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7-10-1981

### Block Grants, July 10, 1981

Vern Riffe

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# INTER-OFFICE COMMUNICATION

TO Mr. Speaker DATE July 9, 1981  
FROM: Don Roberts  
SUBJECT: Speech for the Greater Cleveland Growth Association

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Date: **Friday, July 10, 1981**

Time: Noon: Location, 21st Floor of Union Commerce Bank Building, directions on memo attached prepared by Jodie.

Audience: The Public Affairs Committee and their guests of the Greater Cleveland Growth Assn. The Mid-Day Club.

Note: Jim Patton and Allen Waddle (216-575-2994) are hoping that you can arrive by 11:30 so as to have lunch with the group before speaking.

Waddle, VP of National City Bank, and Chairman of this group, would like to introduce you to some people around the bank if you have time.

This talk is based on information from Bill Keip, the DNC and documents from the White House. 



# INTER-OFFICE COMMUNICATION

TO Mr. Speaker DATE June 25, 1981  
FROM: Jodie  
SUBJECT: Directions to Cleveland for Speech to the Greater Cleveland  
Growth Association - Friday, July 10

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Your speech is scheduled for 12:30 (right after lunch). The Growth Association would like you there at 11:30 or 11:45 to join them for lunch at noon.

Directions:

71 N. to E. 9th Street Exit (Downtown)  
Go down E. 9th (Past Carnegie)  
Next traffic light is Prospect Avenue  
The Ameritrust Parking garage is at the corner of Prospect  
and E. 9th (the entrance is on the right)  
Park there.  
When leaving the garage, Go down E. 9th (the same way you were  
driving down E. 9th) 1 block to the next light (Euclid and E. 9th)  
Union Commerce Bank Building is on the corner.  
Go to entrance. Take elevator to the 21st floor to the  
Midday Club.

GREATER CLEVELAND GROWTH ASSOCIATION  
PUBLIC AFFAIRS COMMITTEE

MID-DAY CLUB

FRIDAY, JULY 10, 1981

NOON

UNION COMMERCE BANK BUILDING

21ST FLOOR

REMARKS BY VERN RIFFE, SPEAKER  
THE OHIO HOUSE OF REPRESENTATIVES

INTRODUCTION

CHAIRMAN ALLEN WADDLE, JIM PATTON, MEMBERS OF THE GREATER CLEVELAND GROWTH ASSOCIATION AND GUESTS. THANK YOU FOR ASKING ME TO BE WITH YOU TODAY.

CLEVELAND IS ONE OF AMERICA'S GREAT LARGE CITIES. ORGANIZATIONS LIKE YOURS HELP MAKE IT SO. I COMMEND YOU FOR YOUR HARD WORK FOR AND DEDICATION TO THIS CITY AND THE GREATER CLEVELAND AREA. THE TOPIC OF THE DAY--THE REAGAN ADMINISTRATION'S NEW FEDERALISM

YOU'VE SUGGESTED THAT I DISCUSS THE REAGAN ADMINISTRATION'S NEW BUDGET IDEAS AND IF THEY BECOME REALITY, HOW THEY WILL AFFECT

OHIO.

FIRST, BE ADVISED THAT THERE IS NO ANSWER TO THIS QUESTION.

AT THIS TIME WE CAN ONLY SPECULATE AS TO HOW ANY CHANGES  
IN FEDERAL TAXING AND SPENDING MIGHT AFFECT THE STATE OF OHIO.

THIS IS ONE REASON THAT THE OHIO GENERAL ASSEMBLY HAS GONE  
TO A FOUR MONTH INTERIM BUDGET, UNTIL NEXT OCTOBER FIRST. NO  
ONE WILL KNOW ABOUT THE FEDERAL SIDE OF BUDGETING UNTIL FALL.

IN THE FALL THE OHIO LEGISLATURE WILL BE ABLE TO CONTINUE  
WORK ON A PERMANENT BUDGET BILL BECAUSE WE WILL HAVE THE BENEFIT  
OF KNOWING WHAT FEDERAL DOLLARS WILL BE AVAILABLE AND WE WILL  
HAVE A BETTER IDEA OF HOW THE STATE'S ECONOMY IS OPERATING.

ALSO WE WILL KNOW JUST WHAT THE SITUATION WILL BE ON THE  
PROPOSED BLOCK GRANT PROPOSALS THAT WE'VE BEEN HEARING ABOUT.

## BLOCK GRANTS

A WORD HERE ON THE IDEA OF BLOCK GRANTS.

IN THE PAST, 25 PER CENT OF OHIO'S STATE INCOME HAS BEEN FROM VARIOUS PROGRAMS OF THE FEDERAL GOVERNMENT. IN MOST CASES FEDERAL LAWS HAVE APPROPRIATED FUNDS TO STATES UNDER CERTAIN CONDITIONS. THAT IS, THE STATE'S WOULD FOLLOW CERTAIN STANDARDS AND PROVIDE CERTAIN MATCHING DOLLARS. THE FEDERAL GOVERNMENT, THROUGH ONE OFFICE OR ANOTHER, WOULD GRANT A CERTAIN AMOUNT OF MONEY TO THE STATES. THIS METHOD OF PROVIDING FEDERAL FUNDS TO STATES AND OTHER POLITICAL SUBDIVISIONS IS CALLED BY SEVERAL NAMES SUCH AS CATEGORICAL AID, REVENUE SHARING, HIGHWAY MATCHING GRANTS, ETC.

THE SO CALLED BLOCK GRANT SYSTEM WOULD PROVIDE FUNDS TO STATES IN LARGE AMOUNTS WITH FEWER CONDITIONS ATTACHED ALLOWING STATES

TO MAKE MANY MORE SPECIFIC DECISIONS ON HOW THE FEDERAL FUNDS  
WOULD BE SPENT WITHIN THE STATES.

THE REASON THAT NO ONE CAN SAY HOW SUCH A NEW APPROACH  
WOULD AFFECT OHIO'S BUDGETING AND SPENDING IS THAT CONGRESS HAS  
NOT MADE THE DECISIONS YET.

A U.S. SENATE-HOUSE CONFERENCE COMMITTEE STARTED MEETING THIS  
WEEK TO ATTEMPT TO FIND COMMON GROUND BETWEEN A HOUSE BILL AND A  
SENATE BILL, BOTH DEALING WITH THE BLOCK GRANT CONCEPT.

THE HOUSE BILL WOULD CONSOLIDATE MANY FEDERAL PROGRAMS AND  
GIVE THE STATES ADDED FLEXIBILITY IN USING THE FEDERAL MONEY.  
THE HOUSE BILL WOULD PROVIDE BLOCK GRANT MONEY FOR PROGRAMS IN  
COMMUNITY DEVELOPMENT, EDUCATION AND HOME ENERGY ASSISTANCE,  
SOCIAL SERVICES, PREVENTIVE HEALTH, MATERNAL AND CHILD CARE,  
ALCOHOL AND DRUG ABUSE.

THE SENATE BILL WOULD PROVIDE BLOCK GRANTS OF MONEY FOR SUCH PROGRAMS AS HEALTH SERVICES, SOCIAL SERVICES, PREVENTIVE HEALTH, HOME ENERGY ASSISTANCE, COMMUNITY SERVICES, MATERNAL AND CHILD HEALTH CARE.

AS YOU CAN SEE THERE SEEMS TO BE SEVERAL AREAS OF COMMON GROUND.

JUST WHAT COMPROMISES, IF ANY, THE TWO HOUSES WILL MAKE ON THE BLOCK GRANT PROPOSALS REMAIN TO BE SEEN. IT MAY BE WEEKS BEFORE THE CONFERENCE COMMITTEE AGREES. YOUR GUESS AS TO WHAT THOSE AGREEMENTS MIGHT BE IS AS GOOD AS MINE.

OTHER MATTERS STILL TO BE DECIDED BY CONGRESS RELATIVE TO FEDERAL FUNDS, INCLUDE A CAP ON MEDICAID FUNDS. THE SENATE HAS PLACED A 9 PERCENT CEILING ON FEDERAL MEDICAID CONTRIBUTIONS WHILE THE HOUSE BILL HAS NO SUCH PROVISION. THE ADMINISTRATION WANTS



A 6 PERCENT CAP. THE HOUSE BILL WOULD CUT FEDERAL MEDICAID FUNDS TO STATES BY 3 PERCENT IN FY 82, BY 2 PERCENT IN FY 83, AND BY 1 PERCENT IN FY 84. BOTH BILLS WOULD GIVE THE STATES MORE FLEXIBILITY IN ADMINISTERING MEDICAID PROGRAMS.

HOW ALL OF THIS WILL AFFECT THE STATE OF OHIO IS UNKNOWN.

ONE MIGHT ASSUME THAT OHIO WILL NO LONGER GET 25 PERCENT OF ITS REVENUE FROM THE FEDERAL GOVERNMENT IF PRESIDENT REAGAN'S PROGRAM DOES BECOME LAW. IN THAT CASE THE STATE WOULD EITHER HAVE TO CUT SPENDING OR FIND NEW SOURCES OF REVENUE TO CONTINUE SOME PROGRAMS.

SOME COMMENTS ON THE DIFFERENCES IN WHAT DEMOCRATS BELIEVE MUST BE DONE ABOUT A TAX CUT AND THE REAGAN TAX CUT PROPOSALS

I. NO QUESTION THAT THE COUNTRY NEEDS A TAX CUT. NO QUESTION THAT THE COUNTRY WILL GET A TAX CUT.

--MIDDLE -INCOME FAMILIES ARE THE VICTIMS OF INFLATION AND TAX INCREASES.

--AMERICAN BUSINESS IS FALLING BEHIND ITS COMPETITORS FOR LACK OF CAPITAL INVESTMENT.

II. THE DEMOCRATS AND THE PRESIDENT ARE ON THE SAME ROAD. THE DIFFERENCE IS THAT HE'S LOOKING AT THE WORLD FROM A MERCEDES BENZ AND WE'RE LOOKING AT IT FROM A CHEVETTE.

--PRESIDENT STILL BELIEVES IN TRICKLE DOWN ECONOMICS--SO HE GIVES THE WEALTHY THE GREATEST PROPORTION OF THE CUT.

--DEMOCRATS KNOW THAT TRICKLE DOWN ECONOMICS DOESN'T WORK. WE GIVE THE LARGEST PROPORTION OF THE CUTS TO WORKING FAMILIES EARNING BETWEEN \$15,000 AND \$50,000.

--WE BOTH BELIEVE THAT BUSINESS NEEDS RELIEF. HE GIVES MOST OF THE CUT TO BIG BUSINESS. DEMOCRATS SPREAD THE CUT TO ALL BUSINESS-- WITH SPECIAL BENEFITS FOR SMALL BUSINESS.

III. THE PRESIDENT WANTS A THREE -YEAR TAX CUT. DEMOCRATS  
ARE VERY WORRIED ABOUT MULTI-BILLION DEFICITS IN 1984 -- AND HIGH  
INFLATION--AND HIGH INTEREST RATES.

--WE BOTH CUT TAXES ABOUT THE SAME OVER TWO YEARS-- THE PRESIDENT'S  
EXTRA 10% FOR A THIRD YEAR IS A REAL GAMBLE.

--YOU CAN BET THAT IF THE PRESIDENT'S ECONOMIC PREDICTIONS ARE  
RIGHT, DEMOCRATS AND REPUBLICANS IN CONGRESS WILL BE HAPPY TO  
ADD A THIRD-YEAR CUT.

IV. THE PRESIDENT BLAMES DEMOCRATS FOR NOT DELIVERING A TAX CUT  
IN LESS THAN A MONTH.

--DO YOU WANT US TO RAM THROUGH THE BIGGEST TAX CUT IN HISTORY  
JUST TO BE NICE TO THE PRESIDENT? -- OR DO YOU WANT US TO BE A BIT  
MORE CAUTIOUS?

#### CLOSING

OHIO IS EXPERIENCING SOME VERY DIFFICULT TIMES.

THE GENERAL ASSEMBLY HAS BEEN SEEKING SOLUTIONS TO MANY  
OF OUR PROBLEMS FOR MONTHS NOW. WE HAVE PASSED SEVERAL BILLS  
THAT WE BELIEVE WILL HELP BUSINESS, REDUCE UNEMPLOYMENT, AND  
INCREASE STATE REVENUES.

YOUR IDEAS AND SUPPORT FOR OUR WORK IS NECESSARY AND WELCOME.

THANK YOU FOR HAVING ME HERE TODAY. IT IS ALWAYS A  
PLEASURE TO BE WITH GOOD PEOPLE IN CLEVELAND AND TO TALK ABOUT  
OUR STATE AND ITS GOVERNMENT.

## Federal Budget

- . Federal funds are a significant portion of the state's budget. Almost 25% of state revenues in 1980, or almost \$2 billion, came from federal sources. In addition, substantial amounts of federal aid come directly to citizens and local governments without passing through the state budget.
- . Since President Reagan's package places a priority on defense spending, payments to individuals (the "social safety net"), and interest on the national debt, assistance to state and local governments will bear a substantial portion of federal budget cuts.
- . It is not yet clear how Congress will modify the President's proposals. Congress was generally supportive of the President in its first budget resolution in May. Both the House and the Senate have accepted much of the President's package in their separate actions on the reconciliation bill in June, but substantial differences remain to be resolved in conference. Further details will not become clear until Congress acts on appropriation bills in early fall.
- . Congress is moving more slowly on the President's proposals for tax reductions. This is a key element of the package, and will have a substantial impact on economic activity in the state, and therefore on Ohio's revenues, but only some period of time after the program is effective.
- . The President has proposed that many federal grant programs be consolidated into block grants, with funding for each block grant cut by approximately 25% from existing levels. In the face of inflation still approaching double digit levels, these grants will effectively be cut by about one third. Congress appears to be making significant changes to these proposals, but the total cut in funding will still be substantial.
- . The President has also proposed that a cap be placed on federal contributions to the Medicaid program, the cap allowing only a 5% increase in 1982 over 1981 levels. The Senate has agreed to a cap, but allows a 9% increase over 1981. The House rejected the cap, but generated similar savings by reducing the federal share of Medicaid costs. In the short run, the impact of a cap would depend on the method used by the federal government to allocate the cap among the states. The method proposed by the Reagan administration appears to minimize the impact on Ohio, while severely affecting some other states. If preliminary reports on the House's action are accurate, Ohio would stand to lose \$30 million in federal fiscal year 1982.