

see no reason for excluding grants made to nonprofit agencies such as those given to community action agencies by OEO.

This kind of grant—direct to local nongovernmental bodies—is relatively new, but if the history of Government action is any guide, use of the technique will spread. As a matter of fact the budget for 1969 does indicate spread already in the Public Health Service grants. There is every reason for this kind of grant to be subject to the provisions of titles II, V, and VI.

Therefore we suggest appropriate revision of section 106 (*c*), either by adding “or State-approved” after “State-administered,” or by somewhat different language. For example, it might read:

To an instrumentality incorporated or chartered in a State to carry out a plan or program which is subject to approval by a Federal agency.

There is, we believe, an inadvertent reference to title VI in section 109. Perhaps this was a carryover of language from an earlier bill. The correct reference is no doubt to present title VII, section 806 (*c*).

TITLE II, IMPROVED ADMINISTRATION

Section 201 of title II falls short of its real potential for improving the administration grants-in-aid, because, as we understand it, the responsibility of the Central Government to inform Governors, upon request, is limited to grants being made to States. We believe the provision should apply to all grants-in-aid—as we would revise their definition—made within a State.

There is some room for confusion as to the actual intent of section 201 because section 106 defines grants to include political subdivisions, but section 102 defines State for the purposes of all titles except VIII and IX (reinforced by section 111) as excluding political subdivisions.

We urge this subcommittee to clarify the language so that section 201 will expressly include political subdivisions. And we hope that in doing this, the subcommittee will see fit also to make applicable to section 201 our suggested revision of the grant definition in section 106 (*c*).

Why should title II exclude the governments of political subdivisions of the State? More and more grants are being made directly to local governments and community organizations, for all practical purposes completely bypassing the States. This would seem a definite reason for the Central Government to recognize the right of the States to know the facts regarding any Central Government support of their own political subdivisions, particularly when an increasingly large part of the \$18 billion in grants is going to those subdivisions. Furthermore, because the newest structural unit eligible for aid is the nonprofit corporation for community action, it would seem necessary to make title II apply to this type of quasi-political unit also.

Our own preference for tightening grant administration would differ from the section 201 provisions, even corrected as just suggested. We believe that grants from the Central Government should be given only to States and these funds, along with any state-participation funds, allocated to beneficiaries within the States by the States themselves. We made this point in our testimony to this subcommittee on S. 561 in 1965, and we still believe it would be tackling the problem at its source. It may be possible, however, only in the longrun, after