>20%</u>
	100%

(a) Community needs: Both absolute and relative measures of income and unemployment are calculated to determine community needs. Data is derived from available federal and state agencies to compute these scores. The measures represent the needs of the entire municipality or county in which the project is located. Scores are determined by comparing Economic Development applicants' needs data to each other. The following measures will be used:

Absolute number of persons unemployed	25%
Percentage of persons unemployed	25%
Absolute number of persons below poverty	25%
Relative average weekly earnings	<u>25%</u>
	100%

(b) Program impact: The following measures will be used to determine the impact of proposed programs:

Cost effectiveness	25%
Financial feasibility	25%
Project appropriateness	25%
Severity and treatment of needs	<u>25%</u>
	100%

(c) Benefit to low and moderate income persons: The percentage of CDBG funds directly benefiting low and moderate income persons will be used as the measure of this criteria. Costs of planning and administration will not be counted in total costs. In addition, up to fifteen percent of the project cost which is used for Local Option activities may be eliminated from this calculation if the application chooses.

(d) Other public and private funds: Other private and public funds that support the proposed project will be awarded points. Only funds that are firmly committed will be considered. Scores will be determined based on a ratio of other funds to CDBG funds.

M. DEVELOPMENT PLANNING:

Development Planning grants are provided to local governments to help them develop projects that can be considered for CDBG funding in the future. Some examples of proposals include:

- A local government that has not received CDBG funding in the past developing appropriate and competitive CDBG strategies.
- Development of innovative and complex CDBG projects such as economic development and energy conservation or production programs.

Development Planning funds may not be used to support on-going planning activities in a local government.

(1) Targeting: Development Planning projects need not be targeted to a specific neighborhood.

(2) Threshold requirements: Applicants must meet minimum performance requirements in order to be considered for funding. Monitoring and audit findings will be used to determine past performance.

(3) Selection Criteria: Development Planning applications will be rated on two selection criteria:

Program design	50%
Benefit to low and moderate income persons	<u>50%</u>
	100%

(a) Program design: Application will be evaluated on the design of the proposed project. The appropriateness of the projects, and the extent to which the project meets the needs of the community will be considered.

(b) Benefit to low and moderate income persons: The degree to which low and moderate income persons will directly benefit from the proposed project shall be evaluated.

N. URGENT NEEDS

Urgent Needs grants are provided to localities that are facing threats to public health and safety that require immediate action. They are intended to meet these needs quickly, thus these grants are available throughout the year. NRCD may invite an Urgent Needs application at any time and may waive the application procedure required for other applications. In such cases, localities requesting Urgent Needs grants may submit an abbreviated proposal documenting the existence of the emergency, the urgency of the threat, its unusualness, and that there are no other local State or Federal funds available to alleviate the threat.

(1) Targeting: Urgent Needs projects need not be targeted to a specific neighborhood.

(2) Threshold requirements: Three threshold requirements will be used to determine eligibility for funding. Applicants must pass all these requirements to be awarded funds. The three requirements are:

- Imminency: The threat must demand immediate attention. The situation may be one that has just occurred, or it may be one that, though long-standing, has intensified to become an immediate danger.
- Unique: The threat must be an unusual circumstance and one that does not occur frequently in a number of communities within the State.
- Need for Resources: Funds will be granted for imminent threats only when the applicant does not have sufficient local, Federal, or State resources available to meet the urgent need.

REPORT
OF THE
SMALL CITIES COMMUNITY DEVELOPMENT
TECHNICAL ADVISORY COMMITTEE

To The
Local Government Advocacy Council

January 8, 1982

SMALL CITIES COMMUNITY DEVELOPMENT
TECHNICAL ADVISORY COMMITTEE

January 8, 1982

Mr. Grover Lancaster, Chairman
Local Government Advocacy Council
Rt. 2, Box 412
Vanceboro, NC 28568

Dear Commissioner Lancaster:

The Community Development Technical Advisory Committee is pleased to forward you and members of the Local Government Advocacy Council its Report on the Small Cities Community Development Block Grant Program. The Technical Advisory Committee (TAC) appreciates the opportunity provided it by the Local Government Advocacy Council to thoroughly study the options for state administration of this block grant program and to make these recommendations to the LGAC. As indicated in the Report, the TAC spent nearly forty hours in formal meetings and many more hours considering and preparing the recommendations which we present to you.

Each of the Committee members was faithful in attending the TAC meetings and each and every member participated fully in the Committee deliberations. As a result, this report is the consensus of the TAC and we encourage your thorough review and consideration of its recommendations.

The staff of the Division of Community Assistance provided substantial assistance to the TAC and an excellent working relationship between the TAC and DCA staff exists. The TAC wishes to remain active in an advisory capacity to the Local Government Advocacy Council and to the state as North Carolina moves to assume administration of the Small Cities Community Development Block Grant Program.

I and other TAC members will be present at your January 19 Advocacy Council meeting and look forward to reviewing the Report's recommendations with you at that time.

Sincerely,



David Taylor, Chairman
Community Development Technical Advisory
Committee

DT/bw

SUMMARY OF TECHNICAL ADVISORY COMMITTEE RECOMMENDATIONS

A; B. ELIGIBLE APPLICANTS AND ELIGIBLE ACTIVITIES. These remain unchanged from the previous CDBG program.

C. CATEGORIES OF GRANTS. Three program categories are recommended: Community Revitalization, Economic Development, and Urgent Needs

D. DISTRIBUTION OF FUNDS. Competitive grant awards will be made to eligible units competing within program categories. \$1 million set aside for urgent needs; pro rata split among the other two categories based on applications submitted, up to 20% maximum for the Economic Development category. Previous multi-year commitments should be honored. Future multi-year commitments should be made for up to three years in the Community Revitalization category only.

E. SIZE OF GRANTS. The maximum grant amount should be \$750,000 except for urgent needs which could be \$1 million. Individual units are limited to total grant funds of \$750,000 per year, excluding urgent needs.

F. TIMING FOR GRANT AWARDS. Grant awards should be announced by August, 1982. In 1983 and beyond, grant awards should be announced by April. Community Revitalization applications will be taken annually; Economic Development applications will be taken semi-annually; and Urgent Needs applications will be accepted any time.

G. COMMUNITY REVITALIZATION PROGRAM CATEGORY. All CDBG activities are eligible. Funds should be targeted, but 25% outside expenditure will be allowed. Thresholds are established at 51% benefit to low and moderate income persons and satisfactory past performance. 15% of funds can be used for local option; these are not restricted to target areas and need not be evaluated for project rating purposes. Selection criteria and the relative weights are Community Needs (20%), Program Impact (40%), Benefit to Low and Moderate Income Persons (25%), Leveraging of Other Public and Private Funds (5%), and Past Performance/Capacity (10%).

H. ECONOMIC DEVELOPMENT PROGRAM CATEGORY. Eligible activities include those which promote the creation or retention of jobs and essential services in a community. Targeting not required. Thresholds are established at 25% benefit to low and moderate income persons and satisfactory past performance. Local option is allowed for up to 15% of funds. Selection criteria and relative weights are Community Needs (20%), Program Impact (30%), Benefit to Low and Moderate Income Persons (20%), Leveraging of Other Public and Private Funds (20%), and Past Performance/Capacity (10%).

I. URGENT NEEDS PROGRAM CATEGORY. Eligible activities are those undertaken to correct imminent threats to public health and safety which require immediate attention. Targeting not required. Thresholds are established based on imminency, uniqueness, and need for resources. Funds will be awarded if thresholds are met and funds are available.

J. INTERGOVERNMENTAL REVIEW OF APPLICATIONS. The A-95 process for CDBG grants should be eliminated.

K. STATE ADMINISTRATIVE ISSUES. The State should assume administration of the Small Cities CDBG program. The Department of Natural Resources and Community Development - The Division of Community Assistance should administer the program. Program income shall remain with the grantee. A minimum of one public hearing shall be held during the application development process. A separate housing assistance plan is not required. Applications should only require the minimum amount of information necessary to rate projects under a competitive grant award system. Many administrative details are yet to be worked out.

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I. Introduction

The Local Government Advocacy Council at its October, 1981 meeting authorized the establishment of a Technical Advisory Committee to examine the issue of state administration of the HUD Small Cities Community Development Block Grant Program. The Committee was authorized to work with the staff of the North Carolina Department of Natural Resources and Community Development (DNRCD) in developing recommendations regarding state operation of the program.

The Committee was composed of eleven members, with seven appointed by the League of Municipalities and four by the Association of County Commissioners. Mr. David Taylor, City Manager of Tarboro, served as Chairman; Mr. Barry Webb, Community Development Director for Mecklenburg County served as Vice-Chairman. A list of committee members appears at the end of this report.

The Committee held a series of four meetings comprising over 38 hours of formal meeting time in investigation and discussion of various aspects of the Community Development Block Grant Program. The members of the committee were encouraged to participate actively in the discussion of issues. In most instances, the recommendations included in this report reflect the consensus of all members. There were a few issues where a consensus did not develop and the committee established its recommendations on the basis of majority vote.

The Committee had two objectives. First, the state administered program should provide for a maximum in flexibility, control, and decision-making authority for local governments. Second, the committee wanted to assure that local governments and the state could maintain accountability for the program without producing complex regulations, procedures, and paperwork.

The staff of the Division of Community Assistance of DNRCD and representatives of the Area Office of the U.S. Department of Housing and Urban Development in Greensboro provided invaluable assistance to the committee in the preparation of this report. The Division of Community Assistance staff developed a substantial amount of background material and program options for the consideration of the TAC. The TAC wishes to express its appreciation for these outstanding contributions.

The Technical Advisory Committee believes that the program offered in this report improves upon the current HUD administered program while retaining the basic goals and objectives of the revised Federal laws and regulations. Therefore, the committee recommends that the state assume administration of the Small Cities Community Development Block Grant program as outlined in the recommendations of this report.

A number of details pertaining to program administration are not addressed in this report. These details will be worked out with the state staff as they finalize the program design and method of administration.

The Technical Advisory Committee wishes to remain active in an advisory capacity to the Local Government Advocacy Council and the Department of Natural Resources and Community Development as the program design is refined and public hearings are held. The Technical Advisory Committee also suggests continued involvement after the state makes the first round of grant awards. At that time, the initial state program should be reevaluated to determine if further improvements are necessary.

II. Program Preface

The Congress recently amended the Housing and Community Development Act to permit state governments to assume administration of the Small Cities Community Development Block Grant Program. The intent of the Federal law on which states must base their programs remains unchanged; i.e., the development of viable urban communities, by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income. The specific objectives of the Federal legislation are as follows:

- (1) the elimination of slums and blight and the prevention of blighting influences and the deterioration of property and neighborhood and community facilities of importance to the welfare and the community, principally persons of low and moderate income;
- (2) the elimination of conditions which are detrimental to health, safety, and public welfare, through code enforcement, demolition, interim rehabilitation assistance, and related activities;
- (3) the conservation and expansion of the Nation's housing stock in order to provide a decent home and a suitable living environment for all persons, but principally those of low and moderate income;
- (4) the expansion and improvement of the quantity and quality of community services, principally for persons of low and moderate income, which are essential for sound community development and for the development of viable urban communities;
- (5) a more rational utilization of land and other natural resources and the better arrangement of residential, commercial, industrial, recreational, and other needed activity centers;
- (6) the reduction of the isolation of income groups within communities and geographical areas and the promotion of an increase in the diversity and vitality of neighborhoods through the spatial deconcentration of housing opportunities for persons of lower income and the revitalization of deteriorating or deteriorated neighborhoods to attract persons of higher income;
- (7) the restoration and preservation of properties of special value for historic, architectural, or aesthetic reasons; and
- (8) the alleviation of physical and economic distress through the stimulation of private investment and community revitalization in areas with population out-migration or a stagnating or declining tax base.

The Technical Advisory Committee felt that the state should simply adopt these objectives without any further elaboration or additions, or limitations. The specific objectives listed in the Federal law are broad enough to accommodate the program design recommended by the Technical Advisory Committee.

The specific recommendations of the Technical Advisory Committee are summarized below. Section III covers issues of program structure and the allocation process. This section of the report summarizes the consensus of the committee. Section IV outlines the remaining points of difference between the recommendations of the Technical Advisory committee and the DNRCD staff proposals which have been sent to Secretary Joseph Grimsley.

Section III follows the outline shown below:

- A. Eligible Applicants
- B. Eligible Activities
- C. Categories of Grants
- D. Distribution of Funds
- E. Size of Grants
- F. Timing for Grant Award
- G. The Community Revitalization Program Category
- H. The Economic Development Program Category
- I. The Urgent Needs Program Category
- J. Intergovernmental Review of Applications
- K. State Administrative Issues

The comments under Section III are intended to provide information which the Local Government Advocacy Council would find useful in its discussion of the Technical Advisory Committee recommendations.

III. TECHNICAL ADVISORY COMMITTEE RECOMMENDATIONS

<u>ISSUE</u>	<u>COMMITTEE RECOMMENDATION</u>	<u>COMMENTS</u>
<u>A. ELIGIBLE APPLICANTS</u>		
1. Who is eligible?	All units of general local government excluding metropolitan cities as designated by the U.S. Department of Housing and Urban Development. Applications may be submitted individually, jointly, or by a county on behalf of other general units of local government.	Those cities now designated as metropolitan by HUD are: Asheville, Winston-Salem, High Point, Greensboro, Burlington, Charlotte, Gastonia, Concord, Salisbury, Durham, Raleigh, Fayetteville, Jacksonville, Wilmington, and Hickory.
<u>B. ELIGIBLE ACTIVITIES</u>		
1. What activities are eligible grant expenditures?	Eligible activities are defined in section 105 (a) of the Housing and Community Development Act of 1974. The TAC recommends no further restrictions.	
<u>C. CATEGORIES OF GRANTS</u>		
1. Should grant program categories exist?	Yes. Three program categories should be created as follows: Community Revitalization, Economic Development, and Urgent Needs. These are further defined under paragraphs G, H, and I, below.	The State recommends that an additional category be established for Development Planning.
<u>D. DISTRIBUTION OF FUNDS</u>		
1. How should funds be distributed?	Funds should be awarded on a competitive basis to eligible units of city and county government competing within program categories. Competition should not be restricted by geographic, demographic, metropolitan, or non-metropolitan designations.	

ISSUE

COMMITTEE RECOMMENDATION

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2. Should there be set asides, or division of funds on some basis?

Yes, by program categories. \$1 million should be set aside for urgent needs, to revert to general use if unused at the end of the year. Funds should be divided between the community revitalization and economic development program categories based on a pro rata share of applications submitted which meet threshold requirements, up to a 20% maximum for the economic development category.

The State recommends up to 1% for Development Planning; plus \$1 million for Urgent Needs; and the remainder should be split between Community Revitalization and Economic Development on a pro rata basis, without the 20% cap on Economic Development.

3. Should the State honor previous multi-year grant commitments?

Yes. HUD commitments made in FY 1980 and 1981 unless HUD determines that recipients have not performed adequately. The maximum grant amount should be \$750,000 or at levels as directed by HUD regulations.

Ten units of government would lose up to \$250,000 each in 1982 if the maximum grant is set at \$750,000. Some would also lose the same amount in 1983.

4. Should the State grant future multi-year commitments?

Yes, for up to three years in the community revitalization category only. If the overall State CDBG allocation is reduced, multi-year commitments could be reduced proportionately.

The State does not wish to make future multi-year commitments.

E. SIZE OF GRANTS

1. Should there be a maximum or minimum grant amount?

There should be no minimum grant amount. The maximum grant amount will be \$750,000 under the community revitalization or economic development program category. No maximum grant should be placed on the urgent needs category with the exception of the amount available per year (\$1 million).

2. Should units of government be limited?

Yes, the maximum funds granted to any unit shall be limited to \$750,000 per year, excluding urgent needs.

Those units which have multi-year commitments would not be eligible to compete. Any one unit could not have grants in two program categories which total more than \$750,000 per year.

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COMMITTEE RECOMMENDATIONS

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F. TIMING FOR GRANT AWARD

1. When should grant awards be made?

For FY 1982, one round of applications will be accepted for the economic development program category and the community revitalization program category. Grant awards should be announced by August, 1982. For FY 1983, one round of applications will be accepted for community revitalization project and awards will be announced by April of 83. Applications for the economic development program category will be accepted semi-annually in FY 83 and later years. Urgent needs applications will be accepted and awarded at any time.

G. THE COMMUNITY REVITALIZATION PROGRAM CATEGORY

1. What activities are eligible?

All eligible CDBG activities may be carried out under this category. Examples include housing rehabilitation through loans and/or grants, comprehensive treatment of neighborhood deficiencies, neighborhood public facilities such as water, sewer, drainage, streets, fire stations, etc. and development of neighborhood parks and open space and neighborhood centers. Projects may propose multiple activities or one specific activity.

2. Should funds be targeted?

Target area should be defined as an area within which the identified needs can be treated with the available dollars. Funds under this program category should be targeted, however, up to 25% of the grant funds may be spent outside of defined target areas.

The State does not agree with this 25% level for outside expenditures.

ISSUE

6. How should these selection criteria be defined?

COMMITTEE RECOMMENDATIONS

The selection criteria shall be defined as follows:

a. Community Needs - the following measures of poverty and substandard housing should be used with the relative weights shown:

Absolute Number of Persons in Poverty	20%
Percentage of Persons in Poverty	30%
Absolute Number of Substandard Housing Units	20%
Percentage of Substandard Housing Units	30%
	<u>100%</u>

b. Program Impact - the following indicators should be used to measure program impact with the relative weight shown:

Cost Effectiveness	15%
Financial Feasibility	15%
Project Appropriateness	30%
Severity & Treatment of Needs	40%
	<u>100%</u>

c. Benefit to Low & Moderate Income Persons
Low and Moderate Income is defined as any income equal to or less than 80% of median as it varies among the metropolitan areas and as it is established for all non-metro areas of the State. The TAC makes no recommendation on how to define benefit at this time.

COMMENTS

The State recommends that these indicators each receive 25% weight.

Additional work will be required to delineate which activities benefit individuals, and to what extent.

ISSUE

COMMITTEE RECOMMENDATIONS

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3. Should there be threshold requirements for applications to be considered for funding?

Yes, in this program category, a minimum of 51% of the project's CDBG funds must benefit low and moderate income persons. In addition, applicants must have proven capacity to operate a community development program. This will be judged on the basis of past performance and/or capacity to perform.

4. Should some local option be allowed for grant expenditures?

Yes, applicants may use up to 15% of their CDBG funds to finance eligible activities which may be unrelated to proposed activities. Use of these funds is not restricted to target areas. These activities need not be evaluated for the purpose of rating the application.

5. What criteria should be used to select applications for funding?

For this program category, the following selection criteria and relative weights should be used:

<u>Selection Criteria</u>	<u>Percentages</u>
Community Needs	20%
Program Impact	40%
Benefit to low & moderate income persons	25%
Leveraging of other public & private funds	5%
Past Performance/Capacity	<u>10%</u>
	100%

The State supports this concept. However, when this option is coupled with the targeting flexibility allowed under issue G.2, up to 40% of CDBG funds could be spent outside target areas, although at least 85% would have to be spent on proposed activities. The TAC considered limiting total outside target area expenditures to 25%, but never formally voted on this issue.

The State assigns 20% relative weight to low and moderate benefits and 10% relative weight to leveraging. In addition, the State will assign 10% to State Policy/Program Implementation instead of Past Performance/Capacity. State Policy/Program Implementation will include consistency with State Balance Growth Policy, involvement in the Communities of Excellence Program and/or Main Street Programs, as well as past performance on CDBG activities.

ISSUE

COMMITTEE RECOMMENDATIONS

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d. Leveraging Other Public and Private Funds - Any funds available to the local government with the exception of CD funds which are used for project purposes shall be considered leveraged. The TAC makes no recommendation on how to measure leveraging at this time.

Additional work is required to delineate the fine points of which funds count as leveraged.

e. Past Performance/Capacity - Satisfactory past performance is a threshold requirement. Past performance will also be rated by using audit and monitoring findings if applicable. Capacity ratings will be based on the proposed administrative plan and its chance for implementation.

The State proposes to use State Policy/Program Implementation.

H. THE ECONOMIC DEVELOPMENT PROGRAM CATEGORY

1. What activities should be eligible?

Eligible activities shall be those eligible CDBG activities which promote the creation or retention of jobs and essential services in a community. Examples include provision of public facilities for employment, training, or business development, financing of working capital, machinery, or buildings to encourage profit-making businesses to create new jobs, and capitalizing a local development corporation to help expand existing businesses.

2. Should funds be targeted?

No.

3. Should applications meet certain threshold requirements to be considered for funding?

Yes, a minimum of 25% of the project CDBG funds must benefit low and moderate income persons and applicants must have demonstrated satisfactory past performance and/or capacity to operate a community development program.

The State recommends that a threshold should also be established that the project will not be financially viable without the use of CDBG funds.

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COMMITTEE RECOMMENDATIONS

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4. Should local option be allowed on expenditure of funds?

Yes, applicants may use up to 15% of their CDBG funds to finance eligible activities which may be unrelated to proposed activities. These activities need not be evaluated for the purposes of rating applications.

5. Which criteria should be used to select applications?

The TAC recommends the following selection criteria and relative weights:

<u>Selection Criteria</u>	<u>Percentages</u>
Community Needs	20%
Program Impact	30%
Benefit to Low & Moderate Income Persons	20%
Leveraging other Public & Private Funds	
Past Performance/Capacity	10%
	<u>100%</u>

The State proposes to rate State Policy/Program Implementation rather than Past Performance/Capacity.

6. How should the selection criteria be defined?

Selection criteria should be defined as follows:

a. Community Need - This criteria should be defined using statistics reflecting employment levels, poverty levels, and average weekly earnings. These indicators should be assigned the following relative weights:

<u>Indicators</u>	<u>Percentages</u>
Absolute Number of Persons Unemployed	20%
Percentage of Persons Unemployed	20%
Absolute Number of Persons below Poverty	20%
Percentage of Persons Below Poverty	20%
Relative Average	20%
Weekly Earnings	<u>100%</u>

b. Program Impact - The following indicators should be used to measure program impact and assigned the relative weights shown:

<u>Indicators</u>	<u>Percentages</u>
Cost Effectiveness	25%
Financial Feasibility	25%
Project Appropriateness	25%
Severity & Treatment of Needs	<u>25%</u> <u>100%</u>

Benefit to Low & Moderate Income Persons -
The same definition and comments as under
item G. 6. c. (page 8)

Leveraging other Public & Private Funds -
The same definition and comments as under
item G. 6. d. (page 9)

Past Performance/Capacity - Satisfactory
past performance is a threshold requirement. Past performance will also be rated by using audit and monitoring findings if applicable. Capacity ratings will be based on the proposed administrative plan and its chance for implementation.

COMMITTEE RECOMMENDATIONS

ISSUE

I. THE URGENT NEEDS PROGRAM
CATEGORY

1. What activities should be eligible? Activities undertaken to correct imminent threats to public health and safety which require immediate action.

2. Should funds be targeted? No.

3. Should there be threshold requirements before applications are considered for funding?

Yes, three threshold requirements will be used to determine eligibility for funding. Applicants must pass all three requirements to be awarded funds. The requirements are:

- Imminency: The threat must receive immediate attention.
- Uniqueness: The threat must be an unusual circumstance and one that does not occur frequently in a number of communities within the State.
- Need for Resources: Funds will be granted for imminent threats only when the applicant does not have sufficient local, federal or state resources available to meet the urgent need.

Funds will be awarded if these thresholds are met and funds are available.

J. INTERGOVERNMENTAL REVIEW OF APPLICATIONS

1. Should an A-95 clearinghouse type of review be retained?

No, the A-95 process for CDBG grants should be eliminated altogether although the State is expected to continue to perform sufficient interagency review of applications.

ISSUE

COMMITTEE RECOMMENDATIONS

COMMENTS

K. STATE ADMINISTRATIVE ISSUES

- | | | | |
|---|--|--|--|
| 1. Should the State assume the administration of the Small Cities Community Development Block Grant Program from HUD? | Yes. | | |
| 2. Which department and division of state government should administer the program? | The Division of Community Assistance within the Department of Natural Resources and Community Development. | | |
| 3. How will policy oversight be provided to staff recommendations for funding? | The TAC made no decision on this question, but feels the LGAC should consider it. | | |
| 4. How should program income under the CDBG program be administered? | All program income shall remain with the grantee to be used for eligible CDBG activities. | | |
| 5. What is the required minimum level of citizen participation for local CDBG programs? | At least one public hearing shall be held during the application development process. A written citizen participation plan will not be required although records of citizen participation activities must be kept on file. | The State recommends two public hearing during the application development process and one public hearing at grant closeout. | |
| 6. Should CDBG grant funds be linked to housing assistance efforts? | The State should not require a separate Housing Assistance Plan. The State should require linkage of housing and community development through the rating criteria and within the general statement of needs. | | |

ISSUE

COMMITTEE RECOMMENDATIONS

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7. What level of detail shall be required in applications?

In general, applications should only require the minimum amount of information necessary to rate projects under a competitive grant award system. The application should contain a summary page, a statement of needs, a project narrative, project budget, project schedule, plan for administration of the project, illustrative maps, and certifications of compliance with relevant federal and state laws and executive orders.
8. How should State monitoring efforts on CDBG grants be structured?

Many details still need to be worked out in this area and the TAC wants to continue to work with NRCD officials on program design.

IV. Remaining Differences

The recommendations of the TAC reported above are largely in agreement with the DNRCD staff recommendations made to Secretary Joe Grimsley. However, there were a few instances in which the TAC and the DNRCD staff did not agree. These are summarized below.

A. DEVELOPMENT PLANNING

The state's proposal includes four program categories: community revitalization, economic development, urgent needs, and development planning. The Technical Advisory Committee, on a 6 to 4 majority vote, disapproved development planning as a separate program category.

The state has proposed that a separate program category be established using 1% of the state's total allocation of Small Cities CDBG funds. Planning grants for innovative projects and to aid small communities in developing block grant applications would be among eligible activities.

The majority of the Technical Advisory Committee felt that any community seeking block grants funding should be able to use its own resources, call upon assistance from their Lead Regional Organization or enter into a joint planning arrangement with other municipal or county government jurisdictions to develop a block grant application. The minority noted that DNRCD will no longer be providing technical assistance to smaller communities in developing CDBG grant applications and expressed concern that these jurisdictions would be at a disadvantage in competing for CDBG funding because of limited available assistance from outside organizations.

B. ALLOCATION OF FUNDS AMONG PROGRAM CATEGORIES

The state recommends that the allocation of funds between Community Revitalization and Economic Development program categories should be apportioned according to the demand for funding as reflected in the applications received. There should be \$1 million set aside for Urgent Needs applications.

The Technical Advisory Committee agrees with the set aside for Urgent Needs. However, the members feel that no more than 20% of the remaining funds should be set aside for the Economic Development program category. Most of the funding should be focused on housing and community revitalization needs.

C. FUTURE MULTI-YEAR COMMITMENTS

The state recommends that no new multi-year commitments be made. The Technical Advisory Committee recommends that the state make new multi-year commitments for up to three years in duration in the Community Revitalization Category only. Any reduction in the state's allotment of Small Cities funding could also produce a pro-rata reduction in multi-year commitments.

D. TARGET AREA EXPENDITURES IN THE COMMUNITY REVITALIZATION CATEGORY

The Committee recommends that applicants be permitted to expend up to 25% of their grant amount for eligible activities outside of designated target areas. This would "spot" rehabilitation of housing, for example, where concentrations of substandard units do not exist. This 25% "non-targeted" provision would be in addition to the 15% permitted for local option activities in the application.

The state felt that allowing 25% plus 15% for activities outside of target areas would weaken the focus of the program on concentrated community needs.

E. CITIZEN PARTICIPATION REQUIREMENTS

The TAC recommends that only one formal public hearing be required, during the application development process. Other public participation opportunities could be provided through public meetings.

The state recommends two public hearings during the application development process and one public hearing at grant closeout.

F. PROGRAM IMPACT MEASURES UNDER THE COMMUNITY REVITALIZATION CATEGORY

Program impact is measured by four indicators. The TAC and state recommendations for the relative weight of each indicator is shown below:

<u>Indicator</u>	<u>TAC Weight</u>	<u>State Weight</u>
Cost Effectiveness	15%	25%
Financial Feasibility	15%	25%
Project Appropriateness	30%	25%
Severity and Treatment of Needs	40%	25%
	<u>100%</u>	<u>100%</u>

G. ECONOMIC DEVELOPMENT PROGRAM CATEGORY THRESHOLD REQUIREMENTS

The TAC recommends thresholds of 25% benefit to low and moderate income persons and satisfactory past performance.

The state agrees with these thresholds but adds the threshold requirement that the project would not be financially viable without the use of CDBG funds.

H. RATING PAST PERFORMANCE/CAPACITY VERSUS STATE POLICY/PROGRAM IMPLEMENTATION

The TAC recommended that Past Performance/Capacity be a selection criteria in both the Community Revitalization and Economic Development program categories.

The state recommends rating State Policy/Program Implementation in place of Past Performance/Capacity, assigning it the same relative weight - 10%. The TAC did not discuss this proposal, which was developed after the last TAC meeting. State Policy/Program Implementation includes consistency with State Balanced Growth Policy, involvement in the Communities of Excellence Program and/or Main Street Programs, as well as past performance on CDBG Activities. Applicants could receive up to 100% of the criteria's points for any one of these activities.

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on the Small Cities Community Development Block Grant Program

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EDUCATION BLOCK GRANT

There is a distinction between the education block and other block grants. Under federal law, the State Board of Education has to allocate at least 80% of federal block grant funds to Local Education Agencies and at most 20% to the State Education Agency for its statewide programs and block grant administration. Even though the State Board of Education determines the funding formula for how much will go to Local Education Agencies and the State Education Agency, the local bodies are not bound to spend their federal aid as the State Board of Education prescribes. Once that money arrives at a particular local school unit, those local administrators have the discretion to spend the funds wherever the need is greatest. So unlike the other block grants which give the state government ultimate authority over allocations, the education block grant gives most of the real allocation authority to local boards of education.

The following pages are the formula for Distribution of the Local Education Agency share of the Education Block Grant funds, as approved by the Governor's Advisory Committee on Education Block Grants and recommended by the Committee to the State Board of Education, April 20, 1982.

STATE BOARD OF EDUCATION
EDUCATION CONSOLIDATION AND IMPROVEMENT ACT, CHAPTER 2
SCHEDULES

PREPARED BY:

DEPARTMENT OF PUBLIC INSTRUCTION
FEDERAL PROGRAMS OFFICE

CONTROLLER'S OFFICE
DIVISION OF FEDERAL PROGRAMS

APRIL 14, 1982

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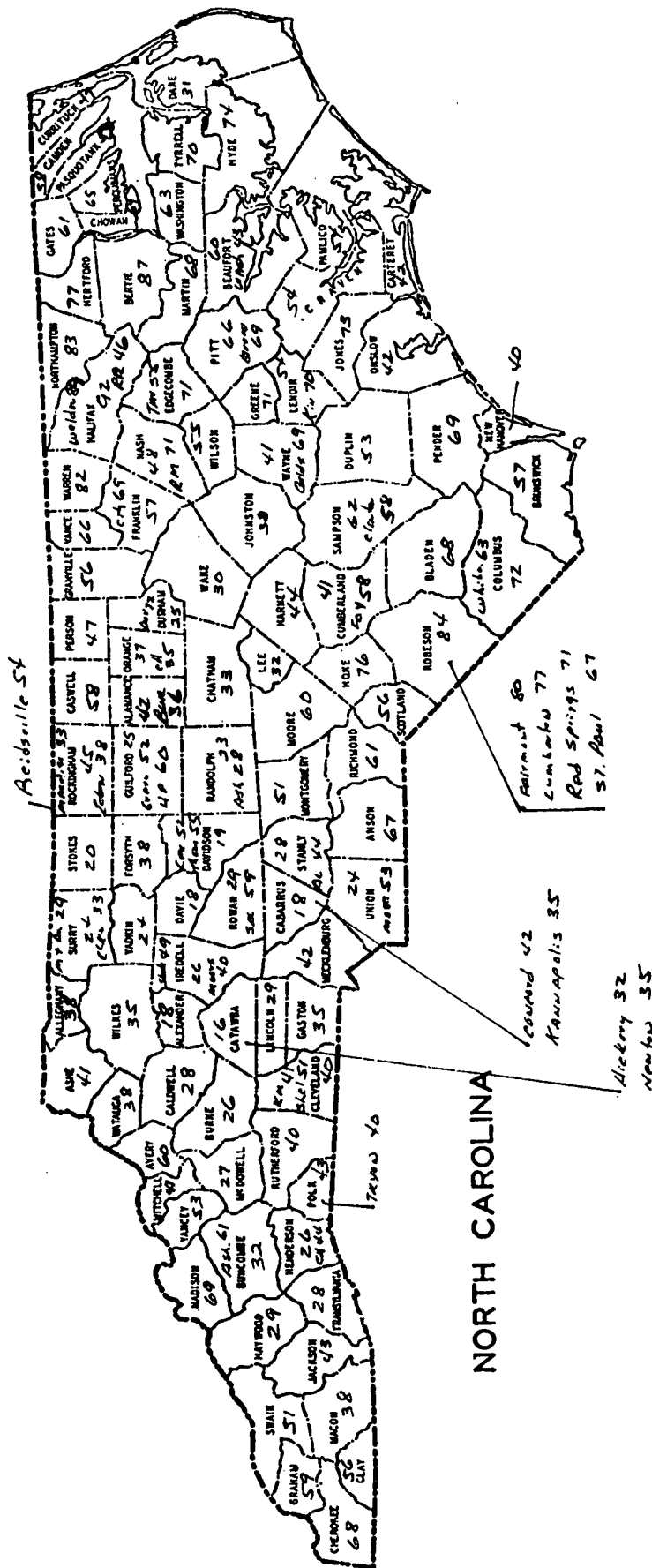
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ABBREVIATIONS

DESCRIPTIONS

ESAA	Emergency School Assistance Act
ESEA	Elementary and Secondary Education Act
Title IV-B	Libraries and Learning Resources
Title IV-C	Innovation and Support
ECIA	Education Consolidation and Improvement Act
Chapter 2	Consolidation of Federal Programs

STATE BOARD OF EDUCATION
PERCENT FREE LUNCH
BASED ON TOTAL LUNCHESES SERVED BY LEA
SEPTEMBER, 1981



STATE B OF EDUCATION
ECL CHAPTER 2

CALCULATED ALLOTMENT

BASED ON 70/30 DISTRIBUTION FORMULA
FY 1982-83

SCHEDULE B

	TOTAL ENROLLMENT PUBLIC & NON-PUBLIC	LOW-INCOME ENROLLED (BASED ON FREE LUNCHES SERVED)	70% ENROLLMENT ALLOTMENT (\$5.46 PER CHILD)	30% LOW-INCOME ALLOTMENT (\$8.25 PER CHILD)	TOTAL ALLOTMENT	AVERAGE PER CHILD ALLOTMENT	
010 Alamance County	11,536	2,167	\$ 63,011	\$ 17,878	\$ 80,889	\$7.01	
011 Burlington City	7,777	1,446	42,479	11,930	54,409	7.00	
020 Alexander County	5,019	617	27,414	5,090	32,504	6.48	
030 Alleghany County	1,854	550	10,127	4,538	14,665	7.91	
040 Anson County	5,274	2,689	28,807	22,184	50,991	9.67	
050 Ashe County	4,099	1,329	22,389	10,964	33,353	8.14	
060 Avery County	3,058	1,137	16,703	9,380	26,083	8.53	
070 Beaufort County	4,642	1,821	25,355	15,023	40,378	8.70	
071 Washington City	3,941	1,042	21,526	8,597	30,123	7.64	
080 Bertie County	4,534	2,886	24,765	23,809	48,574	10.71	
090 Bladen County	6,508	2,964	35,548	24,453	60,001	9.22	
100 Brunswick County	8,027	3,060	43,845	25,245	69,090	8.61	
110 Buncombe County	23,488	3,468	128,295	28,611	156,906	6.68	
111 Asheville City	5,629	1,730	30,746	14,273	45,019	8.00	
120 Burke County	13,188	2,461	72,035	20,303	92,338	7.00	
130 Cabarrus County	10,128	1,273	55,321	10,502	65,823	6.50	
140 Concord City	2,853	874	15,583	7,211	22,794	7.99	
150 Kannapolis City	5,043	1,121	27,546	9,248	36,794	7.30	
160 Caldwell County	13,634	2,811	74,471	23,191	97,662	7.16	
170 Camden County	1,240	411	6,774	3,391	10,165	8.20	
180 Carteret County	7,110	1,714	38,836	14,140	52,976	7.45	
190 Caswell County	4,184	1,634	22,854	13,481	36,335	8.68	
200 Catawba County	13,014	1,523	71,084	12,565	83,649	6.43	
210 Hickory City	4,747	1,036	25,929	8,547	34,476	7.26	
220 Newton-Conover City	3,013	514	16,457	4,241	20,698	6.87	
230 Chatham County	6,026	1,479	32,915	12,202	45,117	7.49	
240 Cherokee County	3,892	1,861	21,259	15,353	36,612	9.41	
250 Chowan County	2,515	1,001	13,737	8,258	21,995	8.75	
260 Clay County	1,221	507	6,670	4,183	10,853	8.89	
270 Cleveland County	9,118	2,583	49,804	21,310	71,114	7.80	
280 Kings Mountain City	4,295	1,229	23,460	10,139	33,599	7.82	
290 Shelby City	4,021	1,214	21,963	10,016	31,979	7.95	
300 Columbus County	8,538	4,380	46,636	36,135	82,771	9.69	
310 Whiteville City	2,940	1,130	16,059	9,323	25,382	8.63	
320 Craven County	13,462	4,446	73,531	36,679	110,210	8.19	

STATE BOARD OF EDUCATION
ECIA, CHAPTER 2
CALCULATED ALLOTMENT
BASED ON 70/30 DISTRIBUTION FORMULA
FY 1982-83

	TOTAL ENROLLMENT PUBLIC & NON-PUBLIC	LOW-INCOME ENROLLED (BASED ON FREE LUNCHES SERVED)	70% ENROLLMENT ALLOTMENT (\$5.46 PER CHILD)	30% LOW-INCOME ALLOTMENT (\$8.25 PER CHILD)	TOTAL ALLOTMENT	AVERAGE PER CHILD ALLOTMENT
260 Cumberland County	35,131	10,611	\$ 191,890	\$ 87,541	\$ 279,431	\$ 7.95
261 Fayetteville City	9,189	3,165	50,192	26,111	76,303	8.30
270 Currituck County	2,106	636	11,503	5,247	16,750	7.95
280 Dare County	2,172	403	11,864	3,325	15,189	6.99
290 Davidson County	16,563	1,955	90,469	16,129	106,598	6.44
291 Lexington City	3,693	1,166	20,172	9,620	29,792	8.07
292 Thomasville City	2,808	1,174	15,338	9,686	25,024	8.91
300 Davie County	5,004	651	27,333	5,371	32,704	6.54
310 Duplin County	8,514	3,468	46,505	28,611	75,116	8.82
320 Durham County	16,569	2,533	90,502	20,897	111,399	6.72
321 Durham City	8,887	4,658	48,542	38,428	86,970	9.79
330 Edgecombe County	5,813	3,399	31,751	28,042	59,793	10.29
331 Tarboro City	3,195	1,188	17,452	9,801	27,253	8.53
340 Forsyth County	42,392	8,264	231,551	68,178	299,729	7.07
350 Franklin County	4,590	1,992	25,071	16,434	41,505	9.04
351 Franklinton City	1,379	726	7,533	5,990	13,523	9.81
Gaston County	33,744	7,330	184,315	60,472	244,787	7.25
Gates County	1,720	787	9,395	6,493	15,888	9.24
Graham County	1,553	434	8,484	3,581	12,065	7.77
390 Granville County	6,897	2,992	37,672	24,684	62,356	9.04
400 Greene County	3,134	1,907	17,118	15,733	32,851	10.48
410 Guilford County	24,705	3,524	134,942	29,073	164,015	6.64
411 Greensboro City	25,172	5,808	137,493	47,916	185,409	7.37
412 High Point City	10,009	3,668	54,671	30,261	84,932	8.49
420 Halifax County	7,757	5,771	42,370	47,611	89,981	11.60
421 Roanoke Rapids City	2,652	446	14,486	3,679	18,165	6.85
422 Weldon City	1,561	1,049	8,526	8,654	17,180	11.01
430 Harnett County	11,841	4,294	64,677	35,425	100,102	8.45
440 Haywood County	8,768	1,625	47,892	13,406	61,298	6.99
450 Henderson County	8,578	1,296	46,854	10,692	57,546	6.71
451 Hendersonville City	1,866	381	10,192	3,143	13,335	7.15
460 Hertford County	4,552	2,549	24,864	21,029	45,893	10.08
470 Hoke County	4,792	2,892	26,175	23,859	50,034	10.44
480 Hyde County	1,111	570	6,069	4,702	10,771	9.69
490 Iredell County	10,233	1,892	55,894	15,609	71,503	6.99
491 Yocresville City	2,450	680	13,382	5,610	18,992	7.75

STATISTICAL REPORT OF EDUCATION
ECIA, CHAPTER 2
CALCULATED ALLOTMENT
BASED ON 70/30 DISTRIBUTION FORMULA
FY 1982-83

	TOTAL ENROLLMENT PUBLIC & NON-PUBLIC	LOW-INCOME ENROLLED (BASED ON FREE LUNCHES SERVED)	70% ENROLLMENT ALLOTMENT (\$5.46 PER CHILD)	30% LOW-INCOME ALLOTMENT (\$8.25 PER CHILD)	TOTAL ALLOTMENT	AVERAGE PER CHILD ALLOTMENT
492 Statesville City	3,742	1,349	\$ 20,439	\$ 11,129	\$ 31,568	\$ 8.44
500 Jackson County	3,974	956	21,707	7,887	29,594	7.45
510 Johnston County	14,698	4,327	80,283	35,698	115,981	7.89
520 Jones County	1,812	1,045	9,897	8,621	18,518	10.22
530 Lee County	7,408	1,784	40,464	14,718	55,182	7.45
540 Lenoir County	6,728	2,272	36,749	18,744	55,493	8.25
541 Kinston City	5,015	2,459	27,393	20,287	47,680	9.51
550 Lincoln County	8,830	1,683	48,231	13,885	62,116	7.03
560 Macon County	3,587	839	19,593	6,922	26,515	7.39
570 Madison County	2,961	1,312	16,173	10,824	26,997	9.12
580 Martin County	5,665	2,893	30,943	23,867	54,810	9.68
590 McDowell County	7,287	1,256	39,803	10,362	50,165	6.88
600 Mecklenburg County	75,137	16,955	410,409	139,879	550,288	7.32
610 Mitchell County	2,569	703	14,032	5,799	19,831	7.72
620 Montgomery County	4,390	1,539	23,979	12,697	36,676	8.35
Moore County	9,326	3,021	50,940	24,923	75,863	8.13
Nash County	11,161	4,017	60,963	33,140	94,103	8.43
Rocky Mount City	6,526	2,680	35,646	22,110	57,756	8.85
650 New Hanover County	20,061	4,547	109,576	37,513	147,089	7.33
660 Northampton County	4,714	3,223	25,749	26,590	52,339	11.10
670 Onslow County	15,358	3,873	83,888	31,952	115,840	7.54
680 Orange County	5,026	1,223	27,453	10,090	37,543	7.47
681 Chapel Hill City	5,431	679	29,665	5,602	35,267	6.49
690 Pamlico County	2,134	591	11,656	4,875	16,531	7.75
700 Pasquotank County	5,241	1,919	28,627	15,832	44,459	8.48
710 Pender County	4,724	2,310	25,803	19,057	44,860	9.50
720 Perquimans County	1,676	786	9,155	6,484	15,639	9.33
730 Person County	5,694	2,113	31,101	17,432	48,533	8.52
740 Pitt County	11,399	5,165	62,263	42,611	104,874	9.20
741 Greenville City	5,221	1,867	28,518	15,403	43,921	8.41
750 Polk County	1,753	492	9,575	4,059	13,634	7.78
751 Tryon City	565	167	3,087	1,378	4,465	7.90
760 Randolph County	13,586	1,705	74,209	14,066	88,275	6.50
761 Asheboro City	3,908	609	21,346	5,024	26,370	6.75
770 Richmond County	9,403	3,685	51,361	30,401	81,762	8.70
780 Robeson County	14,550	9,494	79,474	78,325	157,799	10.85

STATE BOARD OF EDUCATION
ECIA, CHAPTER 2
CALCULATED ALLOTMENT
FORMULA
BASED ON 70/30 DISTRIBUTION
FY 1982-83

	TOTAL ENROLLMENT PUBLIC & NON-PUBLIC	LOW-INCOME ENROLLED (BASED ON FREE LUNCHES SERVED)	70% ENROLLMENT ALLOTMENT (\$5.46 PER CHILD)	30% LOW-INCOME ALLOTMENT (\$8.25 PER CHILD)	TOTAL ALLOTMENT	AVERAGE PER CHILD ALLOTMENT
781 Fairmont City	2,382	1,546	\$ 13,010	\$ 12,754	\$ 25,764	\$ 10.82
782 Lumberton City	4,906	1,861	26,797	15,353	42,150	8.59
784 Red Springs City	1,828	1,149	9,985	9,479	19,464	10.65
785 St. Pauls City	1,582	857	8,641	7,070	15,711	9.93
790 Rockingham County	4,950	1,346	27,038	11,104	38,142	7.71
791 Eden City	4,622	1,029	25,246	8,489	33,735	7.30
792 Madison-Navodan City	2,816	672	15,381	5,544	20,925	7.43
793 Reidsville City	4,201	1,544	22,946	12,738	35,684	8.49
800 Rowan County	13,507	2,564	73,777	21,153	94,930	7.03
801 Salisbury City	2,713	1,003	14,819	8,275	23,094	8.51
810 Rutherford County	10,741	2,639	58,669	21,772	80,441	7.49
820 Sampson County	7,191	3,531	39,278	29,131	68,409	9.51
821 Clinton City	2,986	1,153	16,310	9,512	25,822	8.65
830 Scotland County	7,698	3,023	42,048	24,940	66,988	8.70
840 Stanly County	6,917	970	37,782	8,002	45,784	6.62
841 Albemarle City	2,165	583	11,826	4,810	16,636	7.68
Stokes County	6,931	1,187	37,858	9,793	47,651	6.88
Surry County	8,545	1,605	46,674	13,241	59,915	7.01
Elkin City	1,031	166	5,631	1,369	7,000	6.79
862 Mount Airy City	2,144	456	11,711	3,762	15,473	7.22
870 Swain County	1,616	643	8,827	5,305	14,132	8.75
880 Transylvania County	4,390	683	23,979	5,635	29,614	6.75
890 Tyrrell County	762	407	4,162	3,358	7,520	9.87
900 Union County	12,349	2,047	67,452	16,888	84,340	6.83
901 Monroe City	3,263	1,262	17,823	10,411	28,234	8.65
910 Vance County	7,790	3,657	42,550	30,170	72,720	9.34
920 Wake County	54,994	9,989	300,385	82,409	382,794	6.96
930 Warren County	3,274	2,223	17,883	18,340	36,223	11.06
940 Washington County	3,192	1,303	17,435	10,750	28,185	8.83
950 Watauga County	4,770	1,139	26,054	9,397	35,451	7.43
960 Wayne County	13,471	3,298	73,581	27,208	100,789	7.48
962 Goldsboro City	5,429	2,621	29,654	21,623	51,277	9.45
970 Wilkes County	11,508	2,798	62,858	23,083	85,941	7.47
980 Wilson County	13,031	5,137	71,177	42,380	113,557	8.71
990 Yacklin County	5,389	830	29,435	6,847	36,282	6.73
995 Yancey County	2,897	1,117	15,824	9,215	25,039	8.64

STATE BOARD OF EDUCATION
ECIA, CHAPTER 2

CALCULATED ALLOTMENT
BASED ON 70/30 DISTRIBUTION FORMULA

	TOTAL ENROLLMENT PUBLIC & NON-PUBLIC	LOW-INCOME ENROLLED (BASED ON FREE LUNCHES SERVED)	70% ENROLLMENT ALLOTMENT (\$5.46 PER CHILD)	30% LOW-INCOME ALLOTMENT \$8.25 PER CHILD)	TOTAL ALLOTMENT	AVERAGE PER CHILD ALLOTMENT
DEP-DIVISION OF YOUTH SERVICES	618		\$ 3,375	\$	3,375	\$ 5.46
EASTERN N. C. SCHOOL FOR THE DEAF	430		2,348		2,348	5.46
GOVERNOR MOREHEAD SCHOOL	194		1,059		1,059	5.46
N. C. SCHOOL FOR THE DEAF	483		2,637		2,637	5.46
N. C. SCHOOL FOR ARTS	221		1,207		1,207	5.46
N. C. DIVISION OF MENTAL HEALTH	1,269		6,929		6,929	5.46
N. C. CENTRAL SCHOOL FOR THE DEAF	163		890		890	5.46
SUBTOTAL	3,378		18,445		18,445	5.46
GRAND TOTAL	1,133,287	321,568	\$ 6,190,174	\$ 2,652,932	\$ 8,843,106	\$ 7.80
					*	

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* The total anticipated grant based on the Continuing Resolution is \$11,053,882.
This allocation distributes 80% of this amount or \$8,843,106.

STATE BOARD OF EDUCATION
CATEGORICAL GRANTS FOR FY 81-82
COMPARED TO ECIA, CHAPTER 2 ALLOTMENT FY 82-83
SCHEDULE C

	ESAA	ESEA IV-B	ESEA IV-C	CAREER EDUCATION	GIFTED AND TALENTED	TITLE II BASIC SKILLS	TOTAL FY 81-82	ECIA, CHAPTER 2 70/30	INCREASE (DECREASE)
010 Alamance County	\$ 71,020	\$ 32,312	\$ 19,500	\$ 10,000	\$	\$	\$ 51,812	\$ 80,889	\$ 29,077
011 Burlington City		23,435	121,238				225,693	54,409	(171,284)
020 Alexander County		15,312	18,400				33,712	32,504	(1,208)
030 Alleghany County		6,720					6,720	14,665	7,945
040 Anson County		24,832					27,832	50,991	23,159
050 Ashe County		17,331	8,000		3,000		25,331	33,353	8,022
060 Avery County		9,101	8,500		2,700	8,922	29,223	26,083	(3,140)
070 Beaufort County		18,811	8,000		2,800		29,611	40,378	10,767
071 Washington City		16,659	18,000				34,659	30,123	(4,536)
080 Bertie County		22,138	8,500				30,638	48,574	17,936
090 Bladen County		28,885					28,885	60,001	31,116
100 Brunswick County		41,422	8,500				49,922	69,090	19,168
110 Buncombe County		72,204					72,204	156,906	84,702
111 Asheville City		27,865	6,400		1,600		35,865	45,019	9,154
120 Burke County		35,599	8,500		1,400		45,499	92,338	46,839
130 Cabarrus County		30,111	36,230				66,341	65,823	(518)
140 Concord City		9,149					9,149	22,794	13,645
150 Kannapolis City		16,027	14,500		2,500		33,027	36,794	3,767
160 Caldwell County		39,937					39,937	97,662	57,725
170 Camden County		6,461	9,000		1,500		16,961	10,165	(6,796)
180 Carteret County		16,543	83,500				100,043	52,976	(47,067)
190 Caswell County		13,823					13,823	36,335	22,512
200 Catawba County		63,990	8,500				72,490	83,649	11,159
210 Hickory City		27,598					27,598	34,476	6,878
220 Newton-Conover		15,898	8,500				24,398	20,698	(3,700)
230 Chatham County		18,130	9,200		3,000		30,330	45,117	14,787
240 Cherokee County		11,325					11,325	36,612	25,287
250 Chowan County	76,097	8,355	9,000				93,452	21,995	(71,457)
260 Clay County		3,807					3,807	10,853	7,046
270 Cleveland County		21,321	73,066		500		94,887	71,114	(23,773)
280 Kings Mt. City		15,392	9,000		2,000	8,922	26,392	33,599	7,207
290 Shelby City		16,129	53,500		2,500		81,051	31,979	(49,072)
300 Columbus County		29,899			1,000		30,899	82,771	51,872
310 Whiteville City		9,090					9,090	25,382	16,292
320 Craven County		43,292		10,000			53,292	110,210	56,918

STATE BOARD OF EDUCATION
CATEGORICAL GRANTS FOR FY 81-82
COMPARED TO ECIA, CHAPTER 2 ALLOTMENT FY 82-83

	ESAA	ESEA IV-B	ESEA IV-C	CAREER EDUCATION	GIFTED AND TALENTED	TITLE II BASIC SKILLS	TOTAL FY 81-82	ECIA, CHAPTER 2 70/30	INCREASE (DECREASE)
260 Cumberland County	\$	\$ 81,362	\$	\$	\$	\$	\$ 81,362	\$ 279,431	\$ 198,069
261 Fayetteville City		32,242	8,500		2,000		42,742	76,303	33,561
270 Currituck County		7,872	35,086	10,000		8,922	61,880	16,750	(45,130)
280 Dare County		4,896	77,500				82,396	15,189	(67,207)
290 Davidson County		37,618	19,600		2,500		59,718	106,598	46,880
291 Lexington City		11,303	9,000				20,303	29,792	9,489
292 Thomasville City		9,340					9,340	25,024	15,684
300 Davie County		17,016					17,016	32,704	15,688
310 Duplin County		36,402			2,000	8,922	47,324	75,116	27,792
320 Durham County		45,780	33,500	9,000			88,280	111,399	23,119
321 Durham City		36,546	9,000		500		46,046	86,970	40,924
330 Edgecombe County		23,954					23,954	59,793	35,839
331 Tarboro City		11,860	10,000				21,860	27,253	5,393
340 Forsyth County	315,299	99,229	13,000				427,528	299,729	(127,799)
350 Franklin County		20,191	9,500				29,691	41,505	11,814
Franklington City		5,647					5,647	13,523	7,876
Gaston County		103,332					103,332	244,787	141,455
Gates County	91,514	6,186	8,000		2,500		108,200	15,888	(92,312)
Graham County		4,733					4,733	12,065	7,332
390 Granville County		22,715	10,000		2,500		35,215	62,356	27,141
400 Greene County		14,844	8,500				23,344	32,851	9,507
410 Guilford County		67,298		9,000		8,922	85,220	164,015	78,795
411 Greensboro City	211,341	89,954	22,900	6,075	6,800		337,070	185,409	(151,661)
412 High Point City		36,199	13,500				49,699	84,932	35,233
420 Halifax County		36,772			800		37,572	89,981	52,409
421 Roanoke Rapids City		8,216	84,000			8,922	101,138	18,165	(82,973)
422 Weldon City		7,227		10,000			17,227	17,180	(47)
430 Harnett County	134,256	39,764					174,020	100,102	(73,918)
440 Haywood County		20,411	20,000	8,500	2,000	8,922	59,833	61,298	1,465
450 Henderson County		29,851					29,851	57,546	27,695
451 Hendersonville		12,013					12,013	13,335	1,322
460 Hertford County		17,937			3,000		20,937	45,893	24,956
470 Hoke County		20,365	18,500				38,865	50,034	11,169
480 Hyde County		5,419	63,878				69,297	10,771	(58,526)
490 Iredell County		31,161	60,500				91,661	71,503	(20,158)
491 Mooresville City		7,459			2,000		9,459	18,992	9,533

STATE BOARD OF EDUCATION
CATEGORY 1 - GRANTS FOR FY 81-82
COMPARED TO ECIA, CHAPTER 2 ALLOTMENT FY 82-83

	ESAA	ESEA IV-B	ESEA IV-C	CAREER EDUCATION	GIFTED AND TALENTED	TITLE II BASIC SKILLS	TOTAL FY 81-82	ECIA, CHAPTER 2 70/30	INCREASE (DECREASE)
492 Statesville City	\$ 63,714	\$ 10,743	\$	\$	\$ 1,000	\$	\$ 75,457	\$ 31,568	\$ (43,889)
500 Jackson County		13,748			5,500		19,248	29,594	10,346
510 Johnston County		57,665	10,000	6,075	2,500		76,240	115,981	39,741
520 Jones County		9,297					9,297	18,518	9,221
530 Lee County		44,848	15,000		3,000		62,848	55,182	(7,666)
540 Lenoir County		22,721	11,000		2,900		36,621	55,493	18,872
541 Kinston City		22,207					22,207	47,680	25,473
550 Lincoln County		31,679					31,679	62,116	30,437
560 Macon County		8,187	49,419				57,606	26,515	(31,091)
570 Madison County		12,881					12,881	26,997	14,116
580 Martin County		19,915	52,000				71,915	54,810	(17,105)
590 McDowell County		16,809					16,809	50,165	33,356
600 Mecklenburg Co	403,360	245,838	19,500				668,698	550,288	(118,410)
610 Mitchell County		8,645	9,000				17,645	19,831	2,186
Montgomery Co	77,325	13,677	64,000	10,000	2,500		167,502	36,676	(130,826)
Moore County		36,017	8,500		2,000	8,922	55,439	75,863	20,424
Nash County		38,598					38,598	94,103	55,505
641 Rocky Mount City		15,083	8,500				23,583	57,756	34,173
650 New Hanover Co		93,916	11,000				104,916	147,089	42,173
660 Northampton Co		23,661	87,971	9,000	3,000		123,632	52,339	(71,293)
670 Onslow County		47,460	15,500				62,960	115,840	52,880
680 Orange County	69,111	15,109	20,200				104,420	37,543	(66,877)
681 Chapel Hill City		17,182	12,000	8,500	3,000		40,682	35,267	(5,415)
690 Pamlico County		6,957					6,957	16,531	9,574
700 Pasquotank Co		23,539	9,000		1,500		34,039	44,459	10,420
710 Pender County		21,212					21,212	44,860	23,648
720 Perquimans Co		7,430	63,900		2,000		73,330	15,639	(57,691)
730 Person County		22,949	12,500		2,600		38,049	48,533	10,484
740 Pitt County		53,259	35,000		4,000		92,259	104,874	12,615
741 Greenville City		25,071	59,000	9,364	3,500		96,935	43,921	(53,014)
750 Polk County		5,635					5,635	13,634	7,999
751 Tryon City		2,680	8,000				10,680	4,465	(6,215)
760 Randolph County		31,298	52,845				84,143	88,275	4,132
761 Asheboro City		21,865					21,865	26,370	4,505
770 Richmond County		29,319					29,319	81,762	52,443
780 Robeson County		61,622		10,000			71,622	157,799	86,177

STATE BOARD OF EDUCATION
CATEGORICAL GRANTS FOR FY 81-82
COMPARED TO ECIA, CHAPTER 2 ALLOTMENT FY 82-83

	ESAA	ESEA IV-B	ESEA IV-C	CAREER EDUCATION	GIFTED AND TALENTED	TITLE II BASIC SKILLS	TOTAL FY 81-82	ECIA, CHAPTER 2 70/30	INCREASE (DECREASE)
781 Fairmont City	\$	\$ 10,839	\$ 8,000	\$	\$	\$	\$ 18,839	\$ 25,764	\$ 6,925
782 Lumberton City		11,248					11,248	42,150	30,902
784 Red Springs City		5,820					5,820	19,464	13,644
785 St. Pauls City	58,647	6,799			1,000		66,446	15,711	(50,735)
790 Rockingham County		15,896					15,896	38,142	22,246
791 Eden City		14,865	35,000				49,865	33,735	(16,130)
792 Madison-Mayodan Ci		6,509	9,000		3,000		18,509	20,925	2,416
793 Reidsville City		13,311			2,900		16,211	35,684	19,473
800 Rowan County		42,768			2,000		44,768	94,930	50,162
801 Salisburv City		10,572	12,000		2,000		24,572	23,094	(1,478)
810 Rutherford County		33,349					33,349	80,441	47,092
820 Sampson County		31,257			3,000		34,257	68,409	34,152
821 Clinton City		11,805					11,805	25,822	14,017
830 Scotland County		26,575					26,575	66,988	40,413
Stanly County		24,598	8,000				32,598	45,784	13,186
Albemarle City		7,387			2,000		9,387	16,636	7,249
Stokes County		21,326	9,000				30,326	47,651	17,325
860 Surry County		26,168	8,500		2,000		36,668	59,915	23,247
861 Elkin City		3,684					3,684	7,000	3,316
862 Mount Airy City		4,983					4,983	15,473	10,490
870 Swain County		6,382	27,000				33,382	14,132	(19,250)
880 Transylvania Co		23,964	7,318				31,282	29,614	(1,668)
890 Tyrrell County		4,151	6,000				10,151	7,520	(2,631)
900 Union County		28,064					28,064	84,340	56,276
901 Monroe City		12,195	19,700				31,895	28,234	(3,661)
910 Vance County	86,643	25,326	22,631	9,500			143,600	72,720	(70,880)
920 Wake County	291,175	147,126	30,000	10,000			478,301	382,794	(95,507)
930 Warren County	86,469	13,101	57,900	10,000			167,470	36,223	(131,247)
940 Washington Co		13,984	9,000				22,984	28,185	5,201
950 Watauga County		13,936	87,101				101,037	35,451	(65,586)
960 Wayne County	151,577	41,493	50,000				243,070	100,789	(142,281)
962 Goldsboro City		19,486	8,500				27,986	51,277	23,291
970 Wilkes County		35,171	46,647				81,818	85,941	4,123
980 Wilson County		42,028	17,000				59,028	113,557	54,529
990 Yadkin County		21,012	91,000	8,864			120,876	36,282	(84,594)
995 Yancey County		9,067					9,067	25,039	15,972

STATE BOARD OF EDUCATION
CATEGORICAL GRANTS FOR FY 81-82
COMPARED TO ECIA, CHAPTER 2 ALLOTMENT FY 82-83

	ESAA	ESEA IV-B	ESEA IV-C	CAREER ED.	GIFTED AND TALENTED	TITLE II BASIC SKILLS	TOTAL	ECIA, CHAPTER 2 70/30	INCREASE (DECREASE)
N.C. Dept. of Human Res. Div. of Youth Services	\$	\$ 2,740	\$	\$		\$	\$ 2,740	\$ 3,375	\$ 635
Eastern N.C. School for the Deaf		3,720					3,720	2,348	(1,372)
The Governor Morehead School		1,983					1,983	1,059	(924)
N.C. School for the Deaf		4,312					4,312	2,637	(1,675)
N.C. School for the Arts		1,801					1,801	1,207	(594)
N.C. Board of Mental Health		12,327					12,327	6,929	(5,398)
N.C. Central School for the Deaf		1,637					1,637	890	(747)
The Governor's School		7,213					7,213	-0-	(7,213)
SUBTOTAL	\$	\$ 35,733	\$	\$		\$	\$ 35,733	\$ 18,445	\$ (17,288)
GRAND TOTAL	\$2,187,548	\$3,832,717	\$2,285,130	\$ 163,378	\$ 108,000	\$ 71,376	\$8,648,149	\$8,843,106	\$ 194,957

STATE BOARD OF EDUCATION
PER CHILD COMPARISONS BY LEA'S
FY 1981-82 to FY 1982-83

SCHEDULE D

ADMINISTRATIVE UNIT	ENROLLMENT	CATEGORICAL ALLOTMENTS FY 1981-82	PER CHILD FY 1981-82	CHAPTER 2 FY 1982-83	PER CHILD FY 1982-83	PERCENT FREE LUNCH SEPT. 1981
010 Alamance County	11,931	\$ 51,812	\$ 4.34	\$ 80,889	\$ 7.01	42
011 Burlington City	7,875	225,693	28.66	54,409	7.00	36
020 Alexander County	5,107	33,712	6.60	32,504	6.48	18
030 Alleghany County	1,916	6,720	3.51	14,665	7.91	38
040 Anson County	5,347	27,832	5.21	50,991	9.67	67
050 Ashe County	4,224	25,331	6.00	33,353	8.14	41
060 Avery County	3,063	29,223	9.54	26,083	8.53	60
070 Beaufort County	4,674	29,611	6.34	40,378	8.70	60
071 Washington City	3,956	34,659	8.76	30,123	7.64	43
080 Bertie County	4,721	30,638	6.49	48,574	10.71	87
090 Bladen County	6,728	28,885	4.29	60,001	9.22	68
100 Brunswick County	8,005	49,922	6.24	69,090	8.61	57
110 Buncombe County	24,015	72,204	3.01	156,906	6.68	32
111 Asheville City	5,883	35,865	6.10	45,019	8.00	61
112 Burke County	13,364	45,499	3.40	92,338	7.00	26
113 Cabarrus County	10,039	66,341	6.61	65,823	6.50	18
114 Concord City	2,964	9,149	3.09	22,794	7.99	42
115 Kannapolis City	5,166	33,027	6.39	36,794	7.30	35
140 Caldwell County	13,913	39,937	2.87	97,662	7.16	28
150 Camden County	1,262	16,961	13.44	10,165	8.20	58
160 Carteret County	7,274	100,043	13.75	52,976	7.45	42
170 Caswell County	4,310	13,823	3.21	36,335	8.68	58
180 Catawba County	13,095	72,490	5.54	83,649	6.43	16
181 Hickory City	4,836	27,598	5.71	34,476	7.26	32
182 Newton-Conover City	2,981	24,398	8.18	20,698	6.87	25
190 Chatham County	6,253	30,330	4.85	45,117	7.49	33
200 Cherokee County	3,900	11,325	2.90	36,612	9.41	68
210 Chowan County	2,569	93,452	36.38	21,995	8.75	67
220 Clay County	1,236	3,807	3.08	10,853	8.89	56
230 Cleveland County	9,375	94,887	10.12	71,114	7.80	40
231 Kings Mountain City	4,314	26,392	6.12	33,599	7.82	41
232 Shelby City	4,167	81,051	19.45	31,979	7.95	51
240 Columbus County	8,664	30,899	3.57	82,771	9.69	72
241 Whiteville City	3,016	9,090	3.01	25,382	8.63	63
250 Craven County	13,643	53,292	3.91	110,210	8.19	54

STATE BOARD OF EDUCATION
PER CHILD COMPARISONS BY LEA'S
FY 1981-82 to FY 1982-83

ADMINISTRATIVE UNIT	ENROLLMENT	CATEGORICAL ALLOTMENTS FY 1981-82	PER CHILD FY 1981-82	CHAPTER 2 FY 1982-83	PER CHILD FY 1982-82	PERCENT FREE LUNCH SEPT. 1981
260 Cumberland County	35,776	\$ 81,362	\$ 2.27	\$ 279,431	\$ 7.95	41
261 Fayetteville City	9,670	42,742	4.42	76,303	8.30	58
270 Currituck County	2,175	61,880	28.45	16,750	7.95	47
280 Dare County	2,153	82,396	38.27	15,189	6.99	31
290 Davidson County	16,541	59,718	3.61	106,598	6.44	19
291 Lexington City	3,770	20,303	5.39	29,792	8.07	52
292 Thomasville City	2,877	9,340	3.25	25,024	8.91	55
300 Davie County	5,046	17,016	3.37	32,704	6.54	18
310 Duplin County	8,634	47,324	5.48	75,116	8.82	53
320 Durham County	16,836	88,280	5.24	111,399	6.72	25
321 Durham City	9,245	46,046	4.98	86,970	9.79	72
330 Edgecombe County	5,990	23,954	4.00	59,793	10.29	71
331 Tarboro City	3,253	21,860	6.72	27,253	8.53	55
340 Forsyth County	43,632	427,528	9.80	299,729	7.07	38
350 Franklin County	4,653	29,691	6.38	41,505	9.04	57
Franklin County	1,381	5,647	4.09	13,523	9.81	69
Gaston County	34,399	103,332	3.00	244,787	7.25	35
Gates County	1,806	108,200	59.91	15,888	9.24	61
380 Graham County	1,592	4,733	2.97	12,065	7.77	59
390 Granville County	7,055	35,215	4.99	62,356	9.04	56
400 Greene County	3,237	23,344	7.21	32,851	10.48	71
410 Guilford County	25,386	85,220	3.36	164,015	6.64	25
411 Greensboro City	26,018	337,070	12.96	185,409	7.37	52
412 High Point City	10,127	49,699	4.91	84,932	8.49	60
420 Halifax County	7,577	37,572	4.96	89,981	11.60	92
421 Roanoke Rapids City	2,740	101,138	36.91	18,165	6.85	46
422 Weidon City	1,606	17,227	10.73	17,180	11.01	89
430 Harnett County	11,963	174,020	14.55	100,102	8.45	44
440 Haywood County	8,975	59,833	6.67	61,298	6.99	29
450 Henderson County	8,692	29,851	3.43	57,546	6.71	26
451 Hendersonville City	1,855	12,013	6.48	13,335	7.15	44
460 Hertford County	4,664	20,937	4.49	45,893	10.08	77
470 Hoke County	4,759	38,865	8.17	50,034	10.44	76
480 Hyde County	1,164	69,297	59.53	10,771	9.69	74
490 Iredell County	10,477	91,661	8.75	71,503	6.99	26
491 Mooresville City	2,416	9,459	3.92	18,992	7.75	40

STATE BOARD OF EDUCATION
PER CHILD COMMISSIONERS BY LEA'S
FY 1981-82 to FY 1982-83

ADMINISTRATIVE UNIT	ENROLLMENT	CATEGORICAL ALLOTMENTS FY 1981-82	PER CHILD FY 1981-82		CHAPTER 2 FY 1982-83	PER CHILD FY 1982-83	PERCENT FREE LUNCH SEPT. 1981
492 Statesville City	3,965	\$ 75,457	\$ 19.03		\$ 31,568	\$ 8.44	49
500 Jackson County	3,988	19,248	4.83		29,594	7.45	43
510 Johnston County	14,895	76,240	5.12		115,981	7.89	38
520 Jones County	1,889	9,297	4.92		18,518	10.22	73
530 Lee County	7,574	62,848	8.30		55,182	7.45	32
540 Lenoir County	6,912	36,621	5.30		55,493	8.25	54
541 Kinston City	5,165	22,207	4.30		47,680	9.51	70
550 Lincoln County	9,001	31,679	3.52		62,116	7.03	29
560 Macon County	3,600	57,606	16.00		26,515	7.39	38
570 Madison County	3,004	12,881	4.29		26,997	9.12	69
580 Martin County	5,803	71,915	12.39		54,810	9.68	68
590 McDowell County	7,391	16,809	2.27		50,165	6.88	27
600 Mecklenburg County	76,781	668,698	8.71		550,288	7.32	42
610 Mitchell County	2,657	17,645	6.64		19,831	7.72	41
620 Montgomery County	4,461	167,502	37.55		36,676	8.35	51
630 Moore County	9,437	55,439	5.87		75,863	8.13	60
640 Nash County	11,131	38,598	3.47		94,103	8.43	48
650 Rocky Mount City	6,632	23,583	3.56		57,756	8.85	71
660 New Hanover County	20,648	104,916	5.08		147,089	7.33	40
660 Northampton County	4,898	123,632	25.24		52,339	11.10	83
670 Onslow County	15,537	62,960	4.05		115,840	7.54	42
680 Orange County	5,045	104,420	20.70		37,543	7.47	37
681 Chapel Hill City	5,536	40,682	7.35		35,267	6.49	35
690 Pamlico County	2,143	6,957	3.25		16,531	7.75	54
700 Pasquotank County	5,294	34,039	6.43		44,459	8.48	54
710 Pender County	4,821	21,212	4.40		44,860	9.50	69
720 Perquimans County	1,771	73,330	41.41		15,639	9.33	65
730 Person County	5,886	38,049	6.46		48,533	8.52	47
740 Pitt County	11,432	92,259	8.07		104,874	9.20	66
741 Greenville City	5,345	96,935	18.14		43,921	8.41	69
750 Polk County	1,806	5,635	3.12		13,634	7.78	43
751 Tryon City	582	10,680	18.35		4,465	7.90	40
760 Randolph County	13,762	84,143	6.11		88,275	6.50	23
761 Ashboro City	4,021	21,865	5.44		26,370	6.75	28
770 Richmond County	9,607	29,319	3.05		81,762	8.70	61
780 Robeson County	14,569	71,622	4.92		157,799	10.85	84

STATE BOARD OF EDUCATION
PER CHILD COMPARISONS BY LEA'S
FY 1981-82 to FY 1982-83

ADMINISTRATIVE UNIT	ENROLLMENT	CATEGORICAL ALLOTMENTS FY 1981-82	PER CHILD FY 1981-82		CHAPTER 2 FY 1982-83	PER CHILD FY 1982-83	PERCENT FREE LUNCH SEPT. 1981
781 Fairmont City	2,513	\$ 18,839	\$ 7.50		\$ 25,764	\$ 10.82	80
782 Lumberton City	4,946	11,248	2.27		42,150	8.59	77
784 Red Springs City	1,834	5,820	3.17		19,464	10.65	71
785 St. Pauls City	1,624	66,446	40.92		15,711	9.93	67
790 Rockingham County	5,103	15,896	3.12		38,142	7.71	45
791 Eden City	4,667	49,865	10.68		33,735	7.30	38
792 Madison-Mayodan City	2,862	18,509	6.47		20,925	7.43	33
793 Reidsville City	4,368	16,211	3.71		35,684	8.49	54
800 Rowan County	13,907	44,768	3.22		94,930	7.03	29
801 Salisbury City	2,838	24,572	8.66		23,094	8.51	59
810 Rutherford County	10,908	33,349	3.06		80,441	7.49	40
820 Sampson County	7,339	34,257	4.67		68,409	9.51	62
821 Clinton City	3,032	11,805	3.89		25,822	8.65	58
830 Scotland County	7,669	26,575	3.47		66,988	8.70	56
840 Stanly County	7,033	32,598	4.64		45,784	6.62	28
841 Albemarle City	2,267	9,387	4.14		16,636	7.68	44
Stokes County	7,037	30,326	4.31		47,651	6.88	20
Surry County	8,623	36,668	4.25		59,915	7.01	24
Elkin City	1,035	3,684	3.56		7,000	6.79	33
862 Mount Airy City	2,191	4,983	2.27		15,473	7.22	29
870 Swain County	1,627	33,382	20.52		14,132	8.75	51
880 Transylvania County	4,478	31,282	6.99		29,614	6.75	28
890 Iyrrell County	794	10,151	12.78		7,520	9.87	70
900 Union County	12,340	28,064	2.27		84,340	6.83	24
901 Monroe City	3,307	31,895	9.64		28,234	8.65	53
910 Vance County	7,960	143,600	18.04		72,720	9.34	66
920 Wake County	55,357	478,301	8.64		382,794	6.96	30
930 Warren County	3,320	167,470	50.44		36,223	11.06	82
940 Washington County	3,326	22,984	6.91		28,185	8.83	63
950 Watauga County	4,826	101,037	20.94		35,451	7.43	38
960 Wayne County	13,747	243,070	17.68		100,789	7.48	41
962 Goldsboro City	5,509	27,986	5.08		51,277	9.45	69
970 Wilkes County	11,724	81,818	6.98		85,941	7.47	35
980 Wilson County	13,274	59,028	4.45		113,557	8.71	55
990 Yacklin County	5,528	120,876	21.87		36,282	6.73	24
995 Yancey County	2,946	9,067	3.08		25,039	8.64	53
TOTAL LEA's	1,150,774	\$ 8,612,416	\$ 7.48		\$ 8,824,661	\$ 7.81	

STATE BOARD OF EDUCATION
PER CHILD COMPARISONS BY LEA'S
FY 1981-82 to FY 1982-83

OTHER EDUCATIONAL AGENCIES	ENROLLMENT	CATEGORICAL ALLOTMENTS FY 1981-82	PER CHILD FY 1981-82	CHAPTER 2 FY 1982-83	PER CHILD FY 1982-83	PERCENT FREE LUNCH SEPT. 1981
001 NC Dept of Human Resources Division of Youth Services	617	\$ 2,740	\$ 4.44	\$ 3,375	\$ 5.46	
002 Eastern NC School for the Deaf	409	3,720	9.10	2,348	5.46	
003 The Governor Morehead School	218	1,983	9.10	1,059	5.46	
004 NC School for the Deaf	474	4,312	9.10	2,637	5.46	
005 NC School for the Arts	198	1,801	9.10	1,207	5.46	
006 NC Board of Mental Health	1,355	12,327	9.10	6,929	5.46	
007 NC Central School for the Deaf	180	1,637	9.09	890	5.46	
008 The Governor's School	793	7,213	9.10	-0-	-0-	
TOTAL - OTHER AGENCIES	4,244	\$ 35,733	8.42	\$ 18,445	5.46	
GRAND TOTAL	1,155,018	\$8,648,149	\$ 7.49	\$8,843,106	\$ 7.80	

RANGE LEA'S

LOWEST PER CHILD
AVERAGE PER CHILD
HIGHEST PER CHILD

2.27
7.48
59.91

6.43
7.80
11.60

STATE BOARD OF EDUCATION
PER CHILD COMPARISON BY DISTRICTS
FY 1981-82 to FY 1982-83

SCHEDULE E

	ENROLLMENT	CATEGORICAL ALLOTMENTS FY 1981-82	PER CHILD FY 1981-82	CHAPTER 2 FY 1982-83	PER CHILD FY 1982-83	PER CENT FREE LUNCH SEPT. 1981
Northeast Region I						
070 Beaufort County	4,674	\$ 29,611	\$ 6.34	\$ 40,378	\$ 8.70	60
071 Washington City	3,956	34,659	8.76	30,123	7.64	43
080 Bertie County	4,721	30,638	6.49	48,574	10.71	87
150 Camden County	1,262	16,961	13.44	10,165	8.20	58
210 Edenton/Chowan County	2,569	93,452	36.38	21,995	8.75	67
270 Currituck County	2,175	61,880	28.45	16,750	7.95	47
280 Dare County	2,153	82,396	38.27	15,189	6.99	31
370 Gates County	1,806	108,200	59.91	15,888	9.24	61
460 Hertford County	4,664	20,937	4.49	45,893	10.08	77
480 Hyde County	1,164	69,297	59.53	10,771	9.69	74
580 Martin County	5,803	71,915	12.39	54,810	9.68	68
700 Eliz. City/Pasquotank	5,294	34,039	6.43	44,459	8.48	54
720 Perquimans County	1,771	73,330	41.41	15,639	9.33	65
740 Pitt County	11,432	92,259	8.07	104,874	9.20	66
741 Greenville City	5,345	96,935	18.14	43,921	8.41	69
780 Tyrrell County	794	10,151	12.78	7,520	9.87	70
920 Washington County	3,326	22,984	6.91	28,185	8.83	63
Total Northeast Region I	62,909	\$949,644	\$15.10	\$555,134	\$ 9.00	
Southeast Region II						
100 Brunswick County	8,005	\$ 49,922	\$ 6.24	\$ 69,090	\$ 8.61	57
160 Carteret County	7,274	100,043	13.75	52,976	7.45	42
250 New Bern City/Craven	13,643	53,292	3.91	110,210	8.19	54
310 Duplin County	8,634	47,324	5.48	75,116	8.82	53
400 Greene County	3,237	23,344	7.21	32,851	10.48	71
520 Jones County	1,889	9,297	4.92	18,518	10.22	73
540 Lenoir County	6,912	36,621	5.30	55,493	9.25	54
541 Kinston City	5,165	22,207	4.30	47,680	9.51	70
650 New Hanover County	20,648	104,916	5.08	147,089	7.33	40
670 Onslow County	15,537	62,960	4.05	115,840	7.54	42
690 Pamlico County	2,143	6,957	3.25	16,531	7.75	54
730 Pender County	4,821	21,212	4.40	44,860	9.50	69
920 Sampson County	7,339	34,257	4.67	68,409	9.51	62
921 Clinton City	3,032	11,805	3.89	25,822	8.65	58
960 Wayne County	13,747	243,070	17.68	100,789	7.48	41

STATE BOARD OF EDUCATION
PER CHILD COMPARISONS BY DISTRICTS
FY 1981-82 to FY 1982-83

	ENROLLMENT	CATEGORICAL ALLOTMENTS FY 1981-82	PER CHILD FY 1981-82	CHAPTER 2 FY 1982-83	PER CHILD FY 1982-83	PER CENT FREE LUNCH SEPT. 1981
962 Goldsboro City	5,509	27,986	5.08	51,277	9.45	69
Total Southeast Region II	127,535	\$ 855,213	\$ 6.71	\$1,032,551	\$ 8.18	
Central Region III						
320 Durham County	16,836	\$ 88,280	\$ 5.24	\$ 111,399	\$ 6.72	25
321 Durham City	9,245	46,046	4.98	86,970	9.79	72
330 Edgecombe County	5,990	23,954	4.00	59,793	10.29	71
331 Tarboro City	3,253	21,860	6.72	27,253	8.53	55
350 Franklin County	4,653	29,691	6.38	41,505	9.04	57
351 Franklinton City	1,381	5,647	4.09	13,523	9.81	69
390 Granville County	7,055	35,215	4.99	62,356	9.04	56
420 Halifax County	7,577	37,572	4.96	89,981	11.60	92
421 Roanoke Rapids City	2,740	101,138	36.91	18,165	6.85	46
422 Weldon City	1,606	17,227	10.73	17,180	11.01	89
510 Johnston County	14,895	76,240	5.12	115,981	7.89	38
640 Nash County	11,131	38,598	3.47	94,103	8.43	48
641 Rocky Mount City	6,632	23,583	3.56	57,756	8.85	71
660 Northampton County	4,898	123,632	25.24	52,339	11.10	83
910 Vance County	7,960	143,600	18.04	72,720	9.34	66
920 Wake County	55,357	478,301	8.64	382,794	6.96	30
930 Warren County	3,320	167,470	50.44	36,223	14.06	82
980 Wilson County	13,274	59,028	4.45	113,557	8.71	55
Total Central Region III	177,803	\$1,517,082	\$ 8.53	\$1,453,598	\$ 8.28	
South Central Region IV						
090 Bladen County	6,728	\$ 28,885	\$ 4.29	\$ 60,001	\$ 9.22	68
240 Columbus County	8,664	30,899	3.57	82,771	9.69	72
241 Whiteville City	3,016	9,090	3.01	25,382	8.63	63
260 Cumberland County	35,776	81,362	2.27	279,431	7.95	41
261 Fayetteville City	9,670	42,742	4.42	76,303	8.30	58
430 Harnett County	11,963	174,020	14.55	100,102	8.45	44
470 Hoke County	4,759	38,865	8.17	50,034	10.44	76
530 Sanford/Lee County	7,574	62,848	8.30	55,182	7.45	32
620 Montgomery County	4,461	167,502	37.55	36,676	8.35	51
630 Moore County	9,437	55,439	5.87	75,863	8.13	60
770 Richmond County	9,607	29,319	3.05	81,762	8.70	61

STATE BOARD OF EDUCATION
PER CHILD COMPARISONS BY DISTRICTS
FY 1981-82 to FY 1982-83

	ENROLLMENT	CATEGORICAL ALLOTMENTS FY 1981-82	PER CHILD FY 1981-82		CHAPTER 2 FY 1982-83	PER CHILD FY 1982-83	PER CENT FREE LUNCH SEPT. 1981
780 Robeson County	14,569	71,622	4.92		157,799	10.85	84
781 Fairmont City	2,513	18,839	7.50		25,764	10.82	80
782 Lumberton City	4,946	11,248	2.27		42,150	8.59	77
784 Red Springs City	1,834	5,820	3.17		19,464	10.65	71
785 St. Pauls City	1,624	66,446	40.92		15,711	9.93	67
830 Laur/Scotland County	7,669	26,575	3.47		66,988	8.70	56
Total South Central Region IV	144,810	\$ 921,521	\$ 6.36		\$1,251,383	\$ 8.79	
North Central Region V							
010 Alamance County	11,931	\$ 51,812	\$ 4.34		\$ 80,889	\$ 7.01	42
011 Burlington City	7,875	225,693	28.66		54,409	7.00	36
170 Caswell County	4,310	13,823	3.21		36,335	8.68	58
190 Chatham County	6,253	30,330	4.85		45,117	7.49	33
290 Davidson County	16,541	59,718	3.61		106,598	6.44	19
291 Lexington City	3,770	20,303	5.39		29,792	8.07	52
292 Thomasville City	2,877	9,340	3.25		25,024	8.91	55
340 Winston Salem/Forsyth	43,632	427,528	9.80		299,729	7.07	38
410 Guilford County	25,386	85,220	3.36		164,015	6.64	25
411 Greensboro City	26,018	337,070	12.96		185,409	7.37	52
412 High Point City	10,127	49,699	4.91		84,932	8.49	60
680 Orange County	5,045	104,420	20.70		37,543	7.47	37
631 Chapel Hill City	5,536	40,682	7.35		35,267	6.49	35
730 Person County	5,886	38,049	6.46		48,533	8.52	47
760 Randolph County	13,762	84,143	6.11		88,275	6.50	23
761 Asheboro City	4,021	21,865	5.44		26,370	6.75	28
790 Rockingham County	5,103	15,896	3.12		38,142	7.71	45
791 Eden City	4,667	49,865	10.68		33,735	7.30	38
792 Madison-Mayodan City	2,862	18,509	6.47		20,925	7.43	33
793 Reidsville City	4,368	16,211	3.71		35,684	8.49	54
830 Stokes County	7,037	30,326	4.31		47,651	6.88	20
Total North Central Region V	217,007	\$1,730,502	\$ 7.97		\$1,524,374	\$ 7.19	
Southwest Region VI							
020 Anson County	5,347	\$ 27,832	\$ 5.21		\$ 50,991	\$ 9.67	67
130 Cabarrus County	10,039	66,341	6.61		65,823	6.50	18
131 Concord City	2,964	9,149	3.09		22,794	7.99	42

STATE BOARD OF EDUCATION
PER CHILD COMPARISONS BY DISTRICTS
FY 1981-82 to FY 1982-83

	ENROLLMENT	CATEGORICAL ALLOTMENTS FY 1981-82	PER CHILD FY 1981-82	CHAPTER II FY 1982-83	PER CHILD FY 1982-83	PERCENT FREE LUNCH SEPT., 1981
132 Kannapolis City	5,166	33,027	6.39	36,794	7.30	35
230 Cleveland County	9,375	94,887	10.12	71,114	7.80	40
231 Kings Mountain City	4,314	26,392	6.12	33,599	7.82	41
232 Shelby City	4,167	81,051	19.45	31,979	7.95	51
360 Gaston County	34,399	103,332	3.00	244,787	7.25	35
550 Lincoln County	9,001	31,679	3.52	62,116	7.03	29
600 Charlotte/Mecklenburg	76,781	668,698	8.71	550,288	7.32	42
800 Rowan County	13,907	44,768	3.22	94,930	7.03	29
801 Salisbury City	2,838	24,572	8.66	23,094	8.51	59
840 Stanly County	7,033	32,598	4.64	45,784	6.62	28
841 Albemarle City	2,267	9,387	4.14	16,636	7.68	44
900 Union County	12,340	28,064	2.27	84,340	6.83	24
901 Monroe City	3,307	31,895	9.64	28,234	8.65	53
Total Southwest Region VI	203,245	\$1,313,672	\$ 6.46	\$1,463,303	\$ 7.34	
Northwest Region VII						
020 Alexander County	5,107	\$ 33,712	\$ 6.60	\$ 32,504	\$ 6.48	18
030 Alleghany County	1,916	6,720	3.51	14,665	7.91	38
050 Ashe County	4,224	25,331	6.00	33,353	8.14	41
060 Avery County	3,063	29,223	9.54	26,083	8.53	60
120 Burke County	13,364	45,499	3.40	92,338	7.00	26
140 Caldwell County	13,913	39,937	2.87	97,662	7.16	28
180 Catawba County	13,095	72,490	5.54	83,649	6.43	16
181 Hickory City	4,836	27,598	5.71	34,476	7.26	32
182 Newton-Conover City	2,981	24,398	8.18	20,698	6.87	25
300 Davie County	5,046	17,016	3.37	32,704	6.54	18
490 Iredell County	10,477	91,661	8.75	71,503	6.99	26
491 Mooresville City	2,416	9,459	3.92	18,992	7.75	40
492 Statesville City	3,965	75,457	19.03	31,568	8.44	49
860 Surry County	8,623	36,668	4.25	59,915	7.01	24
861 Elkin City	1,035	3,684	3.56	7,000	6.79	33
862 Mount Airy City	2,191	4,983	2.27	15,473	7.22	29
950 Watauga County	4,826	101,037	20.94	35,451	7.43	38
970 Wilkes County	11,724	81,818	6.98	85,941	7.47	35
990 Yadkin County	5,528	120,876	21.87	36,282	6.73	24
Total Northwest Region VII	118,330	\$ 847,567	\$ 7.16	\$ 830,257	\$ 7.13	

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