



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

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GENERAL GOVERNMENT
DIVISION

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DECEMBER 31, 1980

The Honorable Henry L. Bellmon
The Honorable Pete V. Domenici
United States Senate

Subject: Assessment of whether the Federal grant process is being politicized during election years (GGD-81-41)

In your September 15, 1980, letter, you requested that we study the possible politicization of the Federal grant award process in election years. As arranged during our November 14, 1980, briefing of Senator Domenici's office, we are providing a summary of the results of our work.

As the recent national election shows, assertions are sometimes made that Federal grants are awarded to achieve political purposes. While our work was by no means sufficiently comprehensive to resolve this issue, the limited amount of work we did seemed to dispel any notion that such politicization is of a magnitude to be reflected in gross award patterns in election versus nonelection years.

Without question, political factors influence the distribution of grant funds. It is the political process itself that determines the extent to which factors such as population and income or other indicators of need are important in the distribution of program funds. The Congress usually specifies the rules under which the executive branch operates these programs. Such specifications widen or narrow applicant eligibility, suggest or mandate criteria for awarding discretionary grants, or establish a formula to distribute funds.

A major structural distinction between types of grant programs is the criteria for fund distribution--formula or discretionary. In formula programs, which represent the majority of Federal assistance dollars, the Congress generally

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establishes the distributional criteria. In discretionary programs, that authority is usually delegated to the executive branch. As requested, we directed our study toward this latter group of programs.

Although the Federal Government has several hundred discretionary grant programs, we selected for study only those administered by the Department of Commerce's Economic Development Administration (EDA). We did this for several reasons. EDA's grant projects are of moderate size, ranging from about \$100,000 to \$5 million. These projects, therefore, are large enough to attract a fair amount of interest but not so large as to invite a great deal of public scrutiny in terms of who gets the awards. Further, those making grant decisions in EDA are given greater latitude than those making similar decisions in most other agencies.

The objective of our study was to test whether indications of politicization were apparent, based on an analysis of gross patterns of assistance awards in the 10-year period ending in fiscal year 1980, a period which covered most of the campaign activities of three national elections (1972, 1976, and 1980). Work was limited to six key "swing" States--California, New York, Pennsylvania, Illinois, Texas, and Ohio--which, collectively, accounted for 190 of the 270 electoral votes needed to win a national election. The data base developed to perform our analysis involved about 4,000 assistance awards including public works grants, technical assistance, planning grants, and economic assistance. Our work included an analysis of the

--total dollar amount awarded in each of the six States by year,

--percent of dollars awarded in the six States by year to the total amount awarded nationwide,

--number of grants awarded in the six States by year, and

--percent of dollars awarded in the six States by month in the three election years.

In the first analysis we found that considerable fluctuations occurred in the dollars awarded annually in each State. These fluctuations, however, appeared to be random and related to overall changes in program funding levels rather than election years. Our second analysis of the percent of dollars awarded in the six States in relation to the total amount

awarded was made to eliminate the influence of overall changes in funding levels relative to individual award patterns for the six States. We found that the proportion of dollars awarded in each State remained relatively constant and that there was no apparent trend coinciding with election years.

We made our third analysis of the number of projects awarded to determine whether the number of grants increased during election years relative to funding levels. We found a close relationship between numbers of grants awarded and funding levels, indicating that the average dollar value of individual project grants remained fairly constant. Fluctuations which did occur in the average dollar value could be traced to a small number of large dollar grants awarded for purposes not relating to election year politics, such as for the Olympic Games in Lake Placid, New York.

Our fourth analysis which dealt with the percentage of dollars awarded by month in election years, showed no apparent evidence of an award pattern designed to yield political benefit during primary and national elections. It was interesting to note that while EDA's grant award processes may not be representative of all Federal grant programs, EDA's awarding of grants showed a dominant end-of-year spending pattern. In 1972 and 1976 when the fiscal year ended in June, EDA made 30 percent of its total grant awards in that month. And again in 1980, when the fiscal year ended in September, EDA made 36 percent of its total grant awards in that month. In each of these years, the amount of grants awarded in the last month of the fiscal year was at least twice the amount of grants awarded in any other month within the year. If election year political influences were a factor in the distribution of grant awards, they were very insignificant compared to the end-of-year spending phenomenon.

As you know, the analyses we performed coincided with a national election. This gave us the opportunity to review the many articles appearing in newspapers and magazines during the past few months discussing the use of a President's incumbency to gain political benefit. While there were the customary charges that administration officials were interfering with the Federal grant award process, there was no clear evidence that this was being done in an inappropriate manner. What responses to the assertions seemed to suggest was that grants which would have been awarded in the normal course of events were being timed and orchestrated to gain maximum political effect. Even so, many contend that support from State and local officials and the voters as a whole comes not from an

increased infusion of Federal aid during the campaign (or from threats of its withdrawal) but rather from the actions taken by the incumbent during his preceding years in office.

In summary, our analysis did not reveal any apparent differences in award patterns in election versus nonelection years. It must be emphasized, however, that even if indications surfaced that these patterns changed during election years, they would not substantiate that an abuse of the system had occurred; improprieties could only be established by an in-depth review of individual cases. Even in individual cases, establishing conclusive proof that an abuse had occurred would probably be very difficult. For example, considerable problems could be expected in locating knowledgeable individuals and complete and accurate records associated with decisions made up to 10 years ago.

We trust this analysis meets your needs. If you have any questions or wish to discuss this matter further, we would be happy to meet with you at your convenience. It may interest you to know that we plan to start work shortly on a multiagency study to contrast and assess the processes used in making grant award decisions. This should provide us greater insight into how Federal agencies are exercising their discretionary authority in granting financial assistance.

As arranged with your office, copies of this report will be made available to others upon request.



William J. Anderson
Director