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COMMUNITY REVITALIZATION: SOCIAL DEVELOPMENT

A community consists primarily of people. Any analysis of community revitalization, therefore, must include an analysis of the social programs designed to improve the people's standard of living. Such programs include employment training, emergency loans, child care services, mental health care, family planning, delivery of meals, drug and alcohol addiction programs, and counselling for the handicapped.¹

In Fiscal Year 1981, funding for these community social programs primarily came through the Community Service Administration and the Department of Health and Human Services. In Fiscal Year 1982 the Reagan Administration restructured the budgeting process² so that, effective October 1, 1981, funds for these community social programs came through the Community Services Block Grant (CSBG)³ and the Social Services Block Grant (SSBG).⁴ An overall twenty-two percent reduction in federal funding accompanied implementation of this block grant process. The Administration justified this reduction by asserting that block grants return policy-making power to governments, thereby reducing state and local excessive federal administrative costs and easing the impact of any budget cut.

Because the State of Indiana had established the Interdepartmental Board for the Coordination of Human Service Programs in 1978, the shift of policy-making power in that state went quite smoothly.⁵ Due to funds remaining from Fiscal Year 1981 appropriations, Indiana experienced only a four percent, rather than a 26.4% and nineteen percent, reduction in federal funds for Fiscal Year 1982.⁶ The state expects, however, to experience the full impact of reductions by July 1,

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1. These are the programs to be funded through the Community Services Block Grant program, Omnibus Budget Reconciliation Act of 1981, Pub. L. No. 97-35, §§ 671-683, 95 Stat. 511 (1981) [hereinafter cited as Reconciliation Act] and the Social Services Block Grant program, *id.* at §§ 2351-2355.
 2. The Reagan administration initially proposed that community services and social services be combined in the Social Services Block Grant. Political compromise, however, resulted in a separate Community Services Block Grant. CONG. RESEARCH SERV., LIB. OF CONG., NO. IPO157B, BLOCK GRANTS 21 (1981) [hereinafter cited as CRS, BLOCK GRANTS].
 3. 42 U.S.C. § 9904 *et seq.* (1982). See *infra* text accompanying notes 11 to 49.
 4. 42 U.S.C. § 1397 *et seq.* (1982). See *infra* text accompanying notes 50 to 92.
 5. The distribution of block grant funds in Indiana works as follows: The Select Committee on Block Grants reports to the Indiana legislature. The legislature then authorizes the Interdepartmental Board for the Coordination of Human Service Programs to oversee the distribution of CSBG and SSBG funds. PRE-EXPENDITURE REPORT AND ANNUAL SERVICES PLAN FOR THE STATE OF INDIANA, TITLE XX SOCIAL SERVICES BLOCK GRANT 1-3 (July 1, 1982 - June 30, 1983). The Interdepartmental Board for the Coordination of Human Service Programs was established pursuant to IND. CODE § 4-23-17-2 (1982).
 6. Stanfield, *Picking Up Block Grants — Where There Is a Will, There's Not Always a Way*. NAT. J., Apr. 10, 1982, at 618.

1983, the beginning of Indiana's next fiscal year.⁷ In preparation, the Indiana legislature is developing block grant distribution guidelines to ensure efficient distribution of CSBG and SSBG funds in the future.⁸

In the City of South Bend, the prospect of substantial Fiscal Year 1983 budget cuts will directly affect local policy-making power. South Bend community action agencies will be abolished and CSBG funds will be distributed by a state, rather than a local, agency.⁹ Under the SSBG program, South Bend will retain the providing organizations which it established in the Title 20 program, and apply budget cuts proportionately among all such "providers".¹⁰ In effect, the State of Indiana and the City of South Bend are placing the administrative duties of community social programs at the state level, to allow for greater flexibility in Fiscal Year 1983, when the State of Indiana must deal with the full budget cuts. In future years, this move will allow state officials to control federal funds and to administer the anti-poverty programs of their choice. The fate of social services in Indiana, therefore, lies with budget conscious state legislators. In sum, the future looks bleak.

COMMUNITY SERVICE BLOCK GRANTS

In 1974, Congress established an independent federal agency, known as the Community Services Administration (CSA),¹¹ to "increase involvement of state and local governments in anti-poverty efforts by authorizing a community partnership program."¹² To achieve this goal, Congress authorized the CSA to provide funds for the administration of anti-poverty programs by community action agencies.¹³ In Fiscal Year 1981, Congress appropriated \$525 million to the Community Services Administration for use in implementing community social programs.¹⁴ In Fiscal Year 1982 Congress enacted legislation which abolished the Community Services Administration and established the Office of Community Services within the Department of Health and

7. *Id.* at 617.

8. Representative Robert Pruitt of the Indiana legislature is presently in the process of compiling the block grant distribution guideline. It should be published before June 30, 1983, which is the final day of Indiana's Fiscal Year 1982.

9. Interview with Claudia Lewis, Regional Supervisor for the Indiana Social Services Fiscal Office, District Two (Oct. 1982).

10. The term "provider" is a term of art used to describe an organization which provides social services. 42 U.S.C.A. § 1395x(u) (West Supp. 1982).

11. 42 U.S.C. § 2781 (1976). Headstart, Economic Opportunity, and Community Partnership Act of 1974, Pub. L. No. 93-644, 88 Stat. 2291 (1974).

12. *Id.* at 2782.

13. The regulations pertaining to community action agencies are contained in the Economic Opportunity Act of 1964. 42 U.S.C. § 2782 (1976). For example, a local ACTION agency which provides anti-poverty services within the community qualifies as a community action agency.

14. This total is for the same services covered by the Community Services Administration. GOVERNMENT ACCOUNTING OFFICE, EARLY OBSERVATIONS ON BLOCK GRANT IMPLEMENTATION 2 August 24, 1982).

Human Services,¹⁵ and appropriated only \$390 million for use in the same programs.¹⁶ Under this new program Congress appropriated funds directly to the states in the form of a CSBG, rather than through the CSA.

According to the Reagan administration, the CSBG program returns certain policy-making powers to states.¹⁷ The true impact, however, is to reduce federal spending for community social programs by 26.4%. The Administration justifies this cut by claiming that a return of the programs to the states will reduce administrative costs. While true in part, under the CSBG program, states not only have the responsibility to distribute the funds, but they must operate with only 75% of the previous year's budget.

Congress established the CSBG program to ameliorate causes of poverty within communities.¹⁸ The amount of funds received by the states are based upon the percentage of total funds which community action agencies within that state received in Fiscal Year 1981.¹⁹ According to Congress, "a community action agency is any non-profit organization with a board of directors," which statutorily qualifies to receive federal funds for the community social programs it administers.²⁰ The CSBG program also provides that in Fiscal Year 1982: ninety percent of the total CSBG funds appropriated to a state must be distributed directly to community action agencies; no more than five percent may be used for administrative expenses; and no more than five percent may be transferred to other programs.²¹ In simple terms, the CSBG program abolishes the ten regional offices of the Community Services Administration and transfers their administrative authority to state governments.²² Under the block grant program local community action agencies report directly to state authorities rather than federal authorities.

One of the chief differences between a federal bureaucracy administering federal funds and a state bureaucracy administering the same funds, lies in the area of federal regulation. According to the broad language of the CSBG program, states must use the funds "to provide a range of services and activities having a measurable and potentially major impact on causes of poverty in the community."²³ For Fiscal Years 1982 and 1983, states must allocate ninety percent of the funds to

15. 42 U.S.C.A. § 9901 (West Supp.) According to CRS, BLOCK GRANTS at 44, *supra* note 2, there was a 26.4% reduction in federal funds between Fiscal Year 1981 and Fiscal Year 1982.

16. The actual figure is \$389,375,000. 42 U.S.C.A. § 9901 (West Supp. 1982).

17. S. REP. No. 139 97th Cong., 1st Sess. 908, 911 (1981).

18. *Id.* OMNIBUS RECONCILIATION ACT OF 1981, CONFERENCE REPORT (BOOK 2), H.R. REP. No. 208, 97th Cong., 1st Sess. 760 (1981).

19. 42 U.S.C. § 9901 *et seq.* (Supp. V 1981)

20. *See supra* note 14.

21. 42 U.S.C. § 9901 *et seq.* (Supp. V 1981). Pub. L. No. 97-276, § 138, 96 Stat. 1198 (1982), provides that in Fiscal Year 1983 these rules are to remain in effect.

22. 42 U.S.C. § 9901 *et seq.* (Supp. V 1981).

23. H.R. REP. No. 208, *supra* note 18, at 767.

community action agencies. Beginning in Fiscal Year 1984, however, states may distribute the funds to political subdivisions and/or non-profit organizations with a board of directors.²⁴ This broad discretion given states contrasts sharply with previous federal regulations which required the Community Services Administration to distribute funds only if the community action agency provided specific anti-poverty services.²⁵ The new regulations simply require states to file a yearly audit explaining how funds were distributed and conduct public hearings to discuss the distribution of future funds.²⁶ Previous federal regulations required the Community Services Administration to review each application submitted by a community action agency and annually prepare a detailed report of expenditures.²⁷ The simplicity of the new federal regulations reflect Congress' attempt to reduce administrative costs, which, in Fiscal Year 1981, reached thirty-nine million dollars for the Community Services Administration.²⁸ Moreover, the new regulations allow state and local governments to formulate their own policy with regard to community social programs. Beginning in Fiscal Year 1983, states will have the policy-making power previously held by the Community Services Administration. This shift in power, according to the Senate Budget Committee, is designed to "preserve broad discretion of the states while addressing the concerns of state accountability and equitable implementation."²⁹

Though the CSBG returns policy-making power to state and local governments, the enacting legislation also provides for a 26.4% reduction in funds from the Fiscal Year 1981 level.³⁰ In Fiscal Year 1981, administrative costs, at most, comprised ten percent of the total budget.³¹ In Fiscal Year 1982 even if state administrative costs comprise only two percent of the budget, states must still contend with a seventeen percent reduction in available funds. In effect, even if the state does operate community social programs more efficiently than the federal government, it must do so at a substantially reduced level. Faced with this dilemma, states must decide whether to: a) apply budget cuts on a proportional basis for each community action agency; b) fund those programs determined to be necessary, and abolish those determined to be unnecessary; or c) transfer funds from other areas to reduce the budget cuts in community social programs.

24. 42 U.S.C. § 9903(2)(a)(i) and (ii) (Supp. V 1981). Pub. L. No. 97-276, § 138, 95 Stat. 1198 (1981) extended these rules into Fiscal Year 1983.

25. 42 U.S.C. § 2782 (1976) Interview with Jane Checkam, Director of the Office of Community Services in Washington, D.C. (Aug. 1982).

26. 42 U.S.C.A. § 9903(b) (1981).

27. 42 U.S.C. 2781, *et seq.* (1973). Interview with Jerry Britten, Office of Assistant Secretary for Planning and Evaluation, Department of Health & Human Services (Aug. 1982). *See*, BUDGET OF THE UNITED STATES GOVERNMENT, FISCAL YEAR 1983, H.R. DOC. NO. 125 APP. 97th Cong., 2d Sess. I-V14 (1983).

28. S. REP. NO. 139, *supra* note 17 at 911.

29. CRS BLOCK GRANTS, *supra* note 2, at 50 (1982).

30. BUDGET OF THE UNITED STATES GOVERNMENT, FISCAL YEAR 1983, *supra* note 27.

31. Stanfield, *supra* note 6, at 616.

Before the Reagan administration developed the CSBG program, the State of Indiana had minimal involvement in the distribution of federal funds for community social programs. The Community Services Administration dealt directly with local action agencies rather than with state officials. Upon passage of the CSBG program, however, the Indiana legislature chose to distribute CSBG fund,³² through the Department of Aging and the Department of Community Services.³³ Within this department, Indiana legislators established a Community Services Division and made it responsible for the distribution of CSBG funds to community action agencies.³⁴ In the past, Indiana community action agencies applied funds received from the Community Services Administration toward the administrative costs incurred by the agency (i.e. salaries, office space, office equipment, etc.). Under the CSBG program, the community action agencies will continue to use CSBG funds to cover these administrative costs.³⁵

Despite a significant cut in federal funds,³⁶ Indiana only experienced a four percent cut in federal funding.³⁷ Indiana minimized the impact of federal cuts by distributing Community Services Administration funds on a federal payment cycle. Thus, funds were not distributed until August and September 1981.³⁸ In Fiscal Year 1982 the Indiana Community Services Division responded to the budget cut by funding the very same agencies but with four percent less money.

Though the transition to the CSBG program went smoothly, Indiana is preparing for Fiscal Year 1983, when the budget cut will have its full impact. The Indiana Community Services Division, unlike the former Community Service Administration regional offices, will enforce strict reporting and auditing requirements upon agencies,³⁹ Though the state, will have flexibility in distributing CSBG funds, a reduced budget will necessitate a cost-conscious attitude. Beginning in Fiscal

32. IND. CODE 4-27-1-1 (1982).

33. Al Gage is the present director of the Community Services Division. The Community Services Division, as a division of Department of Aging and Community Services, is represented on the Interdepartmental Board for the Coordination of Human Service Programs.

34. Interview with Claudia Lewis, *supra* note 9.

Under the new system, the Office of Community Services in Washington, D.C. distributes federal funds to the Indiana Department on Aging and Community Service, Division of Community Services, which distributes the funds to local community action agencies to cover their administrative costs. The community action agency may be eligible for other federal funds to cover the actual cost of services. See discussion of SSBG funds, *supra* note 30.

35. CRS, BLOCK GRANTS, *supra* note 20, at 44. Note that this reduction accounts for the federal administrative costs which the CSBG was designed to eliminate. See *infra* note 66.

36. Stanfield, *supra* note 6, at 16. According to the Government Accounting Office, "[o]ngoing outlays from 1981 categorical grants have provided stability in the transition to block grants." GOVERNMENT ACCOUNTING OFFICE, EARLY OBSERVATIONS ON BLOCK GRANT IMPLEMENTATION 22 (Aug. 24, 1982).

37. This phenomenon is attributable to the federal fiscal year which runs from October 1 until September 30, 31 U.S.C. § 1020 (1976).

38. Stanfield, *supra* note 6, at 16.

39. 42 U.S.C. § 9903(c)(2)(A)(i) (Supp. V 1981). Pub. L. No. 97-276, § 138 provides that the above provision is to remain in effect throughout Fiscal Year 1983.

Year 1984, the Indiana Community Services Division will have the added option of distributing CSBG funds to political subdivisions of the State.⁴⁰ Representative Robert Pruitt of the Indiana Legislature is drafting a guideline for the distribution of block grant funds,⁴¹ but until the guideline is adopted, the State of Indiana will distribute funds only to already existing community action agencies and not to political subdivisions.

Beginning June 1, 1983, the Indiana Department of Aging and Community Services will initiate a pilot program for the distribution of CSBG funds to the City of South Bend. The program arose out of a concern that the South Bend community action agencies were not effectively using federal funds. Reasoning that an agency unable to administer community social programs with Fiscal Year 1981 funds would find it more difficult to operate the same programs with reduced funds, the Department decided to place the administrative responsibility for distributing CSBG funds at the state rather than the local level.

The South Bend pilot program will involve the closing of the South Bend community action agencies,⁴² and the transferring of their CSBG funds to the Department of Aging and Community Services. This Department, through the Community Services Division, will administer anti-poverty programs in South Bend.⁴³ The Department argues that such a move promotes efficiency because it already has the administrative infrastructure in place.⁴⁴ In effect this pilot program will transfer policy-making power from the local community action agency to the Indiana Department of Aging and Community Services. The South Bend community action agencies argue that the proposal is nothing more than an attempt by state legislators to control more funds and "manipulate" those funds into the programs of their choice.⁴⁵

According to the initial plans of the South Bend pilot program, the State will continue to allow the neighborhood councils, established by the Community Services Administration, to determine if an individual or family qualifies for CSBG funds. If the party does qualify, then the State of Indiana will contract for services, material, and labor with the United Neighborhood Council.⁴⁶

40. Representative Robert Pruitt is a member of the Select Committee on Block Grants.

41. The closing of the South Bend community action agencies represents an attempt to save administrative funds. Realizing CSBG funds basically cover administrative costs, the State of Indiana reasons that its Department of Aging and Community Services can more efficiently administer the CSBG program.

42. Interview with Claudia Lewis, *supra* note 9.

43. *Id.*

44. *Id.* Under 42 U.S.C. § 9901 (Supp. V 1981), ninety percent of the CSBG funds must go toward community action agencies. In Fiscal Year 1984, however, the CSBG funds can go to political subdivisions. Such a provision opens the floodgates in defining what constitute a community social program qualifying for CSBG funds.

45. The plan originally called for the State of Indiana contract with independent business within the community. By contracting with the United Neighborhood Council, the State will be continuing the practice of past community action agencies within South Bend.

46. South Bend Tribune, Nov. 29, 1982, at 11, col. 1. In addition, IND. CODE 4-12-1-12.5 authorizes the governor of Indiana to transfer block grant funds between block grants.

The Department of Aging and Community Services pilot program has a twofold effect. First, the pilot program transfers the entire policy-making power from the local community action agency to the state level. Despite arguments by the State of Indiana, it appears that the program is really designed to place more federal funds in the hands of a state government which, as of November 29, 1982, projected a deficit of \$452.1 million by June 30, 1983.⁴⁷ Such a suspicion is reinforced by the fact that the Indiana has traditionally ranked low in the overall receipt of per capita federal funds.⁴⁸ Second, the pilot program, in a circuitious fashion, accomplishes the Reagan Administration's objective to provide for all community social programs within a single block grant.⁴⁹ Under this pilot program, the State of Indiana, will not only distribute CSBG funds but also the Social Service Block Grant funds discussed below.

SOCIAL SERVICE BLOCK GRANTS

In 1975, Congress enacted Title 20 of the Social Security Act.⁵⁰ Through this program, Congress granted money to states to promote economic self-support, to prevent child abuse and neglect, to prevent inappropriate institutional care, and to secure admission to institutional care when required.⁵¹ Congress designed this program as a reimbursement program through which local organizations would provide services. These local organizations would submit a bill, through the state, to the Department of Health and Human Services, which would reimburse the state for seventy-five percent of the total costs, up to a predetermined limit.⁵² States had to provide the remaining twenty-five percent of program funds. In Fiscal Year 1981, Congress appropriated \$2,991 million for the Title 20 program.⁵³ In Fiscal Year 1982, Congress amended the Title 20 program, making it a non-matching SSBG program, and appropriated only \$2,400 million.⁵⁴

Adopting the SSBG program required little administrative change since states had previously received Title 20 funds in block grant form.⁵⁵ The range of services qualifying for SSBG funds included

47. In Fiscal Year 1980, Indiana ranked 50th among states within the United States receiving per capita federal funds. COMMUNITY SVCS. AD., GEOGRAPHIC DISTRIBUTION OF FEDERAL FUNDS IN INDIANA, Fiscal Year 1980, Table 3.

48. CRS, BLOCK GRANTS, *supra* note 2, at 21.

49. CRS, BLOCK GRANTS, *supra* note 2, at 21.

50. Social Security Amendments of 1974, Pub. L. No. 93-647, § 2, 88 Stat. 2337 (1974).

51. 42 U.S.C. § 1397 (1976). Under 42 U.S.C. § 1397(a), the federal government agreed to pay for ninety percent of all family planning services.

52. GOVERNMENT ACCOUNTING OFFICE, EARLY OBSERVATIONS ON BLOCK GRANT IMPLEMENTATION 2, August 24, 1982.

53. 42 U.S.C. § 1397b (1976).

54. The Title 20 reimbursement program was a block grant in that the Department of Health and Human Services paid in state bill in a substantial lump sum and then small installment payments.

55. 42 U.S.C. § 1397a (1976). The SSBG did not include child welfare, foster care and adoption assistance. See H.R. REP. NO. 208, *supra* note 18, at 99.

most of the services previously covered under Title 20.⁵⁶ Because states already had policy-making power in this area, the real effect of the SSBG program was to reduce federal spending for community social programs by nineteen percent. Unlike CSBG funds, which basically cover the administrative costs of community action agencies, SSBG funds basically cover the "reasonable and necessary" actual costs of social services provided by local organizations.⁵⁷ A cut in the funds which cover the actual costs of implementing social programs, has a greater impact upon providing organizations than does a cut in funds covering administrative costs. An organization's administrative costs can often be reduced through efficient management, but its actual costs remain dependent upon the services provided. A reduction in funding for actual costs, therefore, results in a reduction of services provided.

As in the case of Title 20, Congress established the SSBG program to furnish services directed at achieving economic self-support, preventing neglect, preventing inappropriate institutional care, and securing admission for institutional care when appropriate.⁵⁸ A chief difference between Title 20 and the SSBG program lies in the amount of Federal regulation. According to the SSBG program, states must submit a general report describing how the state plans to spend the funds,⁵⁹ perform a yearly audit of how funds were actually distributed,⁶⁰ and conduct public hearings concerning the distribution of future funds.⁶¹ The new procedures reduce the federal government's involvement in state affairs by curtailing excessive reporting and oversight.

Congress directed that SSBG funds be apportioned based upon the most recent state population figures.⁶² This procedure appears more equitable than its CSBG counterpart which distributed funds based upon the amount received by community agencies within the state in Fiscal Year 1981.⁶³ An apportionment clause based upon state population figures, however, requires increased federal involvement to determine the amount each state will receive and, therefore, runs counter to the Reagan Administration's purpose for implementing a block grant program.⁶⁴ Also in contrast to the CSBG which allows a five percent

56. Interview with Claudia Lewis, *supra* note 9.

57. 42 U.S.C. § 1397a (Supp. V 1981).

58. *Id.*

59. *Id.* § 1397c.

60. *Id.* § 1397e.

61. *Id.* § 1397a. Pursuant to § 2352 of the Act, the most recent state population figures are to be determined by the Secretary of Health and Human Services with the aid of the Department of Commerce.

62. *Id.* § 1397b(b).

63. According to the Senate Budget Committee, "the Advisory Committee on Intergovernmental Relations observed that the block grant appears to be the best-suited instrument of assistance if the goals are decentralization, economy and efficiency, generalist control, and coordination. Those are precisely the goals of this committee." Omnibus Reconciliation Act of 1981, *supra* note 17, at 908.

64. See text accompanying notes 2 to 4.

transfer of funds to other programs, the SSBG allows states to transfer ten percent of the funds, but only to block grants which "support health services, health promotion and disease activities of low-income energy assistance."⁶⁵ The statutory language indicates Congress' concern that state legislators, without such a limitation, would abuse their privilege and "manipulate" funds into the programs of their choice.

Two important provisions distinguish the SSBG program from Title 20. First, Congress chose to delete the Title 20 requirement that states provide one dollar for every three dollars of federal aid.⁶⁶ By deleting this provision, Congress intended to give the states more flexibility in providing and funding community social programs.⁶⁷ States, however, have no responsibility to provide funds for social services.⁶⁸ Under the SSBG program, a state could decide to discontinue paying twenty-five percent of the social service costs. In such a case, the local providing organizations would be faced not only with a nineteen percent reduction in federal funds, but also with a one hundred percent reduction in state funds. Second, Congress deleted the Title 20 requirement that states use one-half of the federal funds for welfare recipients,⁶⁹ in order to allow states to provide more aid to individuals who fall below the poverty line but do not qualify for welfare payments.⁷⁰ These changes increase state flexibility in administering the SSBG program, but states must now administer the program with nineteen percent less federal funds, and the threat of no state matching funds.⁷¹

The State of Indiana, which had managed the Title 20 program since 1971, made a smooth transition to the SSBG program.⁷² Because the Title 20 funds came to the states through a reimbursement contract, Indiana already had an infrastructure established to collect and administer them.⁷³ The only change consisted of Indiana organizing, in 1981, a Select Committee on Block Grants to make recommendations to the Legislature concerning priorities and plans.⁷⁴ Similar to the procedure used to distribute Title 20 funds, the Legislature identifies the services to be funded by the SSBG.⁷⁵ The Interdepartmental Board for the Coordination of Human Service Programs, through its Social Service Fis-

65. 42 U.S.C. § 1397b (Supp. V 1981) Despite the restriction, it is difficult to define a community social program. Transportation, health services, housing, energy assistance, and legal services can all be administered as community social programs if they are provided to low-income individuals. In this sense, the provision is not too restrictive with regard to programs covered.

66. Under the Title 20 program, states were required to provide twenty-five percent of all Title 20 funds.

67. Omnibus Reconciliation Act of 1981, *supra* note 17, at 989.

68. *Id.* at 992.

69. Comment made by Barry Chambers, former director of the Indiana Office of Social Services. Stanfield, *supra* note 6, at 618.

70. *Id.*

71. The options available to State administrators are detailed in text.

72. See Stanfield, *supra* note 6.

73. PRE-EXPENDITURE REPORT AND ANNUAL SERVICES PLAN FOR THE STATE OF INDIANA, TITLE XX SOCIAL SERVICES BLOCK GRANT 1, July 1, 1982 - June 30, 1983.

74. IND. CODE 4-23-17-1 (Cum. Supp. 1981).

75. PRE-EXPENDITURE REPORT, *supra* note 73, at 3.

cal Office staff, then distributes the SSBG funds just as they did the Title 20 funds.

In Fiscal Year 1981, under the Title 20 program, local organizations, referred to as providers, entered into reimbursement contracts with the Indiana Office of Social Services.⁷⁶ This Office then added the state matching funds, submitted a bill to the federal government,⁷⁷ and received a reimbursement check which it forwarded to local providers. Under the SSBG program, local providers enter into reimbursement contracts with the Indiana Social Service Fiscal Office. This Office submits a bill to and receives a check from the federal government, and then distributes these funds to local providers.⁷⁸

The State of Indiana had to deal not only with a nineteen percent reduction in federal funding but with the threat that already appropriated Fiscal Year 1982 state matching funds for the Title 20 program would be cut.⁷⁹ Following lengthy floor debates, Indiana legislators chose to leave the state matching funds intact for the SSBG program,⁸⁰ thus assuring local providers that only federal funds would be cut in Fiscal Year 1982. The legislature, however, gave no assurance to providers that the seventeen million dollar matching funds would not be deleted when the budget is next considered.⁸¹ In Indiana, the actual effect of federal budget cuts upon local providers amounted to only a four percent reduction, in Fiscal Year 1982,⁸² because federal funds not distributed until August and September were used to supplement the Fiscal Year 1982 program.⁸³

Indiana is now preparing for Fiscal Year 1983 when the nineteen percent reduction in federal funding will have a substantial impact upon community social programs. Presently before the Indiana legislature is a procurement provision which, if not acted upon, will become law July 1, 1983. This provision requires local providers to submit bids in order to receive SSBG funds. Such a provision will require the Social Service Fiscal Office to distribute SSBG funds based upon a provider's cost efficiency rather than upon a provider's experience in offering community programs. The provision has drawn sharp criticism from the Social Service Fiscal Office which declares that such a provision will abolish the network of local providers which the Office has spent years developing. Sponsors of the provision, however, argue that such a provision would promote cost efficiency.⁸⁴ This procure-

76. *Id.*

77. *Id.*

78. *Id.*

79. Stanfield, *supra* note 6, at 619.

80. PRE-EXPENDITURE REPORT *supra* note 73, at 4. 42 U.S.C. § 1397(a) (1976) further provides for a continual rise in federal funding which will reach \$2,700 million by 1986.

81. The Indiana fiscal year begins July 1 and ends June 30. *See* IND. CODE. 4-1-1-1 (1976).

82. Interview with Claudia Lewis, *supra* note 9.

83. Stanfield, *supra* note 6, at 18.

84. Representative Dennis Avery of the Indiana Legislature is the chief sponsor of the procure-

ment provision⁸⁵ appears to be another attempt by the State of Indiana to control federal funds, and eventually transfer them to the programs of their choice.⁸⁶

In the City of South Bend, local providers will continue to receive funds as a member of the four county, District Two, area.⁸⁷ Under the SSBG program, District Two will continue to consist of the same direct providers, and the same indirect providers such as day care centers and State agency providers, such as Department of Mental Health, as it did under the Title 20 program. In Fiscal Year 1982, the Social Service Fiscal Office simply applied the four percent budget cut proportionately among all providers. Until Representative Pruitt formulates the block grant guideline, it appears that the State of Indiana will continue to distribute proportionately reduced funds to the already existing providers in District Two.⁸⁸ If the Indiana legislature amends or revokes the SSBG procurement provision, then the Social Service Fiscal Office will most likely maintain the same providers and apply budget cuts proportionately. If the procurement provision becomes law, however, the Office will be required to abandon its present providers and solicit bids for an entirely new group of providers within District Two. Though present providers may submit bids, the competition will require that all wasteful practices be abolished. In a hasty determination of what practices are wasteful, worthwhile services are likely to be abandoned. In selecting new providers, the Social Service Fiscal Office may find it difficult to provide low-income residents of District Two with the same services presently offered. The State of Indiana's emphasis upon cost-cutting will most likely result in fewer services being offered under the SSBG program. When one considers these results, it appears that the procurement provision, represented as cost-efficient, is designed to place more federal funds in the hands of a state government with a projected deficit of \$452.1 million by June 30, 1983.⁸⁹ Such a thought is reinforced by the fact that the State of Indiana has traditionally ranked low in the overall receipt of federal funds.⁹⁰

The chief threat facing South Bend providers in Fiscal Year 1983 is the possibility that the Legislature will discontinue the state matching

ment provision. Representative Avery is also a member of the Sunset Evaluation Committee which is presently reviewing the procurement provision.

85. See text accompanying notes 42 to 46.

86. Under 42 U.S.C. § 9901, 10% of the SSBG funds may be transferred to support health services, health promotion and disease prevention activities, or low-income home energy assistance. The other ninety percent of the SSBG funds, however, can still be applied to a wide range of community social programs.

87. PRE-EXPENDITURE REPORT, *supra* note 73, at 72.

88. District Two is comprised of Elkhart, Kosciusko, Marshall, and St. Joseph counties.

89. South Bend Tribune, Nov. 29, 1982, at 11, col. 1. In addition, IND. CODE ANN. § 4-12-1-12.5 (West Supp. 1982) authorizes the governor of Indiana to transfer block grant funds between block grants.

90. In Fiscal Year 1980 Indiana ranked 50th among states within the United States receiving per capita federal funds. COMMUNITY SVCS. AD., GEOGRAPHIC DISTRIBUTION OF FEDERAL FUNDS IN INDIANA, FISCAL YEAR 1980, Table 3.

requirement. Such a discontinuation would require the Indiana Social Services Fiscal Office to operate on fifty-four percent of its Fiscal Year 1981 budget.⁹¹ The only feasible alternative would be to concentrate all available funds into those programs deemed most necessary. This alternative would force the Social Services Fiscal Office to choose which social services to offer and which services to discontinue. In effect, the cost-conscious Indiana legislature will be determining the fate of social service recipients throughout the state.

CONCLUSION

The Social Services Fiscal Office and the Department of Aging and Community Services seem unwilling to decide which community social programs to fund and which programs to discontinue. In the face of recent budget cuts, and the threat of even more cuts, the directors of these agencies realize that an overhaul of community social programs may be necessary. The problem is that individuals presently receiving aid from community action agencies and local providers can not be abandoned. The fate of these individuals lies in the hands of state officials, who, under the Reagan administration's block grant process, have the policy-making power for the CSBG and SSBG programs. Though state officials remain hesitant to make any decisions, it appears that any action taken within the next two years will be made with an eye toward the state budget. Faced with this stark reality, community action agencies and local providers must plan to raise funds in the private sector, or prepare communities, such as South Bend, for a period of substantially reduced social services.

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91. The 54% figure is arrived at by subtracting the nineteen percent cut in federal funds and the 25% cut in state funds that would occur after Fiscal Year 1983.

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