SUMMARY of Commission Report A-2

MODIFICATION OF FEDERAL GRANTS-IN-AID FOR PUBLIC HEALTH SERVICES

Advisory Commission on Intergovernmental Relations

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Pursuant to its statutory responsibilities, the Commission from time to time singles out for study and recommendation particular problems, the amelioration of which in the Commission's view would enhance cooperation among the different levels of government and thereby improve the effectiveness of the federal system of government as established by the Constitution. One problem so identified by the Commission relates to a recommendation which has been made in several previous studies of Federal grants-in-aid--namely, that existing highly specific categorical grants in the field of public health be combined or otherwise modified so as to provide increased latitude in their use by the States and their political subdivisions.

In its report on this problem the Commission has endeavored to set forth what it believes to be the essential facts and policy considerations bearing upon this problem and respectfully submits its conclusions and recommendations thereon to the Executive and Legislative Branches of the National Government and to the States.

Dating from the first "Hoover Commission" every major study group which has concerned itself with intergovernmental relations has identified as one of the problems of Federal-State relations current at the time, the specific categorization of Federal grants-in-aid for public health services and the administrative and budgetary difficulties alleged to be associated therewith. The report of the first "Hoover Commission" on Federal-State Relations in a section entitled "Piecemeal Determination: Public Health" discussed this situation as one which "makes it difficult for the States to balance their own fiscal and administrative activities." Similar comments were made in the report of the Commission on Intergovernmental Relations in 1955, the report of the Intergovernmental Relations Subcommittee of the House Committee on Government Operations in 1958, and the final report of the Joint Federal-State Action Committee.

The Advisory Commission on Intergovernmental Relations believes that this recurring issue should be brought to prompt resolution, one way or the other, and it is to such end that its report is directed.

As indicated by the title, the report is addressed to a specific problem and is relatively narrow in scope. It is concerned only with the question of the method whereby Federal funds are appropriated, apportioned and administered for grants-in-aid to the States for the following health categories: (1) general health; (2) heart disease control; (3) cancer control; (4) venereal disease control; (5) tuberculosis control; (6) mental health; (7) maternal and child health services; and (8) crippled children's services.

A. Summary Description of Categorical Programs

Continuing Federal grants for public health activities were inaugurated under the Social Security Act of 1935. Grants for the control of venereal disease were initiated earlier by the Chamberlain-Kahn Act of 1918 but were discontinued after a few years. The Public Health Service Act of 1944, consolidating and expanding previous public health legislation, is now the basic public health statute. Grants are made to assist the States and their political subdivisions to maintain adequate programs for general health and in five specific categories: Cancer control, heart disease control, mental health, tuberculosis control, and venereal disease control. Funds are allotted to the States for each category except venereal disease on the basis of formulas which generally take into account population, the extent of the particular health problem, and State per capita income. Funds for venereal disease control are granted on a project basis at the discretion of the Surgeon General and do not require matching. Grants for all other categories must be matched by the expenditure of one dollar from State or local sources for every Federal dollar. The programs are administered by the Public Health Service, Department of Health, Education, and Welfare.

Closely related to these categorical grants from the Public Health Service are grants for Crippled Children's Services and for Maternal and Child Health Services which are administered by the Children's Bureau of the Department of Health, Education, and Welfare. Allotment of funds takes into account the incidence of the respective problem and the financial need of the State. Part of the grants are unmatched, and part must be matched dollar for dollar.

B. Proposal for Consolidation of Categories

The Department of Health, Education, and Welfare in 1954 initiated a review of its grant-in-aid programs and proposed new

legislation with respect to grants for public health services, child health and welfare services, vocational education, and vocational rehabilitation to: (a) authorize the use of a uniform grant formula and approach in each of these programs, and (b) to combine categorical aids.

The Eisenhower Administration subsequently recommended a single unified Public Health Service health grant structure. Legislation which passed the House of Representatives in April 1954 (H.R. 7397, 83rd. Cong., 2nd sess.) would have eliminated the categorical programs for venereal disease, tuberculosis, heart disease and cancer control, consolidated these grant funds into a general grant for public health services, and continued grants for mental health for a five-year period. Under the proposal, grants of three types were to be made to the States: support grants, extension and improvement grants, and project grants for experimental purposes. Funds for support purposes were to be allotted among the States on the basis of a formula incorporating population and per capita income factors; the allotments were to be matched on a variable percentage basis (varying inversely with income of the States) within a maximum Federal share of 66 2/3 percent and a minimum of 33 1/3 percent. Extension and improvement grants were to be allotted on the basis of population and matched on a project basis, with a sliding scale depending upon the period elapsing, i.e., 75 percent first two years, 50 percent second two years, and 25 percent in the fifth and sixth years. The project aid for experimentation was to be distributed administratively. The "packaged" health program did not call for increased Federal expenditures for Public Health Service grants and cutbacks were projected in funds for a number of States.

Opposition to the proposal led to the five-year exception of mental health grants from the block grant proposal in the House; the Senate Committee on Labor and Public Welfare did not report out the companion Senate bill (S. 2778).

C. Program Objectives and Financing

1. General Health Assistance

The general health grant was started in 1936 to provide financial assistance and stimulation to the development and

improvement of State and local public health services for the prevention and control of disease, disability, and premature death. The grant was continued with relatively little change in the Public Health Service Act of 1944. Two factors have influenced the emphasis of the programs supported by this grant. First has been the initiation of grant programs for various categories of disease at a later date, and second has been the advancements in scientific knowledge that has made possible prevention and control of heretofore uncontrollable diseases. By administrative determination pursuant to general statutory language, 95 percent of the funds are allotted on the basis of population weighted by reciprocal per capita income and 5 percent on the basis of the extent of the health problem measured by the reciprocal of population density. Funds must be matched dollar for dollar.

2. Heart Disease Control

The grant for community programs for heart disease control was authorized in 1948. The legislation provided for submission of a plan by a political subdivision of the State or by any public or non-profit organization in the event the State health authority has not submitted a plan for any fiscal year. To date only one such agency has participated in the program. Funds are allotted among the States on a formula which takes into consideration population and financial need. Federal funds must be matched dollar for dollar.

3. Venereal Disease Control

The venereal disease control grant was authorized in 1939 to assist in establishing and maintaining measures for prevention and control of venereal disease. Formula grants for this program were stopped in 1953 and current grants are available only for special projects with no matching requirement.

4. Tuberculosis Control

The tuberculosis control grant was authorized in 1944 to assist in establishing and maintaining adequate measures for the prevention, treatment and control of tuberculosis. In 1955 use of tuberculosis control grants and matching funds were restricted to direct expenses of prevention case finding activities. By

administrative determination pursuant to general statutory language, 20 percent is allotted on the basis of population weighted by the reciprocal of per capita income and 80 percent on the incidence of tuberculosis. Grant funds must be matched dollar for dollar.

5. Cancer Control

The cancer control grant as a separate program was initiated in 1948. No statutory formula is provided for allotment of the funds but by administrative determination 60 percent is allotted on the basis of population weighted by the reciprocal of per capita income and 40 percent on the incidence of cancer. Federal funds must be matched dollar for dollar.

6. Mental Health Activities

This program was initiated in 1946 to assist States in establishing, maintaining and expanding community mental health services. Mental health grants are allotted by the administrator pursuant to statutory standards; 30 percent on the basis of population weighted by the reciprocal of per capita income and 70 percent on the extent of the mental health problem in the State. Federal funds must be matched dollar for dollar.

7. Maternal and Child Health Services

This program was established in 1935 to expand and improve services for promoting the health of mothers and children, especially in rural economically depressed areas. The Federal appropriation is divided into two funds. Fund A is apportioned partly by an equal grant in each State and partly in proportion to the number of live births. After reserving an amount for special projects, fund B is apportioned according to the need of each State for financial assistance in carrying out its approved plan. Fund A must be matched dollar for dollar.

8. Crippled Children's Services

This program was established in 1935 to extend and improve medical services available to crippled children. Federal appropriation is divided equally into two funds. Fund A is apportioned by equal grants to each State and the remainder prorated according to the number of children under 21 years of age. Twenty-five percent

of fund B is reserved for special projects and the remainder apportioned according to the financial need of each State. Fund A must be matched dollar for dollar.

D. Federal, State and Local Expenditures

In 1959 Federal grants for the 8 categorical programs amounted to only 14 percent of total expenditures for all programs. Federal grant funds were $62 million while State, local and other expenditures were $389 million. In a few States, however, Federal grants in certain categories comprised a significant portion of total outlays. State and local expenditures for programs included within Federal categorical grants represent only a minor fraction of State and local expenditure for all health purposes, including hospitals. The 1957 Census of Governments showed State-local expenditure for such purposes as follows: Hospitals--$2,648 million; Health (other than hospitals)--$552 million; total--$3,200 million. This included expenditure financed from Federal payments to States and local governments for health and hospital purposes, which were reported by the Census as totaling $111 million in 1957.

E. Desire of States for Increased Flexibility

For the past several years the pros and cons of substituting a general "block" grant, or alternatively, fund transferability among existing categorical grant programs have been discussed extensively. State officials favor maximum flexibility. Professional organizations concerned with particular categories believe that financial support from the Congress and State legislatures can be more strongly justified in terms of specific categories. Federal officials generally tend to the view that maximum stimulation of State and local health activity can usually be obtained through more specific programs.

More recently, local, State and Federal health agencies have emphasized the need for a reorientation of public health work to strengthen community health services for the prevention and control of chronic diseases. These agencies urge coordinated action on chronic disease problems because it would recognize the need of the individual who often has more than a single disease problem. This view has led to a third proposal--a consolidation of grants for specific chronic disease categories. The position of State and Federal agencies on earlier proposals for "block" grants and transfer of funds are set forth in detail in the full Commission report.

F. Conclusions and Recommendations

The Commission considered the following specific questions with respect to existing grants-in-aid from the National Government to the States for public health services:

(1) Have these grants become primarily stimulative or supporting in character?

(2) Does the present arrangement provide adequate flexibility to the States on the one hand and satisfactory general fiscal and program controls to the National Government on the other?

(3) Should the existing grants be combined into a single block grant, or should the specific categorical aids for chronic diseases be consolidated into a chronic disease grant, or should discretion be permitted to States to transfer funds among categories?

(4) If one of these possible modifications is desirable, which existing categorical grants should be included in the amalgamation or transfer arrangement?

(5) Are present apportionment and matching formulas soundly based and working satisfactorily or should they be modified?

1. Categorical Grants have Become Permanently Supporting in Character

While it is difficult to delineate precisely between a stimulating grant and a supporting grant, the Commission believes that because of continual increase in Federal funds that categorical health grants are now clearly supporting grants. The States in providing funds for these categories, considerably in excess of matching requirements, have indicated State recognition of these health problems as a continuing responsibility of State government.

It is recognized that within each specific category the use of "project" or demonstration grants may serve a stimulating purpose with respect to new approaches and techniques which may be employed to

advantage in coping with a particular public health problem. In general terms, however, the States no longer need stimulation to establish and carry on the categorical programs of the scope envisaged by the grants. Although here and there individual States may not be providing ample funds for all the categories, it would seem that an adequate time period has been provided (15 year as a minimum) for stimulating purposes.

2. Increased Flexibility Should be Provided for the States

Recognizing differences of view that exist between State and local officials and the Department of Health, Education, and Welfare, the fact remains, however, that the amount of funds presently is firmly established in each category for each fiscal year, each categorical sum in turn being dependent upon an individual set of apportionment and matching formulas. The Commission believes that the degree of fiscal and program control exercised by the National Government is more than adequate to protect the Federal investment. Suffice to say, the existing arrangements seem fully adequate to assure the use of funds in accordance with the intent of the Congress.

3. Grants to Which Amalgamation or Fund Transferability Should be Applied

Two sets of issues are involved in determining grants to which amalgamation or transfer should be applied. First is the question of administrative responsibility. The key question here is the relationship that exists between the administrative agency at the State level and the administrative agency at the Federal level. Second are questions of effective program operations and coordination thereof. The shift in emphasis of health agency operations from concern with individual diseases to concern with individual persons has increased the need for coordination for purposes of case finding, dissemination of health education materials, application of disease control and preventive measures.

The Commission believes that initially at least, any new framework for the pulling together of public health categorical grants should exclude grants for mental health, maternal and child health and crippled children services since functional lines of responsibility between the National Government and the States do not dovetail with respect to these three activities, the latter two being

administered by an agency other than the Public Health Service and the grants for mental health in a number of States by an agency other than the State health department.

4. Authorization of Fund Transferability Among Categories

After reviewing the various proposed modifications and their assumed advantages and disadvantages, each approach to the problem of Federal categorical grants ranging from a single block grant for all services to the present structure to discretionary disposal of a general fund by the Secretary of Health, Education, and Welfare:

> The Commission does not favor at this time the substitution of a single block grant for the existing eight categorical grants to States for public health services; rather, it is recommended that legislation be enacted which would amend the Public Health Service Act of 1944 by authorizing, at the discretion of the Governor, the transfer to up to one-third of the funds in any one grant category to other programs in the group. It is recommended that this flexibility apply to the following categorical grants: general health assistance, venereal disease control, cancer control, heart disease control, tuberculosis control. 1/

1/ Secretary Flemming did not concur in this recommendation of the Commission. He expressed the belief that sufficient flexibility is possible within the existing categorical grant system to diminish support for less essential activities and to increase support for and emphasis on an attack on new and emerging problems.

The Secretary noted that the trend toward general health grants can be accelerated and through this means, informal understandings can be reached with the States in the use of part of such general grant funds to attack new and emerging problems of national concern. He also pointed out that another means of bringing attention to bear on new and emerging problems is the use of the project grant approach. This approach provides the means for the Federal Government to assure the marshaling of necessary resources to attack special problems and offers the possibility of assuring application of Federal funds to achieve certain specified objectives.

Lastly, the Secretary expressed the view that the States actually can achieve greater flexibility by simply reallocating their matching support from one category to another. In this connection he called attention to the fact that the States substantially overmatch the Federal Government and therefore they can reduce their emphasis on a particular program simply by reducing the extent to which they overmatch in the category concerned.

On the other hand, the Commission believes that most of the flexibility advantages of a block grant can be obtained while at the same time avoiding some of the previously cited disadvantages, by an amendment to the Public Health Service Act which would permit States, at the discretion of the Governor concerned, to transfer from up to one-third of the Federal funds granted in any one category over to one or more of the other four public health categories. It is believed that under such a provision States would have sufficient flexibility in most cases to apply the Federal funds to the categories of the greatest need within the particular State while at the same time providing assurance to the Congress that in terms of the Nation as a whole the categorical areas would receive the relative emphasis placed upon them by the Congress in annual appropriations.

5. Uniform Allotment and Matching Formulae Desirable

It is recommended that legislation be enacted which would establish a uniform allotment and matching formula for Federal grants-in-aid to States presently extended in the following categories: general health assistance, venereal disease control, tuberculosis control, cancer control and heart disease control. In order to establish such uniformity, it is recommended that such formulae provide for the allotment of funds on the basis of State population and financial need as measured by State per capita income, and that matching requirements be placed on a sliding scale relative to State per capita income. 2/

2/ Secretary Flemming did not concur in this recommendation, believing that the variances in the geographical incidence and intensity of the various diseases are such as to make undesirable an attempt to achieve a uniform allotment and matching formula system. He did not agree that the alleged advantages of a uniform system would outweigh the difficulties which may be created from an attempt to create uniformity. He stated that the Department of Health, Education, and Welfare was taking the position that the present system provides a fairly good and widely accepted basis for pinpointing the States that need help the most on particular diseases.

The Commission believes that the present diverse formulae as among the five categorical programs are of doubtful value and cause unnecessary complexities at both the national and State levels. The Commission believes that a combination of population as a general indicator of relative program need among the States, and per capita income, as an indicator of financial need, would be fair to all the States.

The "Hill-Burton" formula has come into general practice in other public health service grant programs, and the Commission recommends that a formula patterned generally along the lines of the "Hill-Burton" program be applied to disease control grants instead of the diverse requirements presently extant in the categorical grants for public health services.

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Modification of Federal Grants-in-Aid for Public Health Services. Summary of Report A-2. January 1961. 11 p., offset. (Original Report Out of Print)

Investment of Idle Cash Balances by State and Local Governments. Report A-3. January 1961. 61 p., printed.

Intergovernmental Responsibilities for Mass Transportation Facilities and Services. Summary of Report A-4. April 1961. 13 p., offset. (Original Report Out of Print)

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State and Local Taxation of Privately Owned Property Located on Federal Areas: Proposed Amendment to the Buck Act. Report A-6. June 1961. 34 p., offset.

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Local Nonproperty Taxes and the Coordinating Role of the State. Report A-9. September 1961. 68 p., offset.

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