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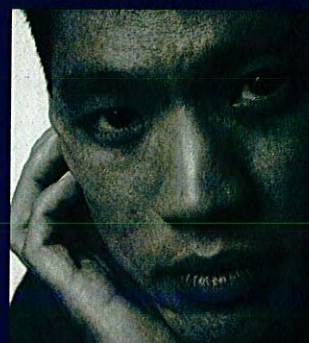
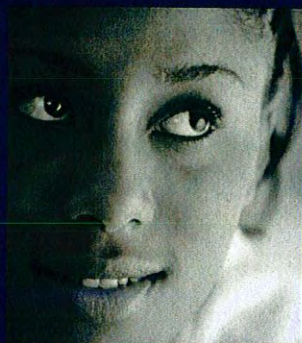
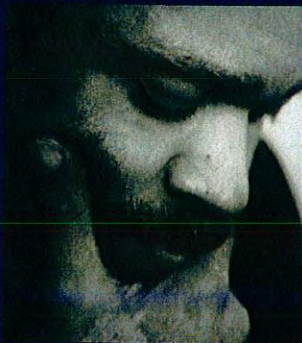
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IN THIS ISSUE

Serving Outside the Box

Jonathan McKenzie 2

Engaging a Nation: Expanding the Role of Outreach Programs

Watson Scott Swail 5

Publicizing Your TRIO Program

Beth Olivares 11

TRIO Focuses on the Digital Divide

Nicole Norfles 13

The Federal Grant System vs State Block Grants

Ernest Brewer 18

Christopher Davis
Editor

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The Federal Grant System Versus State Block Grants

ERNEST BREWER

To allocate funds for goods and services not provided specifically by the government, two systems for federal grant administration have emerged: (a) the federal proprietary grant system and (b) the state block grant system. The purpose of this article is to compare the impact, cost-effectiveness, equality, and dynamics of these two systems. Whereas the federal proprietary grant system accepts grant proposals based on direct government needs and commitments, the block grant system allocates lump sums to states to fund projects. Although proponents of block grants have argued that states have a better understanding of their populations than the federal government does, research has revealed that the federal proprietary system provides streamlined administration and operation, protects disadvantaged groups' access to funds, and saves money.

Historical Perspective

Although the principle of federal grants can be traced to the 1803 Lewis and Clark Expedition funded by the federal government following the Louisiana Purchase (Brewer, Achilles, Fuhrman, & Hollingsworth, 2001), the current federal grant system had its modern origins in the American Civil War when President Lincoln authorized Secretary of War Edwin Stanton to purchase whatever supplies were needed to arm, clothe, and transport Union troops (Lincoln, 1995; Shaw, 1950). For the first time, entities from the private sector

applied for and received federal grant money, on a competitive basis, to supply goods and services that the government needed but could not produce directly. The application of federal contracting soon expanded outside the Washington, D.C.-New York-Boston triangle, as needs arose along the southern and western frontiers. However, despite popular reception of the war effort, problems soon arose. The majority of those problems centered on the lack of accountability in the contracting system. Exasperated by disreputable practices, poor quality supplies, and graft, Union General William Tecumseh Sherman characterized the contracting practice and the times as the "age of shoddy" (Sherman, 1971).

In Richmond, Virginia, Jefferson Davis developed a similar federal system of contracting for services. However, in the Confederate system, services were placed under the direction of an agent who represented the federal government's interest and demanded accountability for allocated funds (Davis, 1923). It was under this system that the South developed the first submarine, the *CSA Hunley*, which successfully sank the *USS*

Constitution (Schafer, 1996; Stern, 1962).

In the South, additional measures ensured accountability. A military outfitting mill was closed, and its operators were prosecuted for supplying the Confederate Army of Northern Virginia with military uniforms that ripped apart or easily tore (Davis). Furthermore, President Davis issued an executive order banning grant awards to political cronies, and he required southern governors to enforce national Confederate regulations for grant project contracts. Thereafter, whenever the Confederate government contracted the purchase of goods and services, some level of accountability was attached to the grant award.

Although the Civil War experience was not without problems, it did establish the

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basis for the present system of federal grants. This system required two important components: (a) one for allocating funds for goods and services not provided specifically by the government and (b) an equally calculating component of oversight and accountability. It should also be noted that grants tended to be contracted during wartime efforts and that Congress passed federal laws that

criminalized the practice of false, misleading contracting during the late 1860s, the 1870s, and the 1880s.

Since 1862, the development of federal grants and oversight accountability has remained important, although corruption has undermined respect for the process at times. For example, during the Grant Administration (1869-1876), government agents appropriated and misrepresented the expenditures of grants, often embezzling funds for fictitious services or failing to secure the delivery of services. Scandals ranged from personal thefts of federal funds from the Bureau of Indian Affairs, the Department of War, and the Freedman's Bureau, to the loss of public confidence in those programs (Grant, 1964). During the 20th century, as the United States moved from war to war, the federal government's need to contract for services resulted in the development of mutually beneficial relationships. At the onset of American involvement in World War I, President Wilson faced a national military complex that lacked any salient means of supplies and armament. Wilson, forced to contract urgently needed services to the general public, turned to men such as Andrew Carnegie, Henry Ford, and John Morgan (Lord, 1921). During World War I, whole industries developed around the U.S. military. In the 1930s, President Franklin D. Roosevelt's New Deal policies served to maintain those industries. Mocked at the time in the popular comic strip, Little Orphan Annie, the beneficial relationships of government contracting to supplement the services of federal agencies and to assist impoverished citizens during the Great Depression came to be accepted not only by Daddy Warbucks, but the rest of the nation as well.

By 1965, every department in the federal government advertised for, accepted, and paid out federal grant monies for goods and services, ranging from armaments purchases to a wide array of regional and local programs targeting the development of both environmental and human resources. Influenced by the success of the New Deal under President Roosevelt, other federal grant projects followed, including (a) the Marshall Plan in Europe under

Presidents Harry Truman and Dwight D. Eisenhower, (b) the Great Society and (c) the War on Poverty under President Lyndon Johnson in which the beginning of the TRIO Upward Bound programs was being put on the drawing board.

Shift in Grant Perception

By the post-Vietnam era, a rapid shift in public perception of federal grants has occurred. Misappropriations and fraud were revealed, similar to those in the previous century. Investigative television programs such as *60 Minutes* and *20/20* exposed overcharges and graft in many federal programs, especially in the military. Conservative ideology which abhorred the expenditures of taxes on various social programs began to demand a stern accountability. "Pork" projects in congressional districts were required to serve specific needs and to achieve some demonstrable level of success in order to be refunded. The perceived politicization of federal grants increased following President Richard Nixon's resignation. Questions arose concerning the need for certain federal programs and, more importantly, the delivery method for federal tax dollars. However, as the Vietnam experience helped erode public support for the grant system and ancillary programs, larger and more diverse groups began looking elsewhere for funding.

Two events during the past 25 years have greatly influenced the current division of how tax-supported grants should be managed. The National Endowment for the Arts (NEA), which had been established as an outgrowth program of Roosevelt's New Deal projects in art, theatre, and music, provided federal grants to controversial artists such as David Mapplethorpe to complete and exhibit various art pieces. The results shocked many Americans. Mapplethorpe exhibited various sacrilegious pieces that cast Christianity in a degrading light, such as the infamous *Piss Christ*, a crucifix submerged in a jar of human urine. In the U.S. Senate, Jessie Helms (R-NC) lambasted the work. He was quickly joined by conservative members of Congress such as Representative Bob

Dorman (R-CA), Senator Arlin Specter (R-PA), and Senator Alan Simpson (R-CO) and by such moderates as Representative John Kasich (R-OH) and Representative Henry Hyde (R-NY). House Minority Whip Newt Gingrich (R-GA) seized the opportunity and denounced the NEA for funding Mapplethorpe who, Gingrich argued did not represent the artistic tastes of most Americans. Gingrich presented the Mapplethorpe case as the norm of grant funding. For those who criticized proprietary grants, it became common practice to identify extreme abuses as the norm. The argument was that morally offensive Mapplethorpe-like projects abused the system and that such abuses were extensive, draining federal dollars and preventing tax cuts.

The struggle over the fate of the NEA typified the political opposition to many federally administered grant programs. Political leaders from wealthier congressional districts soon began to scrutinize programs that their constituents did not participate in, qualify for, or enjoy. Socio-educational programs were especially vulnerable, including Project LEAP, an adult literacy program, and Head Start, an academic program for at-risk pre-schoolers.

The second force to impact federal grant policy decisions was the decline in military spending during the post-Vietnam War era. Beginning about 1975, the U.S. Department of Defense sought to justify budget increases based on its expenditure policies. Military bases generally had been able to generate monies for the department in part because of the politicization of bases in various congressional districts. Congressmen with bases in their districts typically supported and protected defense interests, especially in the deep south where military bases powered local and state economies. Military shipyards in Baltimore, Norfolk, Mobile, and Pensacola employed thousands of civilians, and industrial complexes that contracted with Lockheed and Martin Marietta employed many high-paying technical and professional workers. Hence, instead of the money fueling a system that improved the infrastructure, the money funded jobs in the industrial arena.

In summary, opposing views influenced federal grant politics. Whereas there was a desire among some to have a single federal department that operated all areas of supply for the military, there were also those who preferred localized control and grant decision-making. For the latter, Washington, DC, seemed too remote allocation to decide which programs should be funded in places like Tennessee, Oklahoma, Utah, or Hawaii.

Contemporary Viewpoints

During the past decade, advocacy related to administration of federal grants has shifted into two principal camps: (a) the proprietary federal grant system, which has accepted grant proposals based upon direct requests related to government needs and commitments; and (b) state block grants, which have allocated lump sums to states to fund various programs and projects. With state block grants, the U.S. Congress effected a radical shift away from close federal control of grant projects (Brewer et al., 2001). Instead of receiving specified funds for an array of specific projects, the states could receive block grants to be used at their discretion. Conflicts arose. Federal control of grant dollars assumed a degree of commitment to address various specific social and economic problems, but there was no such accompanying guarantee with state block grants. An August 25, 1995, *Washington Post* article pointed out that the Republican-led Congress has plans to make deep cuts in federal spending on social problems and to send the remaining money to the states in the form of 'block grants,' lump-sum payments that will replace hundreds of narrow federal programs. The poor are no longer automatically entitled to benefits, and state governments will be free to make their own decisions about needs and priorities—except perhaps on certain subjects. (as cited in Abramowitz, 1995; Booth, 1995, p. A1)

Support for traditional proprietary grants remained strong, especially in depressed regions of the country, in large metropolitan areas, rural districts, and in much of the south and southwest.

Projects became hindered by the limitations of state boundaries, as some regional projects that had permitted participation by several states became impossible to organize or to fund because of competing interests.

However, the block grant system showed some success because it addressed the needs of localized, parochial programs. This success was evident in the federal grant program known as general aid, the success of which has demonstrated that local communities know their needs better than Washington does. Block grant administration became more accessible because of the belief that state-level bureaucracy would prove less complex, but the redundant costs of duplicate bureaucracies in each state somewhat diminished block grant effectiveness.

Review of Literature

There have been four basic paradigms related to application, award, and disbursement practices for federal grant funding to the states: (a) support for traditional proprietary grants, (b) privatization of grants, (c) localization of granting projects based on local or regional needs and economic ability to pay, and (d) division of federal monies into block grants to the states. Political positions have tended to rest upon philosophical viewpoints about perceived welfare implications of grant projects. One view emanated in the wider context of the need to reduce the federal deficit and to eliminate "wasteful programs" (often seen as those programs not offered in a given Congressman's home district). Many in Congress, however, wanted worthwhile projects funded through block grants.

Support for traditional proprietary grants remained strong, especially in depressed regions of the country, in large metropolitan areas, rural districts, and in much of the south and southwest. This strength was evidenced by congressional

proponents of proprietary federal projects, such as Representative Charles Rangel (D-NY), Senator Tom Daschle (D-ND), and Senator Edward Kennedy (D-MA), and in research related to projects serving at-risk populations, welfare reform impact, and the efficacy of social projects. Loughlin (1996) reported that Analysts believe that states will cut benefits [to] the poor even further if the federal government doesn't maintain specific spending requirements. That's because states, fearing they will become 'welfare magnets,' will cut benefits to discourage poor residents from moving within their borders. (p. A1)

Numerous studies pointed out the importance of federal projects for the disadvantaged (Abramowitz, 1995; Booth, 1995; Flemming, 1994; Gugliotta et al., 1995; Lipman, 1996; Loughlin, 1996; Riddle, 1994; Shirk, 1995). Loughlin examined the controversy of state versus federal control of grant monies and noted that state governments have previously mismanaged and abused state and federal assistance.

Although the issues should center on which approach can best demonstrate efficiency and delivery of a quality product (Hudson & Dubney, 1986), state legislators and governors traditionally have favored social enhancement programs, including those in education (Byrne, Gordon & Schmickle, 1995; Dommel & Rich, 1987; Shirk, 1995). One initiative in Illinois proposed to consolidate all welfare and socio-educational programs under one super agency (Parsons, 1996). Loughlin's (1996) report demonstrated that welfare problems at the state level, in Florida in particular, have sought to revise Medicaid spending by cutting benefits and redirecting monies. "By allowing states to define disability and determine the amount, duration, and scope of services, states could discriminate among various illnesses—or even geographic areas—as to how much coverage to provide" (Lipman, 1996, p. 22A). In dealing with the shift from federal proprietary grants to state block grants, Lipman added that block grants, "would allow states to deny Medicaid optional services such as eyeglasses or mental health" (p. 22A).

Block grants could pose particularly serious difficulties for four states that have received large amounts of federal assistance: Louisiana, Missouri, Alabama, and Maryland (Abramowitz, 1995; Booth, 1995; Garvin & Young, 1993; Shirk, 1995). In Alabama, a state with an historically weak economy and tax base, there have been more federal programs and projects than in any other state. In terms of per capita distribution of federal grant dollars, Alabama has ranked first according to Office of Management and Budget (OMB) statistics. The problem for Alabama would be the amount of the block grant allocation, because the award would not be based upon need but upon equal division. Therefore, Alabama would soon lack funding for its social and educational programs. Given its complex infrastructure, Alabama could be constrained in spending its block grant (Booth, 1995).

Much of Maryland's weakened economy has been due to its proximity to Washington D.C. and its economic difficulties. The numerous federal projects in Baltimore and the surrounding counties, especially counties bordering the District of Columbia, could face reduced funding under a block grant system. Consequently, Maryland could be forced to raise taxes to cover the shortfall (Abramowitz, 1995; Hastings, 1982). Other states could eventually face similar problems. Arbitrary division of federal grant dollars would not work well because some states have greater needs for assistance than do other (Dommel & Rich, 1987; Gugliotta et al, 1995; Hastings, 1982; Shirk, 1995).

Conversely, block grants have had proponents who argue that state-managed block grants could save money by reducing a bloated federal bureaucracy (Byrne et al., 1995; *How to prepare*, 1995; Knapp, 1987; Knapp & Cooperstein, 1986; Levy & Linster, 1981; Parsons, 1996). Former Governor Christine Todd Whitman (R-NJ) has strongly advocated block grants because she believed states could do more with less. The argument for block grants has been that the states have a better understanding of their populations. Such a position has relied on the populist belief

that the federal government has misused regional, state, and local communities' tax dollars. Parsons reported that the "Republican-controlled Congress is considering providing states with lump-sum payments they could use as they see fit, instead of specifically earmarking funds for individual agencies and programs" (p. B1). In this respect, a central weakness in the position of many block grant proponents has been in their appeal to sentimentality and their reliance on faulty logic. It is not true that state-run programs necessarily operate better or more efficiently than federally run grant programs (Byrne et al., 1995; Dommel & Rich, 1987; Loughlin, 1996). Loughlin pointed out that prior to the landmark 1970 Clean Air Act, states had wildly different standards for air pollution levels. An examination of old air-quality standards for sulfur dioxide showed that South Carolina, with a standard of 0.50 parts per million allowed industrial areas to have dirtier air than neighboring North Carolina which had a standard of 0.30 parts per million. (p. A1)

Regarding grants, Loughlin added, "States also have shown a lackluster commitment to welfare programs, particularly when money is tight. Funds that help low-income families and individuals are among the first cut in recessionary times" (p. A1). Shirk (1995) added that

Block grants will be stumbling blocks for Missouri's kids because 'transforming the federal welfare program into a block grant program, with limits on eligibility and funding would also affect the 60,000 Missouri children whose families depend on welfare for support. (p. 1C)

Critics of the two basic grant paradigms have fallen into two categories: (a) those that write about their positive and negative experiences with one or both types of grant systems and (b) those that have an agenda that is socio-political, self-serving, and validational. There has been a strong question of bias for those

who advocate one grant system over the other because each system fosters parochial or federal loyalties. Conservatives have preferred block grants because they provide more state level control than do federal proprietary grants. Liberals have favored the current

proprietary grant system because it permits development and implementation of needed programs throughout the country. Thus, in the current system, the federal government can help meet a need in education or public health through a grant project that a state might not prioritize high enough to justify funding at home.

Validity could be impacted by writers' motives. In particular, partisan political advocates

may favor state block grants because lobbyists have recognized that regional and state interests are served more easily through local control. For example, between 1990 and 1995, the U.S. Department of Education transferred its support for an adult literacy program in Mississippi (Project LEAP) from federal to state control; monies from other programs were grouped together into the same block grant. The State of Mississippi could spend the money at its discretion, provided some or all of Project LEAP's funding was covered by the block grant. Operation of Project LEAP was delegated to the University of Mississippi. Subsequently, hundreds of thousands of dollars were spent on conference trips to Las Vegas, San Francisco, Honolulu, Vienna, Tokyo, and Paris. A federal audit of the program showed that of 8,000 participants, only 400 successfully completed the GED program (at a cost of \$40,000 per person). Federal investigators examined Project LEAP and discovered a lack of accountability and state-level control (Ferguson, 1997). Proprietary federal structure would have required appropriate accountability, and funding would have been placed under the direct scrutiny of the granting department.

Conversely, block grants have had proponents who argue that state-managed block grants could save money by reducing a bloated federal bureaucracy.

In general, federal documentation of grant funding outcomes has revealed strong statistical and empirical evidence that federal grants operate better than state block grants with respect to monitoring expenditures and evaluation of program effectiveness. This has been due in part to the fact that the reporting grant agencies maintained a centralized bureaucracy in Washington, D.C., with guidelines developed, effectiveness evaluated, and networking done on a national scale.

External Criticism

In looking over the scholarship related to both grant positions, two issues seemed obvious. First, much of the research stemmed from the 1980s, a political period marked by a policy of decentralization of the federal government under the populist presidents Reagan and Bush (1981-1992). Under both administrations, there was a concerted effort to undermine the authority of several federal departments, including the U.S. Departments of Education, Health and Human Services, Commerce, and Labor. During the Bush Administration, former Tennessee Governor and U.S. Department of Education Secretary Lamar Alexander proposed eliminating the Department of Education altogether. Attempts throughout the 1980s and 1990s centered on eliminating education-oriented projects such as TRIO programs, the college student loan program, the Pell Grant and Federal Supplemental Educational Opportunity Grant programs, as well as literacy programs and at-risk population programs for drug users, the mentally ill, and displaced workers. Kearney's (1988) argument about federal spending was consistent with those of other 1980s researchers who tended to look at how various programs and projects from that period failed or did not seem justified (Hastings, 1982; Hudson & Dubey, 1986; Knapp, 1987; Knapp & Cooperstein, 1986; Levy & Linster, 1981). The cry for choice stressed that local government knew best (Kearney), even when it clearly did not (Dommel & Rich, 1987).

The other difficulty with proprietary vs. state block grant system research centered around the populist "common-

sense" notion that Washington was evil and that the state capital was not, even though state-level corruption historically has been much worse. This translated into a populist movement to decentralize the federal government and return power to the people, which has been the GOP position in recent budget and welfare reform measures (Byrne et al., 1995; Hudson & Dubey, 1986; Loughlin, 1996; What the governors think, 1995). However, that view tended to overlook a fundamental problem with the politics of block grants—the needs of the minority (Loughlin, 1996; Riddle, 1994).

States inevitably would use block grant monies to fund those projects that enhanced their economies. Grant dollars would tend to go into business, industry, technology, and non-vocational educational programs (What the governors think, 1995). In reviewing the Congressional Record in particular, it would be easy to measure the pulse of the nation by the speeches congressional leaders would make for and against the federal and state block grant systems.

Purpose of the Study

The purpose of this article is to compare the traditional proprietary federal grant system with the state block grant approach. In addition, the article examines the impact, cost-effectiveness, equality, and dynamics of the federal grant system and the heavily-vaulted state block grant system.

Exploratory Hypothesis

The author hypothesizes that proprietary federal grants have been more fairly and effectively administered than state block grant allocations.

Data Analysis

Much research has been directed at federal proprietary grant projects and block grants to individual states. However, one fundamental problem with both groups of research has been biased reporting. This researcher suggests that there are four basic categories of internal criticism:

1. Scholarly works that reflect underlying political bias typically toward

pro-block grant studies. These articles tended to appeal to human emotion and to common knowledge solutions for program operation. For example, platitudes such as, 'Local communities know best what to do with grant monies,' and 'Federal grants are managed by large bureaucratic offices and personnel who charge money but do little or nothing in exchange for large paychecks,' were representative of untested emotional appeals (Abramowitz, 1995; Byrne et al., 1995; Dommel & Rich, 1987; Hastings, 1982; Kearney, 1988; Loughlin, 1996; Shirk, 1995).

2. Scholarly studies that focus on negative outcomes of the other position. These articles devoted more attention to the shortcomings of the opposing grant approach. Pro-block grant articles justified block grants by selectively pointing out the problems of federal proprietary grants. States were forced to accept proprietary programs imposed by the federal government with allegedly onerous oversight and compliance responsibilities. Proprietary grant articles pointed out that block grants tended to favor the more politically heeled proponents. Thus, states allegedly funded programs out of self-interest and promotion and omitted much-needed job preparation (Abramowitz, 1995; Blank, 1994; Booth, 1995; Byrne et al., 1995; Dommel & Rich, 1987; Gugliotta et al., 1995; Hastings, 1982; Kearney, 1988; Knapp, 1987; Lipman, 1996; Loughlin, 1996; Parsons, 1996; Riddle, 1994; Shirk, 1995, *What the governors think*, 1995).

3. Case studies of specific programs and circumstances. These studies provided the best evidence of successful programs. Articles in this category typically explored the issues of block and proprietary grants based upon specific contact and experience with specific programs or projects, such as Head Start or high school education programs (Brown, 1986; Garvin & Young, 1993; Hastings, 1982; Hudson & Dubey, 1986; Kearney, 1988).

4. Ancillary studies of block and proprietary grants. These studies dealt with grants placed into perspective, presenting relative factual information about both types of grant systems (Brewer et al., 2001; Flemming, 1994; *How to prepare*, 1995; Knapp & Cooperstein, 1986; Levy & Linster, 1981; McVay, 1987; Riddle, 1994; *A Teacher's Guide*, 1993).

Basic arguments for block or proprietary grants were consistent in that proponents of proprietary grants believed that the open competition for grant projects minimized patronage and gave everyone a fair opportunity. A centralized bureaucracy eliminated the need for duplicative state-level bureaucracies while providing project oversight.

Discussion

The central point of debate seems to rest on divergent methods for disbursing federal tax dollars for service-oriented programs designed to serve specific population needs. On the one hand, there is the familiar method of disbursement known as the proprietary federal grant system. Each department within the federal government addresses specific needs, and federal monies are allocated for those needs.

Guidelines are established based upon the needs of the individual federal bureaus and departments, and grant awards are based either upon competitive applications or upon open-ended, non-competitive proposals. The purpose and scope of contracted services must comply with fair practice regulations. Some typical requirements include

Employment practices. The grantee must abide by federal Equal Employment Opportunity Commission (EEOC) regulations in the hiring of all staff and personnel and must adhere to employment protection guidelines against discrimination, sexual harassment, unfair labor practices, and Environmental Protection Agency (EPA) regulations.

Participant practices. Assuming that the typical grant project provides needed services for a given population, the federal government typically requires that recipients meet specified eligibility criteria. Typically, criteria concern spe-

cific socio-economic and at-risk status, and guidelines regarding external criteria such as program-specific prerequisites (i.e., interest in math or science for an TRIO Upward Bound Program; displaced family in a migrant worker program, or teaching and research aptitude for the TRIO Ronald E. McNair Postbaccalaureate Achievement Program).

Service practices. The project itself must provide and be accountable for the services it provides. This requires the development of a plan of operation, goal, objective, an organizational hierarchy, steps for implementation and evaluation, goal statements, measures of success, and evaluation. The U.S. Department of Education typically requires program accountability for education-based projects. Participants must demonstrate that the program meets an identified need.

Within—but not restricted to—educational needs, the U.S. Department of Education establishes and monitors thousands of federal grant projects developed and run by grant applicants throughout the United States.

The purpose of such proprietary federal grant projects is to provide a service-oriented program to meet particular needs at the local, state, regional, or national level. Money is distributed on a competitive or non-competitive basis according to specific guidelines of the respective federal department. Proposals are written to receive federal grant money through a federal agency, and funding is allocated according to federal needs.

Grantwriters submit grant proposals with specific plans and budgets, and a grant may be awarded after the specific review and reward process. It is also possible for individual researchers to initiate studies by submitting proposals that identify solutions for specific projects. These can range from impact studies for the U.S. Department of Agriculture to development of a cure for AIDS for the U.S. Department of Health and Human Services.

Proprietary Grants

The advantage of the federal proprietary approach is that it provides a singular, administrative agency in charge of all programs within a given field, instead of having numerous, duplicative, state agencies for that task. The granting agency within a federal department retains jurisdiction and oversight, and the purpose of the program is to meet a need with a high degree of continuity across the nation.

The argument that block grants allow states to fund those projects they want to and to ignore those they do not is irrelevant in the proprietary approach because proprietary federal grant projects are funded based upon purpose-specific needs. If the State of Arkansas does not believe it needs a (proprietary) TRIO program such as Upward Bound, for example, none would need to be funded.

The central point of debate seems to rest on divergent methods for disbursing federal tax dollars for service-oriented programs designed to serve specific population needs.

Block Grants

The much ballyhooed state block grant system of disbursement of federal dollars tends to obviate the federal bureaucracy by eliminating federal oversight and transferring funding authority directly to the states. Instead of receiving grants through competitive proposals, a lump sum is sent to each state, and the state decides how the money is to be spent. Thus, if West Virginia and Tennessee each were to see a greater need for better transportation and water treatment facilities than for other programs, those states could use the money for such programs. Such grants have also served as supplemental welfare to the states (Knapp, 1987).

One of the central problems with state block grant programs is that they allocate monies based upon majority stakes that could fund some groups and ignore minority needs. State grant programs tend to favor business and industry. If the federal government were to hand over monies to the states and to absolve itself of the responsibility of

developing specific proprietary program, some specific nationwide needs could be ignored. This conclusion has been verified by research demonstrating that those states that received block grants have tended to ignore at-risk, service-oriented programs and to fund business and industrial projects (Byrne et al, 1995; Dommel & Rich, 1987; Hastings, 1982).

Conclusion

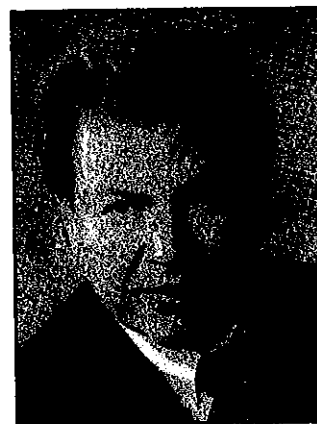
Research has clearly shown that for need-based grant projects, the federal proprietary grant award system has worked more efficiently than the state block grant system. As such, it clearly supports the exploratory hypothesis of this study. The federal proprietary system has provided centralized control, uniform policy for handling grant projects, centralized cross-referencing, and a singular bureaucracy for handling grant projects under its jurisdiction, as opposed to state-by-state duplicative bureaucracies. One of the comments often voiced by opponents of state block grants has been that they have favored certain programs and interests over the needs of a minority. For example, although a group in a given state may need a reading program, that state with block grants could use its funding for infrastructure projects (i.e., road projects, business loans, or technology), rather than for at-risk student education programs. Block grants have required states to make such decisions, and money has been spent on state-recognized needs.

Although block grants have provided some advantages over federal grants, those advantages have not justified discarding the proprietary system for the other. Although block grants have provided more localized control of projects, there have been many attendant problems. Without some federal system to oversee compliance and provide funding for minority-population programs, state block grants have tended to prioritize allocations according to majority economic and political considerations. As research consistently has shown, socio-economic needs have traditionally been a focus of proprietary grant allocations.

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