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REPORT TO THE CONGRESS

UNITED STATES
GENERAL ACCOUNTING OFFICE
096846
AUG 20 1975



BY THE COMPTROLLER GENERAL OF THE UNITED STATES
GENERAL SYSTEM



Fundamental Changes Are Needed In Federal Assistance To State And Local Governments

Office of Management and Budget
and Other Federal Agencies

Substantial problems occur when State and local governments attempt to identify, obtain, and use Federal assistance. These problems, from an intergovernmental perspective, are directly attributable to the proliferation of Federal programs and fragmentation of organizational responsibilities.

The Congress can reduce the complexity of the current system (or nonsystem as seen by the potential recipient) of 975 Federal assistance programs and 52 Federal administering agencies through program consolidation, forward funding, and authorizations and appropriations for longer than 1 fiscal year.

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-146285

To the President of the Senate and the
Speaker of the House of Representatives

This is our report on ways the Congress and the executive branch can improve the delivery of Federal assistance to State and local governments. Increasing congressional and executive concern with the proliferation of Federal assistance programs and the attendant problems of State and local governments prompted our review of State and local officials' experiences in dealing with the Federal assistance delivery system.

We made our review pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

We are sending copies of this report to the Director, Office of Management and Budget, and to the Administrator of General Services.

A handwritten signature in black ink, appearing to read "James B. Stearns".

Comptroller General
of the United States

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ABBREVIATIONS

EPA	Environmental Protection Agency
FMC	Federal Management Circular
GAO	General Accounting Office
GSA	General Services Administration
HEW	Department of Health, Education, and Welfare
HUD	Department of Housing and Urban Development
LEAA	Law Enforcement Assistance Administration
OMB	Office of Management and Budget
SRS	Social and Rehabilitation Service

COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

FUNDAMENTAL CHANGES ARE NEEDED
IN FEDERAL ASSISTANCE TO
STATE AND LOCAL GOVERNMENTS
Office of Management and Budget
and Other Federal Agencies

D I G E S T

RECOMMENDATIONS TO THE CONGRESS

The Congress can simplify the current system of 975 Federal assistance programs administered by 52 Federal agencies by consolidating programs serving similar objectives into broader purpose programs and placing programs serving similar goals within the same agency.

Fundamental problems in providing assistance continue and are directly attributable to the proliferation of Federal programs and fragmentation of organizational responsibilities. The Congress could enact previously proposed amendments to the Intergovernmental Cooperation Act of 1968, which would establish a consolidation mechanism.

To relieve the time pressure on its deliberations and to eliminate funding uncertainties resulting from delays in the passage of authorization and appropriation bills, the Congress should consider greater use of forward funding and authorizations and appropriations for longer than 1 fiscal year.

RECOMMENDATIONS TO THE EXECUTIVE BRANCH

The Under Secretaries Group for Regional Operations should direct Federal Regional Councils to:

- Make a special effort to help State and local governments identify and obtain information on Federal assistance.

--Designate a small number of knowledgeable officials to respond to State and local governments' inquiries about Federal assistance programs or to make referrals, as appropriate, to other Federal officials with expertise in the field of inquiry.

The Administrator of General Services should revise Federal Management Circular 74-7 to give all prospective grantees the opportunity to receive Federal assistance by allowing them a minimum time to prepare and submit applications for Federal assistance.

AGENCY COMMENTS

The Office of Management and Budget and the General Services Administration agreed generally with GAO's conclusions and recommendations. Their comments are included as appendixes IV and V, respectively.

Chapter 5 contains a discussion of these comments and reservations expressed on GAO's recommendations for forward funding and increased emphasis by Federal Regional Councils.

CHAPTER 1

HISTORY AND PURPOSE OF FEDERAL ASSISTANCE

For over a century the Federal Government has provided assistance to State and local governments to accomplish specified national priorities. Federal assistance programs have been enacted for a variety of reasons, such as

- encouraging the accomplishment of social objectives;
- encouraging or assisting State and local governments in establishing new programs or activities;
- equalizing financial resources between geographical areas;
- supplementing State and local government funds to carry out projects which have local, regional, or national significance; and
- improving State and local administrative structures and operations.

Federal assistance encompasses grants-in-aid, revenue sharing, loans, subsidies, insurance, and nonfinancial aids.

Most Federal assistance has been in grants-in-aid with which the Federal Government has provided funds and collaborated with State or local governments in administering programs bearing both a strong national and State or local interest. The term "categorical" is typically used to describe grants-in-aid, and, as the term implies, categorical grants are directed at rather narrow objectives or specifically defined needs. Also, highly prescriptive guidelines and regulations must normally be followed during application for and then administration of grant-in-aid projects.

In 1862 the Congress enacted the Morrill Act to help the States establish and maintain land-grant colleges. The act carefully specified the grant's objectives, placed conditions on use of revenue derived from the sale of granted lands, and required annual reports. This established the pattern of categorical grants--providing needed resources

for specific purposes in exchange for acceptance of minimum national standards.

This pattern continued with the enactment of the Federal Aid Road Act of 1916, which authorized construction of public roads over which U.S. mail would be transported. Under the act, each State was required to create a highway department and match Federal funds dollar for dollar. Furthermore, provision was made for advance Federal approval of projects and for continuing Federal supervision. These types of provisions continued under the wide range of welfare and economic security programs enacted during the 1930s.

In the 1960s the number and dollar amount of Federal assistance programs grew substantially. Major steps were taken to broaden elementary, secondary, and higher educational opportunities; to promote development in economically depressed areas; to help finance health services and medical care for the indigent; to launch a war on poverty; and to attempt a comprehensive physical, social, and economic program to transform slum and blight-ridden cities into model neighborhoods.

During the 1960s and into the 1970s, the Federal Government began new approaches to providing assistance to State and local governments. The pattern of increasing assistance through narrowly defined categorical programs was altered significantly with the enactment of broader purpose block grants and general revenue sharing. Fundamental to both approaches was the intent to provide State and local governments with greater flexibility in resource allocation.

The 1966 amendments to the Public Health Service Act introduced block grant assistance. Under these amendments, 16 existing categorical grants for health services were consolidated into block grants to States and areawide agencies. Manpower, community development, and criminal justice system block grants have also been established.

Block grants are similar to categorical grants in that funds are awarded for specified purposes on the basis of an application or plan setting forth the intended use of funds. They differ, however, in that categorical grants are for narrowly defined purposes and block grants are for more

broadly or functionally defined purposes. Block grants also place greater reliance on State and local initiative and administrative machinery.

The State and Local Fiscal Assistance Act of 1972, commonly known as the Revenue Sharing Act, provided another approach to assisting State and local governments. The Congress concluded that the act should give recipient governments broad flexibility in using the funds with only very general guidance from the Federal Government. State and local governments automatically receive revenue sharing funds, unlike categorical and block grants. Revenue sharing funds may be used by a local government for priority expenditures in a number of areas broadly defined by the act and by a State government for generally whatever it deems appropriate.

Types of Federal assistance programs are also distinguishable by the method of distribution--formula or discretion. Formula grant funds are distributed among all eligible recipients on the basis of a formula, which is usually prescribed in the authorizing legislation and which considers either population, numbers of low-income residents, fiscal capacity of recipient governments, or a combination of these and other factors. Usually a State plan evidencing compliance with certain legislative requirements is all that is needed to obtain formula dollars which then are often passed on to local jurisdictions on the basis of some further distribution criteria. General revenue sharing plans are less detailed, and funds are distributed directly to both State and local governments.

In contrast, discretionary grants require prospective grantees to submit specific project proposals to Federal agencies which, in turn, review and select proposals with the most merit. Discretionary grants are awarded to help solve specific problems and are not distributed among all potential recipients according to any fixed proportions.

CHAPTER 2

THE GROWTH OF FEDERAL ASSISTANCE--

PROBLEMS CREATED AND EFFORTS TO IMPROVE

Federal assistance to State and local governments expanded dramatically during the last 15 years and provides a wide range of programs aimed at improving Americans' daily lives. Nevertheless, certain shortcomings in these programs and their administration became apparent. Studies showed that redtape, delays, and vast amounts of paperwork were characteristics common to most Federal assistance programs. In addition, each program often had its own unique requirements for eligibility, application, and administration. Because most new programs were developed without regard to existing ones, many requirements were inconsistent among similar programs.

SCOPE AND MAGNITUDE OF FEDERAL ASSISTANCE

The most substantial growth in Federal assistance programs occurred during the 1960s. The number of programs established during this period is difficult to quantify, however, because of the varying definitions for such programs. Depending on one's choice of definition, the total number of programs could range from about 500 to 1,000. For example, the Office of Management and Budget (OMB), in its 1970 edition of the Catalog of Federal Domestic Assistance, lists 1,019 programs. Using the number of separate authorizations as a definition, the Advisory Commission on Intergovernmental Relations estimated a 1970 total of 530 grant-in-aid programs, four-fifths of which were enacted after 1960.

In the early 1970s the establishment of new grant-in-aid programs slowed considerably. Also, the number of existing grant-in-aid programs decreased slightly due to the enactment of legislation consolidating certain categorical programs into broader purpose block programs. During this period, however, the dollar amount of Federal assistance continued to increase.

The 1974 Catalog of Federal Domestic Assistance lists 975 assistance programs administered by 52 Federal agencies. Most of these programs are available to the 50 States and

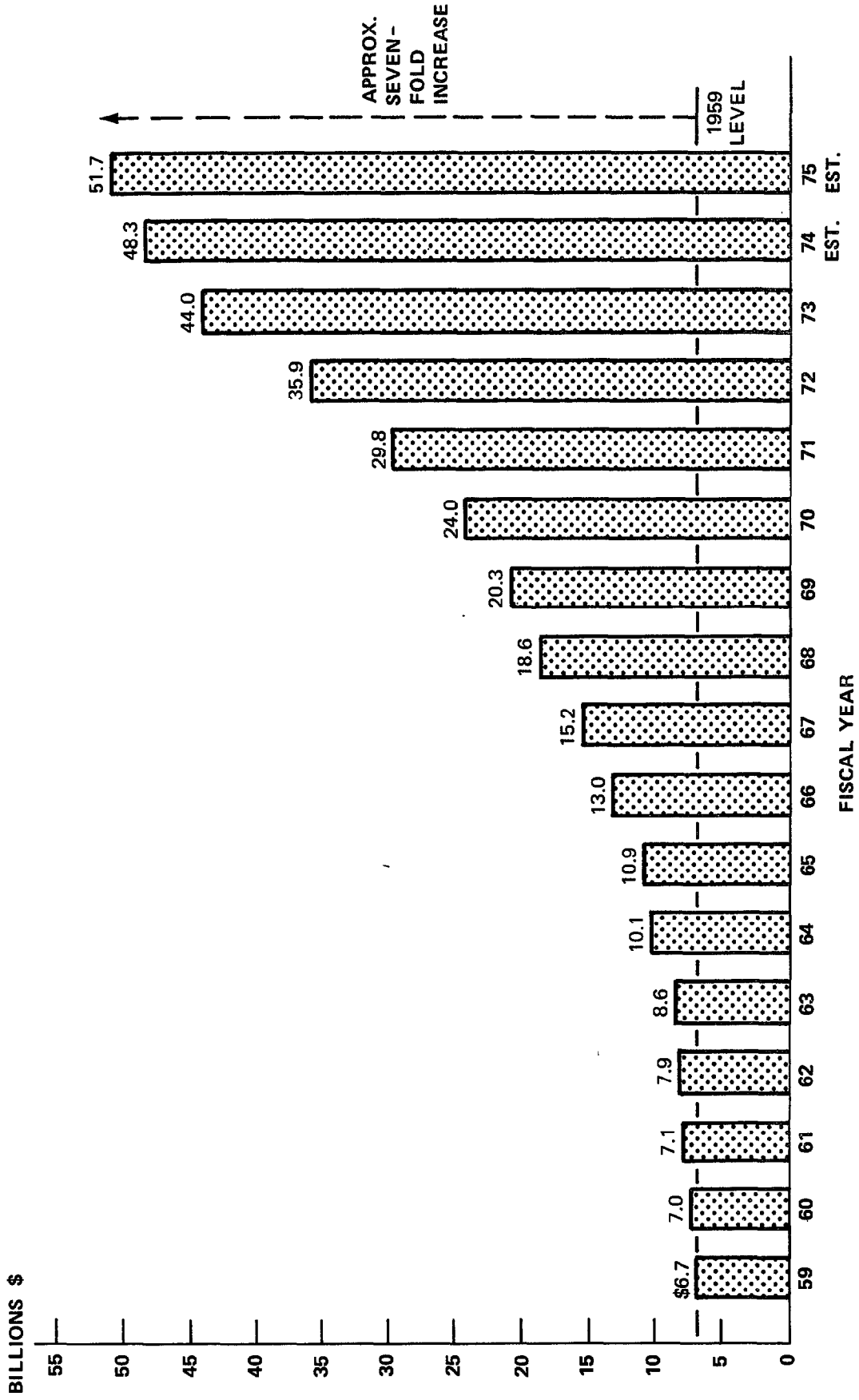
nearly 80,000 units of local government. Federal assistance to State and local governments as a percentage of domestic Federal outlays increased from 15.9 percent in fiscal year 1959 to an estimated 24.7 percent in fiscal year 1975. During fiscal year 1975, Federal assistance is estimated to comprise 22 percent of State and local expenditures. The chart on page 6 shows a sevenfold increase in expenditures for Federal assistance from 1959 to 1975.

As shown in the following table, seven Federal departments or agencies are responsible for administering 94.3 percent of estimated assistance to be provided in fiscal year 1975.

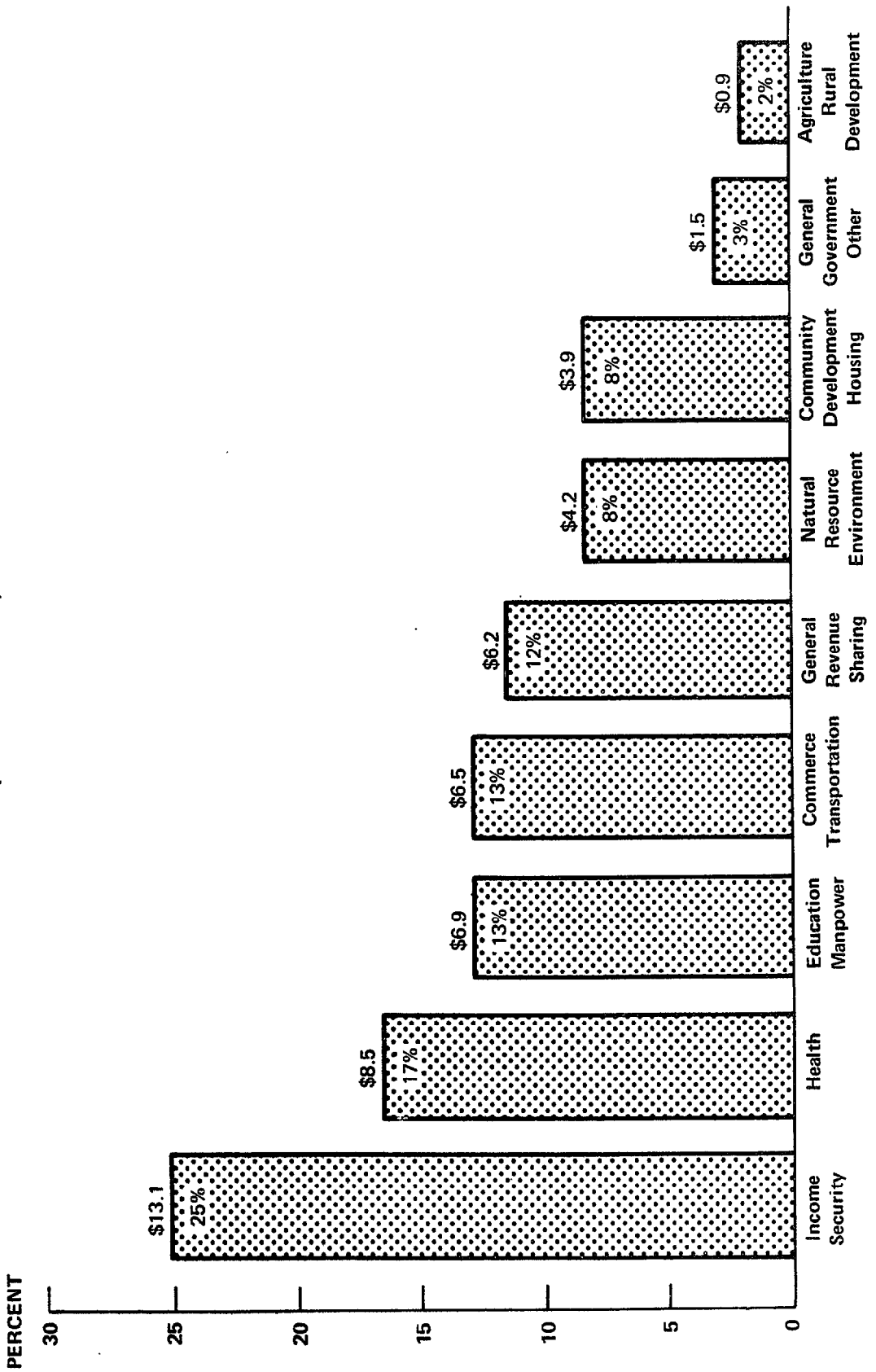
<u>Department or agency</u>	<u>Number of assistance programs</u>	<u>Amount of assistance (billions)</u>	<u>Percent of assistance provided</u>
Health, Education, and Welfare (HEW)	274	\$20.6	39.8
The Treasury	7	6.4	12.4
Agriculture	84	6.3	12.2
Transportation	21	5.7	11.0
Housing and Urban Development (HUD)	58	3.7	7.1
Environmental Protec- tion Agency (EPA)	29	3.5	6.8
Labor	<u>36</u>	<u>2.6</u>	<u>5.0</u>
Total	<u>509</u>	<u>\$48.8</u>	<u>94.3</u>
Total, all de- partments or agencies	<u>975</u>	<u>\$51.7</u>	<u>100.0</u>

The functional composition of Federal assistance is shown on page 7.

GROWTH IN FEDERAL ASSISTANCE



**ESTIMATED FISCAL YEAR 1975
FEDERAL ASSISTANCE BY FUNCTION
(dollars in billions)**



The numerous programs which provide funds for community development and health illustrate the various purposes of Federal assistance. Among the 186 programs which can provide funds entirely or in part for community development:

- 47 are for planning, research, and training;
- 23 are for construction and renewal operations;
- 9 are for historic preservation;
- 10 are for recreation;
- 35 are for Indians; and
- 29 are for rural development.

Interestingly, HUD--commonly regarded as having the major mission in community development--administers only 19 of the 186 programs. Administration of the remaining programs is spread among 20 Federal agencies.

Of the 228 programs which can provide funds for health:

- 24 are for facility planning and construction,
- 22 are for health services planning and technical assistance,
- 22 are for mental health, and
- 24 are for narcotic addiction and drug abuse.

HEW and nine other Federal agencies share the administration of health programs.

PROBLEMS WITH EXPANDING FEDERAL ASSISTANCE

The substantial growth in the number and variety of Federal assistance programs has been accompanied by increasing criticism, even from supporters of expanded assistance to State and local governments. Since the mid-1960s, the following shortcomings in these programs and their

administration have been reported in various articles and studies.

- The Federal assistance system was composed of a myriad of programs which were developed piecemeal, had inconsistent policy and administration, were often duplicative, and were sometimes in conflict with each other.
- Many federally assisted programs were planned without considering their impact on the relationship to State, regional, and local needs, programs, and plans. A coordinated local improvement effort supported by Federal assistance was extremely difficult.
- State and local administration of Federal programs by functional bureaucracies often frustrated control by chief executives and legislative bodies.
- The great number of discretionary grant programs coupled with inadequate Federal information systems led to confusion, induced the creation of grantmanship specialists, and left many, more sophisticated communities with greater opportunities to obtain aid than others, sometimes regardless of need.
- The Federal appropriation process did not give grantees advance knowledge of Federal intentions.
- Preference was sometimes given to projects whose chief merits were simplicity and ease of review within the time constraints imposed by the end-of-year fiscal rush.
- Grantees often had to submit a formal application before a preliminary funding decision was made.
- Confusion existed in application and administration due to redtape; delays and vast amounts of paperwork and lack of standardization; dissimilar procedures and forms.

FEDERAL EFFORTS TO IMPROVE DELIVERY OF ASSISTANCE TO STATE AND LOCAL GOVERNMENTS

Since the mid-1960s, the legislative and executive branches have made numerous attempts to improve the delivery of assistance to State and local governments. A discussion of some of the more significant actions undertaken or proposed follows.

Intergovernmental Cooperation Act of 1968

This act was designed to improve the administration of grants-in-aid to State and local governments and to achieve improved cooperation and coordination of activities among the levels of government. Among other things, the act provided that:

- Federal agencies give States information on the purpose and amounts of grants-in-aid to States and their political subdivisions.
- Federal agencies provide reimbursable special or technical services to States or local governments.
- The President establish rules and regulations governing the formulation, evaluation, and review of Federal programs and projects having a significant impact on area and community development.
- To the extent possible, all viewpoints--national, regional, State, and local--be fully considered in planning for federally assisted development programs and projects.

Implementation

OMB Circulars A-95 and A-98 implemented the grant-in-aid portions of the act requiring promulgation of rules and regulations by the President. Circular A-95's broad purpose was to facilitate intergovernmental cooperation by offering State and local governments the opportunity to comment on the consistency of proposed projects with State, regional, and local policies, plans, and programs. Circular A-98 prescribed a standard process and a standard form for giving States timely and uniform notification of grant

award data. Effective May 1973, the responsibility for administering the latter circular was transferred from OMB to the Department of the Treasury, which reissued the circular in August 1973, without substantial changes, as Treasury Circular 1082.

As noted in our reports to the Congress,¹ the implementation of OMB Circular A-95 and Treasury Circular 1082 needs improvements to achieve better intergovernmental cooperation.

Proposed changes

Nearly every year since its passage, legislation to amend the act has been introduced to further improve the administration of grant-in-aid programs. Such legislation would have amended the act to

- improve financial management of Federal assistance programs,
- facilitate consolidation of such programs, and
- simplify funding of joint projects.

Other pieces of legislation have also been introduced to individually accomplish the same objectives.

Under proposed legislation to further improve financial management of Federal assistance programs:

- The President would be given authority to establish rules and regulations to achieve greater consistency and simplicity in grant-in-aid financial reporting.
- Federal grantmaking agencies would be required to adopt accounting and auditing policies that, to the greatest extent possible, relied on accounting and auditing performed at State and local levels.

¹"Improved Cooperation and Coordination Needed Among All Levels of Government--Office of Management and Budget Circular A-95" (B-146285, Feb. 11, 1975) and "States Need, But Are Not Getting, Full Information on Federal Financial Assistance Received" (B-146285, Mar. 4, 1975).

Current nonlegislative efforts toward these purposes include (1) Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, issued by us in 1972 and (2) Federal Management Circulars issued by the General Services Administration's (GSA's) Office of Federal Management Policy.

To facilitate consolidation of Federal assistance programs, various legislative proposals would direct the President to examine the various Federal assistance programs and recommend for congressional approval those consolidations deemed necessary and desirable to

- promote better execution and more efficient management of individual Federal assistance programs within the same functional area,
- provide better coordination among individual assistance programs within the same functional area, or
- promote more efficient planning and use of Federal assistance under programs within the same functional area.

Joint Funding Simplification Act of 1974

This act permits the use of more simplified and uniform administrative rules and procedures when a State or local government or a private, nonprofit organization wishes to develop a project for which assistance is needed from two or more programs administered by one or more Federal agencies. Before the legislation was enacted, OMB and GSA experimentally conducted the Integrated Grant Administration program to demonstrate the principles of joint funding.

Joint funding is essentially a management tool designed to facilitate the use of Federal assistance more efficiently and effectively in multipurpose projects that transcend categorical program boundaries. The House Committee on Government Operations stated, however, that, although this legislation is useful and desirable, it is but a limited approach for dealing with the fundamental problems of the present complex Federal grant-in-aid system. The Committee noted that the legislative consolidation of closely related

categorical programs into broader purpose grants and the placement of similar programs in a single Federal agency have more potential for significantly improving grant-in-aid administration.

Comprehensive Health Planning and Public Health Services Amendments of 1966

These amendments to the Public Health Service Act established a program to help States and local communities, through Federal grants, develop continuing planning processes to produce comprehensive plans for meeting their current and future health needs.

The program, commonly known as the Partnership for Health program, was to provide a reorganized response to some of the shortcomings of existing intergovernmental health programs, particularly

- fragmentation in health programs and organizations,
- gaps in health service coverage,
- lack of rational comprehensive planning for the Nation's health effort,
- lack of coordination at the State and local levels,
- undue rigidity in the existing categorical grant programs, and
- inefficient use of scarce health personnel.

At the same time, 16 existing categorical grant programs for health services were consolidated into block grant programs on a formula basis for comprehensive health services and on a discretionary basis for directing funds to areas of greatest need.

Comprehensive Employment and Training Act of 1973

The Comprehensive Employment and Training Act of 1973 replaced the numerous categorical manpower programs authorized by the Manpower Development and Training Act of 1962

and the Economic Opportunity Act of 1964 with a new, re-organized comprehensive manpower system providing block grants to State and local governments for planning and operating programs to meet their own identified needs.

Previously, appropriations under these laws supported over a dozen different national categorical manpower programs, including Institutional Training, Neighborhood Youth Corps, New Careers, Operation Mainstream, Job Opportunities in the Business Sector, and the Concentrated Employment Programs. Each program was developed to meet what appeared to be separate needs of separate groups of people, and each had its own client group, project design, standards, and administrative system for delivering manpower services. Administrative efforts to coordinate these separately conceived but often overlapping programs were not very effective because the patchwork of programs and responsibilities within and among agencies made it very difficult to establish a coordinated and comprehensive Federal-State-local partnership.

Housing and Community Development Act of 1974

This act was another recent attempt to simplify the delivery of Federal assistance to State and local governments. The act consolidated 10 former categorical programs into a comprehensive block grant program for community development.

A major purpose of the act is to enable communities to respond to local development needs better without preparing several separate applications to secure the range of assistance needed. This consolidation should reduce paperwork and redtape, expand State and local responsibility for planning and executing development activities, and help insure continuity of funding because of the program's 3-year authorization.

Education Amendments of 1974

The 1974 amendments to the Elementary and Secondary Education Act of 1965 consolidated several categorical programs providing education assistance. In addition, they

provided a simplified application and approval process and for forward funding of appropriations for certain educational programs.

These provisions should eliminate much of the time and effort previously required to apply for and administer separate programs. Also, the provision for forward funding should help to end much of local school boards' uncertainty over the continuity and prospective funding levels of Federal education programs.

Congressional Budget and Impoundment Control Act of 1974

This act attempted to improve the congressional budget review and appropriation process by establishing

- a congressional budget process,
- House and Senate budget committees,
- a congressional budget office,
- congressional control over the impoundment of funds by the executive branch, and
- a fiscal and budgetary information and control system.

A major objective of the act is to establish a system for enacting a comprehensive budget, considering the results of all appropriations, authorizations, revenues, and deficits. The new process includes establishing a timetable for completing action on all spending bills before the start of the new fiscal year.

The act also provides for establishing and maintaining a standardized data processing and information system for fiscal, budgetary, and program-related data and information to meet the needs of Federal, State, and local governments.

Federal Assistance Review

To streamline, simplify, and speed up the flow of Federal assistance and to improve the Federal Government's

responsiveness, the President initiated the Federal Assistance Review. This was a Government-wide effort which OMB and 14 major government departments and agencies conducted from March 1969 to June 1973 to place greater reliance on State and local governments; move Federal decisionmaking out of Washington, D.C., and closer to the people; and reduce redtape. To attain these goals, the following program was devised.

1. Common regional boundaries--Agencies concerned primarily with social and economic programs were to establish uniform boundaries and common locations for their regional offices.
2. Regional Councils--Regional Councils representing the major Federal grantmaking agencies were to be established in the new regional centers to improve coordination among Federal programs.
3. Decentralization--Federal agencies were required to move operational authority from Washington, D.C., to their field offices to insure that decisionmaking was closer to the delivery of services.
4. Greater reliance on State and local governments--These levels were to have more responsibility in the detailed administration of Federal programs.
5. Reduction in processing time--The Federal assistance agencies were to reduce the time required for processing applications.
6. Reduction of redtape--Eliminating needless paperwork and administrative steps was to be given high priority.
7. Consistency in procedures--Standard requirements were to be developed for functions common to several programs.
8. Joint funding--Congressional legislation was to be requested to enable a better Federal response to State and local programs which drew upon several funding sources.

9. Grant consolidation--Congressional authority was to be requested to consolidate programs having similar purposes and recipients, to offset program fragmentation resulting from the increasing number of narrow-purpose grants.
10. Intergovernmental cooperation--Arrangements were to be developed for coordinating with States and communities on requests for Federal grants from their jurisdictions and for insuring that they were informed of grants which had been approved.

Federal Management Circular 74-7

Federal Management Circular (FMC) 74-7, issued by the Office of Federal Management Policy, GSA, established uniform administrative requirements for grants-in-aid to State and local governments. Originally issued as OMB Circular A-102, FMC 74-7 provides policy for Federal grantmaking agencies to use in handling administrative matters with grant-in-aid recipients. All Federal agencies must conform their procedures and requirements to this circular unless legislation affecting the grant program provides otherwise or unless the Office of Federal Management Policy grants a deviation.

Proposed reorganization of executive branch

To help State and local governments effectively relate Federal assistance to their own local development strategies, the President proposed, in his State of the Union address of January 22, 1971, streamlining the executive branch by consolidating the Government's major activities around its basic goals and major purposes. This would entail a re-grouping of functions among as well as within executive departments.

The proposal called for replacing seven executive departments and several other agencies with four new departments to facilitate the delivery of assistance to States and localities by (1) giving each department a mission broad enough so that it could set comprehensive policy direction and (2) placing those in Federal Government who deal with common or closely related problems in the same organizational framework.

Catalog of Federal Domestic Assistance

The Catalog of Federal Domestic Assistance, first issued by OMB in December 1965, lists and describes Federal programs and activities which aid or benefit the American public. The catalog's primary purpose is to help potential beneficiaries identify and obtain information on available assistance.

Each program is described in terms of the specific type of assistance provided, the purpose for which it is available, who can apply, and how to apply. It also identifies Federal offices that can be contacted for additional program information.

CHAPTER 3

CONTINUING FUNDAMENTAL PROBLEMS IN

PROVIDING ASSISTANCE TO STATE AND LOCAL GOVERNMENTS

Despite the actions taken to improve the Federal delivery system, fundamental problems continue. Officials of State and local governments advised us of a number of problems they had encountered, some of which, although a source of concern, were not, in our opinion, subject to systemwide improvements. Therefore, we do not discuss them in this report. Such problems generally stemmed from unique requirements of similar programs, certain policies and practices of individual Federal agencies, and a general lack of rapport among officials of various levels of government.

We concentrated on problems which related to the Federal assistance delivery system rather than to individual programs or agencies. In our opinion, the delivery system problems we identified are directly attributable to the proliferation of Federal assistance programs and the fragmentation of responsibility among different Federal departments and agencies.

Although the large number and variety of programs tend to insure that a program is available to meet a defined need, substantial problems occur when State and local governments attempt to identify, obtain, and use Federal assistance to meet their needs. These problems, individually and collectively, impede the planning and implementation of State and local projects.

PROBLEMS IN IDENTIFYING FEDERAL ASSISTANCE

The Federal Government has no single source of reliable and complete information on the type and availability of Federal assistance programs for State and local governments. Because of the proliferation of such programs, State and local governments have devoted considerable time and effort to identifying, keeping informed of, and availing themselves of Federal assistance. Despite their efforts, many State and local officials do not learn of available Federal assistance or learn of it too late to apply.

Sources of information

The proliferation of Federal assistance programs has created many program information systems, including those of each Federal agency, some agency components, and many private sources. The many systems in use add up to a non-system as seen by the potential recipient who has to tap several information sources in an attempt to keep adequately informed.

State and local governments seek answers to the following questions.

- What programs have been authorized by the Congress?
- What funding is available for the programs?
- What is the possibility of being awarded a grant?
- What are the eligibility requirements?
- What regulations govern the application and administrative processes for the programs?

The Federal Register is the official source of information on Federal assistance programs. Published daily and available to subscribers at \$45 a year, the Register includes executive orders, Federal program rules and regulations, and other documents of public interest. In 1973 the Register totaled over 35,000 pages. Program rules and regulations published in it are compiled annually in the Code of Federal Regulations. The Code is divided into 50 titles and is available to subscribers for \$350 a year.

An explanation of how to use the Code indicates the complexity of keeping abreast of current rules and regulations.

"The Code of Federal Regulations is kept up to date by the individual issues of the Federal Register. These two publications must be used together to determine the latest version of any given rule.

"To determine whether there have been any amendments since the revision date of the Code volume in which the user is interested, the following two lists must be consulted: the cumulative 'List of CFR Sections Affected' issued monthly and the 'Cumulative List of Parts Affected' which appears in the Federal Register. These two lists will refer the user to the Federal Register page where he may find the latest amendment of any given rule."

A widely used source of information is the Catalog of Federal Domestic Assistance, first prepared in 1965 and revised semiannually since 1970. Its primary purpose is to help potential beneficiaries identify and obtain information on Federal assistance. It describes each of the 975 programs in terms of the specific type of assistance provided; the purpose for which it is available; who can apply; and how to apply. Several government officials told us that the catalog is not totally useful to them because the information is not current and does not include the amount of funds available for each program.

Federal agencies' methods to publicize information vary considerably. In some cases regional or headquarters offices must be contacted, while in other cases both offices disseminate the information. Further, potential applicants are sometimes notified directly while other times notification is passed through State agencies.

Some Federal agencies publish newsletters which contain information about grant-in-aid programs. HUD's Office of Public Affairs offers a weekly newsletter at \$7.30 a year. HEW's region X periodically publishes the HEWSLETTER which is available at no cost. A regional official of HEW's Office of Education said, though, that publicizing grant-in-aid programs is unnecessary because potential applicants become aware of new programs and available funding before the region does. According to this official, various educational organizations have their own information grapevine.

Federal Regional Councils are another source of information on grant-in-aid programs. Councils were established in each of the 10 standard Federal regions to develop closer working relationships between the major grant-making agencies and State and local governments and to improve coordination of the categorical grant-in-aid system. We noted in our "Assessment of Federal Regional Councils" (B-178319, Jan. 31, 1974) that State and local governments need information on Federal grant-in-aid programs and on the opportunities for securing assistance from Councils. We recommended that Councils increase their intergovernmental efforts in disseminating information and assisting State and local governments. OMB agreed with this need and noted that Councils are placing greater emphasis on intergovernmental relations programs.

Other sources of information include congressional delegations; State government agencies; substate regional planning bodies; public interest associations, such as the National League of Cities, National Association of Counties, and the Council of State Governments; and private firms which publish and update indexed compilations of grant-in-aid program information.

Considerable efforts to keep informed

Some State and local governments commit substantial time and resources to keeping informed of available Federal assistance; others are unwilling or unable to make such an effort. Further, the system's complexity has encouraged and almost required State and local governments to engage increasingly in grantsmanship.

At least 18 States have offices in Washington, D.C., to help those governments grapple with the maze of Federal assistance programs and to reduce the possibility of missing out on available Federal assistance. The National League of Cities-U.S. Conference of Mayors contracts with local governments for a man-in-Washington service. As of June 1, 1974, 14 professionals were providing this service for 38 cities. Several other cities maintain their own offices in Washington, D.C., or rely on private consultants to look after their interests there. The following examples illustrate the scope of the effort by several units of government.

One large city uses various means to identify available funding for Federal assistance programs. The city purchases man-in-Washington services for about \$28,000 a year. Its representative provides similar services to another major city at an additional cost. The man-in-Washington is to keep the city informed of activities within the various Federal agencies and to represent the city in dealing with Federal agencies and the congressional delegation. Sometimes the representative is able to acquire and disseminate information to the city before the regional office of the particular Federal agency receives it.

The city also staffs an office of legislative liaison at an estimated cost of \$50,000 a year. In search of Federal funding, this office reviews the Federal Register, Catalog of Federal Domestic Assistance, Congressional Record, various publications of the National League of Cities, and other periodicals. City officials also regard active contact with their man-in-Washington and their county, State, and Federal counterparts as important sources of grant-in-aid information. Furthermore, the city purchases information services from a private firm for about \$600 a year, and at least one department, the Department of Public Works, has its own grants coordinator.

A State education department established a separate office in an attempt to keep informed on Federal education programs. This office reviews the Federal Register, Congressional Record, Education Daily, professional journals, and HEW information to keep up with developments in education programs. A close working relationship is also maintained with the staffs of the State's congressional delegation and congressional education committees. The head of this office said he cannot depend on receiving notification of pertinent information from HEW's Office of Education.

One metropolitan county's administrator's office is the focal point for Federal assistance matters. Within this office, the county development coordinator is the designated person with full-time responsibility for intergovernmental relations and related grant-in-aid activity and for assisting other county departments in their search for Federal

funds. The development coordinator uses some of the standard reference sources to identify Federal assistance programs, such as the Catalog of Federal Domestic Assistance. However, the most beneficial and informative sources, in his opinion, are the personal contacts with Federal officials and the State's congressional delegation.

Some smaller cities and counties usually cannot afford to make as large an effort to keep informed on Federal assistance programs. One small city has used the Catalog of Federal Domestic Assistance and also depends on publications of the National League of Cities and the State League of Cities.

An example of a successful search for funding occurred when a city hired two college students as summer interns to review the Catalog of Federal Domestic Assistance to identify programs suitable to the city's needs. They identified the HUD federally assisted code enforcement program, and the city became one of the first in the State to receive these funds. On the other hand, the city manager said that, by the time he became aware of the HUD urban beautification program, HUD had insufficient funds left to aid the city. Another city manager noted that a small city could not spend hundreds of dollars to obtain the more expensive published materials on grants. He said that, despite the city's interest, he and his staff simply did not have time to keep informed and always seemed to be 1 or 2 years behind on Federal assistance information.

One school official provided further insight into the consequences of being unable to maintain large staffs to deal with Federal programs. He said his school district would not know where to look for Federal funds beyond those allocated to the district through the State.

Strong possibility that information was overlooked

Despite State and local governments' efforts to keep informed, they still cannot be assured that all sources have been explored. The lack of a simple means for obtaining information also leads to haphazard and indirect identification of programs and thereby increases the possibility that

they will not be identified or will be identified too late to apply.

A larger city that maintains a special grants management staff attempted to obtain U.S. Coast Guard funds for an innovative marine fire project but was unsuccessful. However, the city did obtain the funds from the Federal Maritime Administration. A fire department official learned of the possibility of funding while attending a training program on maritime safety conducted by the Federal Maritime Administration. The Catalog of Federal Domestic Assistance did not indicate that this type of assistance was available.

A project director in another small county was seeking funds for a social services planning project. He became aware of a possible funding source when discussing an unrelated matter with an HEW regional director. An HEW regional official said that, because of limited funds and the short time for soliciting proposals, HEW made only a limited announcement of the program. He said the regional office would not have notified the county of the program if the project director had not talked to the regional director that day.

A city tried to obtain funding from the National Highway Traffic Safety Administration to install radio equipment in its ambulances to communicate directly with the hospital. The city was aware that other cities obtained such funding the previous year, but the National Highway Traffic Safety Administration informed the city that such projects were no longer regarded as priority items. The city was unable to identify another source of Federal assistance but considered the project to be of such a priority that it financed the project with other funds. Three weeks later the city by chance discovered that its project was eligible for funding under HEW's emergency medical services program, but the application deadline had already passed.

PROBLEMS IN APPLYING FOR AND ADMINISTERING FEDERAL ASSISTANCE PROGRAMS

State and local government officials consider the uncertainty of Federal funding to be one of the most significant problems in dealing with the Federal assistance delivery

system. Funding uncertainties hamper State and local officials in (1) applying for Federal assistance and (2) planning the continuation of existing programs. The multiplier effect resulting from the large number of Federal assistance programs makes the problems even more severe at the State and local levels.

We also found that, despite efforts to achieve uniformity in administrative requirements for Federal assistance through the implementation of FMC 74-7 (see p. 34), certain aspects of grant administration have unduly complex and inconsistent requirements. The multiplicity of Federal programs also tends to magnify the adverse effects of administrative problems because of the number of instances in which they occur. Further, efforts to achieve simplification and standardization of administrative requirements are impeded by the number of Federal assistance programs and agencies involved.

Funding uncertainties in the grant-in-aid system

Because of funding uncertainties in the grant-in-aid system, State and local governments are frequently confronted with short leadtimes to apply for available assistance as well as difficulties in planning for continuation of existing programs. These funding uncertainties result from late congressional authorization and appropriation of grant-in-aid funds, executive impoundment of appropriated funds, and changes in Federal funding policies.

Uncertainty about funding reduces the value of planning on the part of State and local governments and makes such planning more difficult. Such uncertainty makes State and local governments react to Federal assistance as it becomes available and discourages planning for the integration of Federal programs into their functions. This impact on the planning process also makes program implementation more difficult and less efficient and effective.

The problems associated with the authorization and appropriation process have been a matter of much concern to congressional committees, Federal agencies, and others inter-

ested in intergovernmental relations. A 1969 report¹ by the Joint Financial Management Improvement Program dealt with State and local governments' problems in administering Federal assistance programs. The report noted that:

- Overall State and local planning is critically influenced by the amount of Federal funds that will be made available and the timing of grantees' receipt of funds.
- Any serious inadequacies in the funding process will result in inefficient grant planning and program execution.

The survey team reported that State and local officials believed that the major cause of appropriation and funding problems was the large number of categorical grant-in-aid programs. The report concluded that legislation then pending, such as the proposed Intergovernmental Cooperation Act of 1969 and the Grant Consolidation Act of 1969, would simplify the grant structure by providing a means for consolidating similar assistance programs. The proposed legislation was not enacted, however.

Problems in applying

State and local government officials frequently complained about the short leadtimes established for responding to Federal agencies' requests for proposals. In many cases, a grantor agency requires applicants to respond very quickly, usually within a few weeks. State and local officials complained that, in such cases, the time allowed was insufficient to prepare an adequate proposal. The principal complaint, however, was that they were not allowed sufficient time to comply with their own requirements for obtaining approval to apply for Federal assistance.

State and local governments generally must obtain approval from their respective legislative and executive

¹"Report On Survey of Financial Administration Of Federal Grants-In-Aid To States and Local Governments," September 1969.

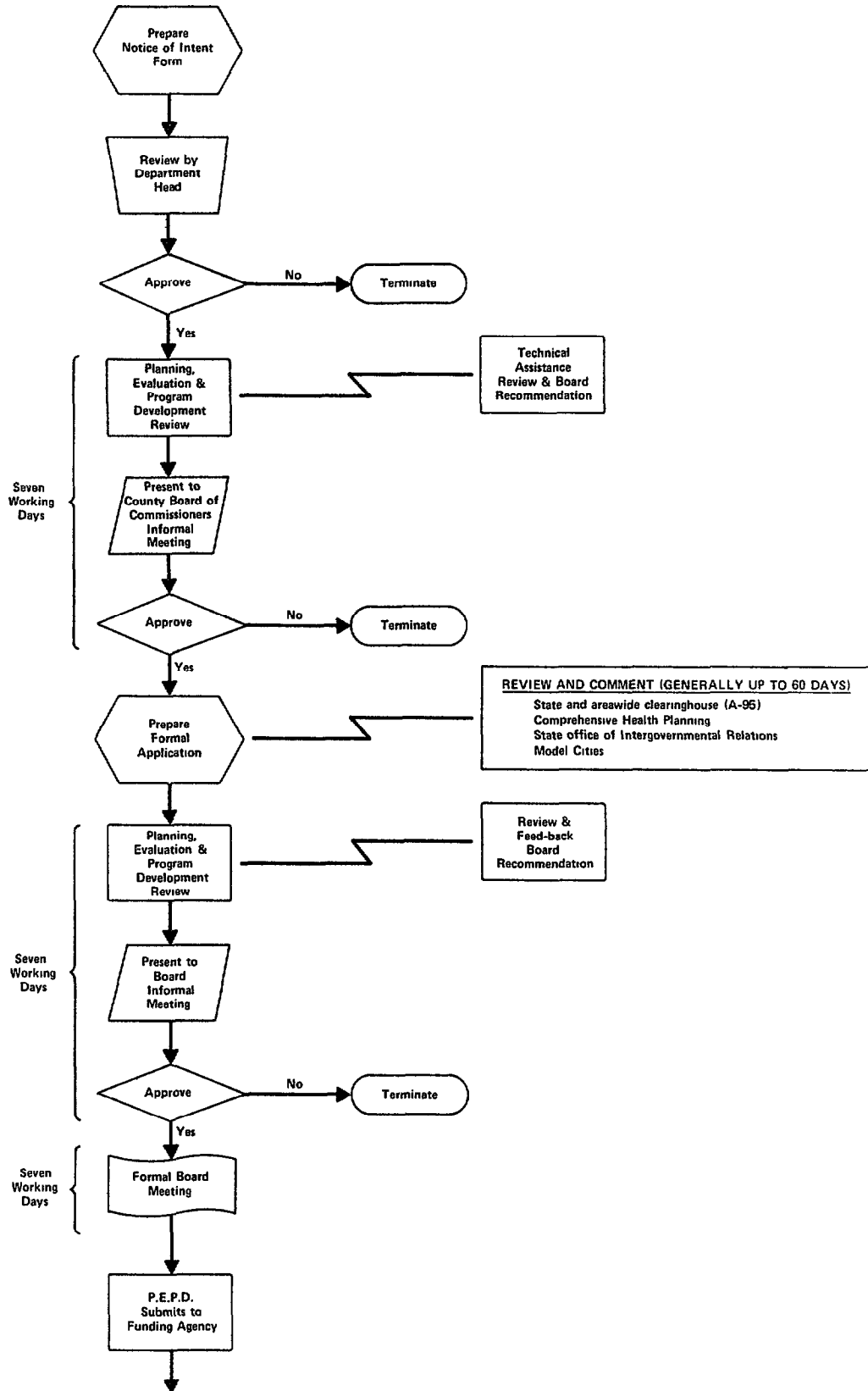
officials to apply for and to accept Federal assistance. Depending on the complexity and time required to complete State and local approval processes, officials of these governments may not be able to avail themselves of Federal assistance. The chart on the next page illustrates the process a county government followed to obtain approval to apply for Federal assistance.

Federal agencies' deadlines do not always allow applicants time to prepare adequate proposals and to obtain required local approvals, as shown in the following examples.

--A State health department was notified on April 15, 1974, that HEW was accepting applications for grants under the Emergency Medical Services System Act of 1973. To be considered for fiscal year 1974 funding, however, HEW had to receive the applications by April 30, 1974. The late notification of potential funding was due, in part, to HEW's delays in publishing guidelines for this new program. To meet HEW's application deadline, the State agency bypassed a State requirement that approval to apply for Federal assistance be obtained from the State legislature's emergency board. HEW approved the application, which requested \$23,100 for an emergency medical service planning project. The emergency board, however, subsequently denied the department's request for permission to apply because, among other reasons, the application was submitted to HEW before obtaining board approval. The board would not permit the department to accept the grant award.

--The appropriation providing funds for public health service projects during fiscal year 1974 was not enacted until halfway through the fiscal year. As a result, HEW did not request proposals under four programs from prospective grantees until from late March to early May 1974. The deadline for receipt of proposals ranged from 1 to 7 weeks. A State agency was able to submit applications for three of the programs only by working overtime to complete two and by obtaining a 1-week extension for the other. The State agency was unable to meet the

LOCAL APPROVAL PROCESS TO APPLY FOR FEDERAL ASSISTANCE



deadline for the fourth program and therefore did not apply.

--A city official stated that, in an October 30, 1973, meeting, Law Enforcement Assistance Administration (LEAA) officials advised the city to submit an application if it wanted to be considered for a \$30,000 national criminal justice statistics service grant. LEAA also advised the city to send a representative to a meeting in Washington, D.C., on January 7, 1974. City officials stated that LEAA officials failed to recognize that, in the 2-month period, the city would ordinarily have to

--obtain city council approval to apply for the grant,

--prepare the grant application,

--obtain State and areawide clearinghouse review and comment pursuant to OMB Circular A-95, and

--forward the application to LEAA through the State law enforcement council.

The city was able to meet this time constraint only by not complying with the OMB Circular A-95 review and comment requirements and by hand-carrying the application to the January meeting in Washington, D.C.

Problems in planning for program continuation

State and local officials also complained that funding uncertainties adversely affected their ability to plan and implement continuing Federal programs. The uncertainty of continued funding or the level of future funding might lead to staff terminations, resignations, and unrealistic or conservative planning. Also, when Federal funding commitments are late, the quality of projects may suffer because of hasty planning and a shortened implementation period. Delays in the appropriation process, unexpected release of impounded funds, and changes in Federal funding policies were the primary causes for these funding uncertainties.

The following examples illustrate State and local officials' problems.

--A city official said that, on the basis of prior years' experience, the city expected to receive \$89,000 during 1974 for summer youth recreation projects funded by the Department of Labor's recreation support program. He said that considerable doubt existed, however, about whether this program would be funded for the summer of 1974, and the city therefore prepared two budgets--one with and one without the anticipated \$89,000 in Federal funds. On June 14, 1974, the city received phone notification from a Labor regional official that \$54,000 in Federal funding would be available under a different Federal assistance program. Soon afterwards the city official was notified that funding was further reduced to \$45,829. City officials felt that the uncertainty of funding and the extra workload it created was eroding volunteer support for the program.

--For an EPA summer program for renewing the environment, a city which had operated such a program with Federal assistance in 1972 was initially notified that funds would not be available for 1973. On April 19, 1973, however, EPA invited the city to submit an application. The city was able to obtain the required local approvals and submitted an application on May 7, 1973. Because of the already late date, the city began its summer program, anticipating that EPA would expeditiously process a formal grant award. EPA did not award the grant, however, until August 8, 1973, and the city required an additional 2 months to obtain an ordinance authorizing acceptance of the grant. By then, the city had already completed the program using other resources. At the time of our review, the city was attempting to obtain EPA authorization to use the Federal assistance for its summer 1974 program.

--Midway through the fiscal year, no fiscal year 1975 appropriation existed for continuing title I of the Elementary and Secondary Education Act, which provided education funding for the disadvantaged. A metropolitan school official said he felt certain this program would continue but that, to protect themselves, they budgeted at 85 percent of what they received in fiscal year 1974.

An education official in another State said the lack of notification on funding reduced the quality of applications because school districts could not adequately plan for their projects without knowing approximately how much Federal funding would be received. Another education official said that education agencies were compelled to separate Federal funds from their total program funds because they could not rely on Federal funds. He added that, consequently, Federal funds are seldom integrated with local funds in the total education planning process.

--A city official said that during the spring of 1973 the city worked closely with area employers in planning for and subsequently applying to the Department of Labor for a neighborhood youth corps project to provide youths with summer work experience. When Labor did not respond to the city's application by July 1, 1973, the city assumed Federal funding would not be approved and discontinued plans for the project. On July 11, 1973, after the unexpected release of impounded funds, Labor notified the city that the project would receive \$898,600. Even with the late notification, the city accepted the grant because of its interest in the project. However, despite considerable efforts to implement the project, the full impact of the Federal assistance was not realized because the city was unable in the few remaining summer weeks to provide employment for as many youths as contemplated in the grant award.

State and local officials are also concerned about changes in agencies' policies or interpretations of existing regulations, especially when made with short notice or retroactively. Such changes hamper project administration,

including planning and staffing continuity, and sometimes result in the disallowance of expenditures made under previous interpretations of regulations.

--In fiscal year 1974, a city had received a \$125,000 grant from HEW to conduct an Upward Bound project. Anticipating continuation of the project, the city applied to HEW for funding of \$130,000 for fiscal year 1975. HEW did not approve the grant application until less than 1 month before the project began. Further, the approved funds totaled \$85,000, a reduction of \$45,000 primarily because HEW eliminated an instructional component which had been funded in the prior year. Because of the late approval and significant reduction in project scope, the city was forced to dismiss two instructional staff members who had previously turned down full-time job offers elsewhere.

--Several States are currently suing HEW, contending that it retroactively applied new interpretations to existing regulations. On December 20, 1972, the Administrator of HEW's Social and Rehabilitation Service (SRS) issued a memorandum to SRS regional commissioners providing guidelines for interpreting existing HEW regulations which applied to the allowability of States' retroactive and current claims for reimbursement for social service expenditures.

In June 1973 the National Council of State Public Welfare Administrators, in a letter of protest to the Secretary, HEW, stated that HEW auditors were citing the SRS memorandum as a basis for disallowing millions of dollars in social services claims by numerous States. The letter contended that the SRS memorandum illegally made significant substantive changes in the published regulations without following prescribed procedures and purported to impose the changes ex post facto. The letter further contended that, as a result, States which had already spent money in an approved manner for approved programs were being told that new and different standards were to be applied retroactively as a basis for disallowing those expenditures.

Standardization of certain administrative requirements has not been fully achieved

FMC 74-7 (formerly OMB Circular A-102), designed to make Federal agencies' administrative requirements for assistance programs to State and local governments consistent, called for complete implementation by the Federal agencies no later than January 1, 1973. To the extent Federal agencies have implemented FMC 74-7, State and local officials only infrequently raised the program administration problems which were often cited in earlier studies of the Federal assistance delivery system. However, certain administrative problems continue to persist because FMC 74-7 has not been completely implemented.

Inconsistencies among the Federal assistance programs' administrative requirements would not be a major problem for State and local governments were it not for the large number of assistance programs in similar functional areas. Also, the large number of assistance programs makes adopting standardized administrative requirements a major, long-term undertaking.

An independent interagency audit coordinated by GSA is being conducted to verify whether implementation of the circular has been completed. The following sections depict as a matter of information the essence of problems experienced by State and local officials we contacted. The problems noted primarily concerned 3 of the 15 subject areas covered by the circular.

Preapplication procedures

FMC 74-7 requires a preapplication form for certain Federal assistance programs. One of the objectives of this procedure is to eliminate proposals with little or no prospect for Federal funding before applicants incur significant expenditures in preparing a formal application. Federal agencies are to use the preapplication form for all construction, land acquisition, and land development projects requiring Federal funding exceeding \$100,000. The circular further provides that Federal agencies may require the use of the preapplication form for other programs and must allow State and local governments to submit the forms if they so desire and provide them with a response.

At the time of our review, not all Federal agencies had implemented the preapplication process. We found instances in which State and local governments could not obtain information on the likelihood of funding unless they submitted formal applications. For example, in 1973, a State agency prepared, at a cost of \$2,500, a 120-page application for a grant under the Environmental Education Act. The application was one of many that did not receive approval; State officials said the preapplication process would be helpful in avoiding wasted time and cost by informing applicants of the chance formal applications have for approval.

A State official in children's services stated that, in January 1974, she contacted HEW's Office of Child Development about using preapplication forms. Federal officials advised her that they were unaware of the forms and would not accept them if submitted. A regional official of that office said that his organization subsequently met with State and local officials in May 1974 about FMC 74-7 and that the circular had been fully implemented by July 1974.

Standard application form

Before FMC 74-7 was promulgated, each Federal agency designed its own forms for State and local governments to use in applying for Federal assistance. Although FMC 74-7 called for a standard form for most Federal assistance programs, some Federal agencies have been slow in complying. Some grantmaking agencies did not begin using the standard application form until a year or more after the date required by FMC 74-7. Even when agencies used the standard application form, some required applicants to submit separate assurance certifications (civil rights, relocation assistance) which duplicated the assurances already contained in the standard application form.

Standardization of payment procedures

FMC 74-7 prescribes three basic methods for transmitting Federal assistance funds to State and local governments:

--Letter of credit.

--Advance by Treasury check.

--Reimbursement by Treasury check.

Each of the three basic methods is subject to considerable variations in practice, however. Thus, a grantee dealing with several Federal assistance programs must often deal with many payment methods and provide different types of documentation to support its requests for reimbursements.

A State health division official, citing the extra staff time required to deal with multiple payment methods, said his organization receives funds from:

--HEW under the Medicare program as advances in accordance with a preestablished schedule.

--HEW under the Medicaid program and certain project grants by letter of credit before actual expenditure.

--The Department of Agriculture under the special supplemental food program for women, infants, and children by letter of credit after actual expenditure.

--HEW under the Hill-Burton capital expenditure program by quarterly reimbursement after submission of a statement of expenditures.

--EPA under a sanitation surveillance program on a reimbursable basis by submission of an invoice.

The official said that placing all the division's grants on letters of credit, with the capability to draw funds as needed, would considerably reduce staff time and effort.

To further illustrate the variety of grant payment practices with which a grantee must deal, an official of a metropolitan city stated that his city received funds from:

--Labor under the Comprehensive Employment and Training Act as advances by letter of credit.

- State agencies as reimbursements for the Departments of Transportation's and the Interior's Bureau of Outdoor Recreation programs.
- EPA and the Department of Justice as reimbursements.
- HEW and National Endowment for the Arts as advances.
- LEAA as advances.
- HUD as advances by letter of credit.

These variations of payment methods among and within Federal agencies have no impact at the Federal level but impose an administrative burden on individual States and local units of government.

Standardized reporting requirements
not fully implemented

FMC 74-7 prescribed standardized requirements and forms for financial reporting and limited reporting to a quarterly basis. Although this has helped standardize and simplify financial reporting, many grantees are still required to report on forms and in frequencies not in compliance with FMC 74-7. This is due, we believe, to grantor agencies' slowness in implementing the circular and to State agencies' requirements for local governments, as illustrated below.

- A State office of community development completes 30 different financial reports covering its project activities funded by 15 Federal assistance programs. For 26 of the reports, the required financial information varies in type and format from that prescribed by FMC 74-7.
- A city official responsible for the accounting of Federal assistance financial activities said that several Federal agencies require monthly rather than quarterly financial reporting. In addition, certain State agencies which administer Federal funds do not follow FMC 74-7's standardized format. According to this official, if all financial report-

ing could be standardized according to FMC 74-7, the city could incorporate the accounting and reporting requirements for Federal assistance activities into its accounting system. At present the city has a considerable administrative burden in meeting the various requirements for type and frequency of information.

PROBLEMS IN MEETING NEEDS WITH A FRAGMENTED DELIVERY SYSTEM

Although all Federal assistance programs have been well intended and helpful in meeting specifically defined national needs, their sheer numbers make it extremely difficult to become knowledgeable of their content and availability. In addition, different Federal agencies or agency components administer similar programs.

The multiplicity of narrowly defined programs for a function presents a grantee with a perplexing problem; a particular program may be too restrictive to meet a need completely. A grantee must then attempt to combine several assistance programs, each with its own set of requirements, to achieve its goal. Even when programs are combined, a grantee often has difficulty developing a project that is comprehensive and flexible enough to meet its overall needs. As a result, State and local officials have had difficulties achieving comprehensive and efficient systems for delivering services.

The frequently proposed solution to the problems resulting from the multiplicity of functional Federal grant-in-aid programs is improved coordination of program planning and administration. However, the sheer number and variety of programs is a major barrier to achieving the degree of coordination necessary when programs with similar objectives have fragmented administration or are too restrictive to meet comprehensive needs. Coordination then may not always be practical or possible and may not be the best method for achieving program effectiveness.

The real key to significantly improved administration of Federal assistance programs, we believe, lies in the legislative consolidation of separate programs serving similar

objectives into broader categories of assistance and the placing of like programs in a single agency.

Multiple programs for similar objectives

Our previous reports to the Congress pointed out the difficulties in coordinating multiple Federal programs and developing comprehensive action plans for service delivery when responsibility for implementing the programs was fragmented. Our reports addressed the multiplicity of Federal programs and the complex and confusing delivery systems which resulted from:

- 17 Federal programs providing funds for manpower services for the disadvantaged. (See app. I.)
- 7 Federal and 1 local program providing funds for health services in outpatient health centers. (See app. II.)
- 11 Federal programs providing funds for child-care activities. (See app. III.)

Each of these reports cited program consolidation as a means for achieving a more comprehensive and effective system for delivering services.

Our review efforts involving certain other Federal grant-in-aid programs also indicated that the multitude of Federal funding sources and various administering agencies have resulted in a fragmented approach to service delivery. For example, at least 14 separate HEW organizational units administer programs for assisting in the education of the handicapped.¹

Because so many agencies provide funds and services, no individual or group comprehensively plans, monitors, or controls the system. Policymaking, funding, and operating decisions are often made for similar program purposes by different groups of people, based on a lack of data about

¹"Federal Programs For Education Of The Handicapped: Issues and Problems" (B-164031(1), Dec. 5, 1974).

program effectiveness. Few locations provide a full range of educational services comprehensive and flexible enough to meet the needs of all handicapped children. Often, appropriate educational services are not provided because the delivery system for special education is fragmented and uncoordinated.

Multiple funding sources and various administering agencies also exist for programs providing funds for family planning services. Within HEW, these programs are fragmented among four separate organizational units. Each program (1) involves different Federal-State sharing arrangements, different eligibility requirements, and different degrees of Federal administration and (2) operates autonomously with little coordination between the organizational units. The lack of a centralized organizational structure causes increased administrative costs and duplicate or overlapping services. For example, under one program \$490,000 was awarded to a hospital district to provide countywide family planning services. Within the same county, about \$550,000 under another program was awarded to two different organizations to provide similar family planning services to recipients of aid to families with dependent children. One of these two organizations also provided family planning services under a \$242,000 grant from the same program funding the hospital district.

Similarly, at least 25 bureaus, services, and offices in 12 departments and independent agencies conduct and/or support Federal water pollution research and demonstration activities.¹ For the most part, these activities were not coordinated, and, as a result, the various departments and agencies, and also the bureaus and services within the same departments, inadvertently duplicated and overlapped research and demonstration activities. In addition, agencies disagreed at times on the feasibility of implementing research and demonstration results.

¹"Research and Demonstration Programs To Achieve Water Quality Goals: What the Federal Government Needs To Do" (B-166506, Jan. 16, 1974).

Programs too restrictive
to meet needs

The proliferation of narrowly defined Federal assistance programs has also fostered the development of programs too restrictive to meet State and locally defined needs. The narrow targeting of programs hampers State and local governments' ability to undertake the full range of project activities they perceive as necessary or requires the combination of two or more Federal assistance programs to meet a single need.

Depending upon the individual projects' unique characteristics, one city obtained funds from either HUD or the Economic Development Administration to meet its sewerage system needs. Because of program restrictions, each agency evaluated the individual projects' merits from a different viewpoint. The Economic Development Administration was interested in projects that would enhance economic activity, while HUD was interested in projects that would rehabilitate the sewerage system to maintain the existing level of development.

A State mental health official explained that funds from an HEW program for hospital staff development could be used only to provide in-house training of staff at State mental hospitals or institutions. The official explained that the State is placing less emphasis on treatment in its hospitals and is using other treatment approaches outside the institutional environment. The official noted, however, that, although the training need still exists, the HEW program does not provide funds for staff development outside of hospitals.

A Federal mental health official concurred with the State official's views but noted that another Federal program authorized mental health staff development training outside of hospitals. The State mental health official noted, however, that funds available under this program were limited and only one project in the State had received such funding.

In developing a comprehensive project, a State or local government often has to seek funds from several Federal assistance programs to provide the desired level of services.

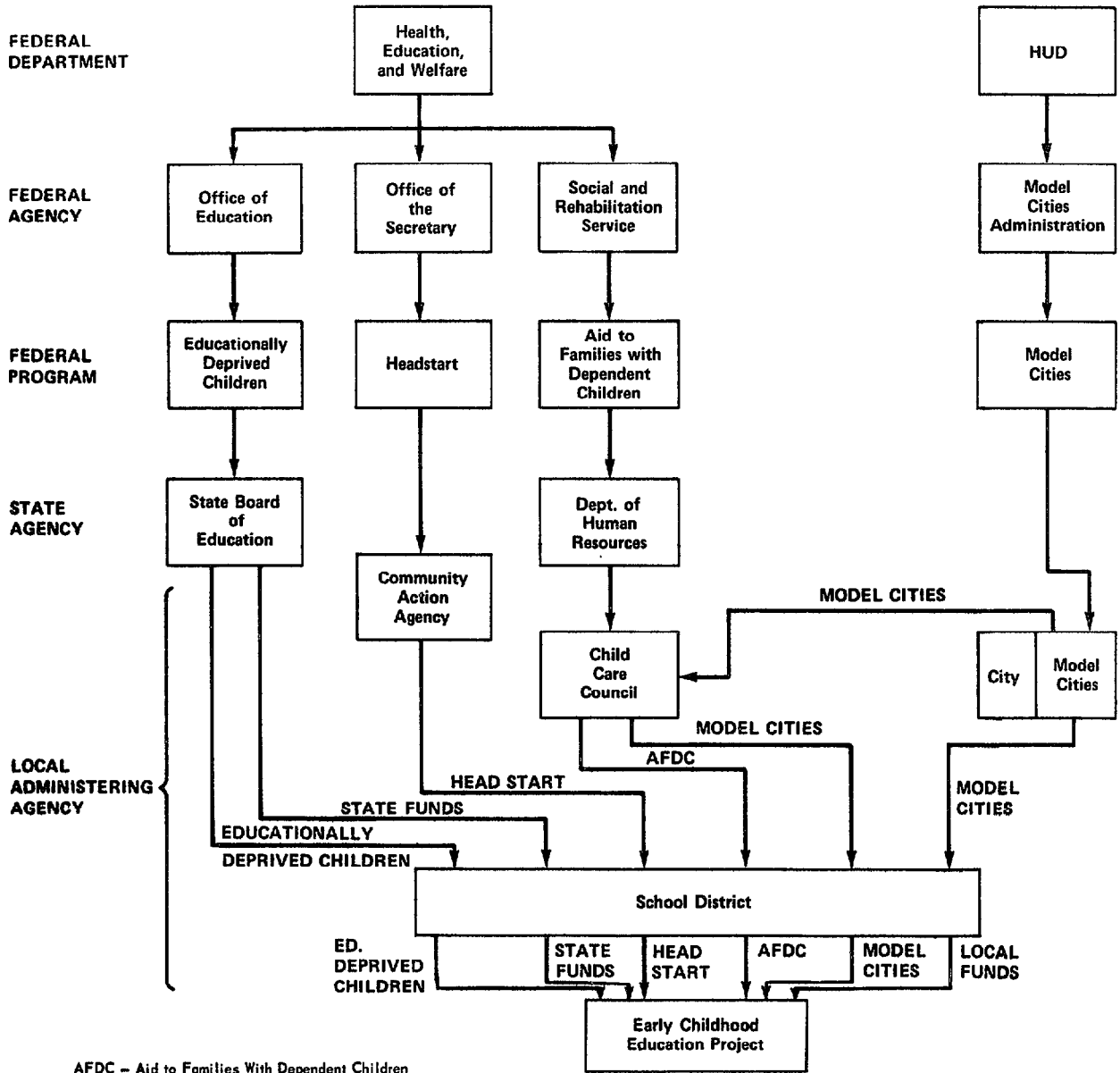
This process is necessary because (1) the eligibility requirements or types of services authorized by individual programs differ and/or (2) funding under a single program may be insufficient to provide the desired level of services.

For example, a city requested funds from EPA and HUD to construct a sewerage system to abate an existing health hazard. Because of program restrictions, EPA funds only the construction of large trunklines and wastewater treatment facilities, while HUD funds only the construction of smaller trunklines for sewerage collection.

HUD has provided funds for sewage collection, but, due to the grant application requirements modified by the Federal Water Pollution Control Act of 1972, EPA has yet to award funds for the construction of large trunklines and treatment facilities. Although HUD has granted the city several extensions for completing the project, the HUD funding may be lost if the EPA funds are not shortly forthcoming. Because of the inability to begin construction, a city official informed us that the construction cost of the system is estimated to increase 50 percent due to inflation.

As shown in the following chart, one school district obtained funds from four Federal assistance programs to operate an early childhood education project. The project's overall objective was to narrow the educational gap between disadvantaged children and other students. Because the amount of funding available from each individual program was insufficient to provide the desired range of services, the school district had to obtain funding from several sources. This required the school district to meld one State, one local, and four Federal funding sources into a unified effort, despite differing guidelines, objectives, grant periods, and administrative procedures and controls.

**PROGRAMS FUNDING
EARLY CHILDHOOD
EDUCATION PROJECT**



CHAPTER 4

CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

A large number and variety of Federal assistance programs are available to State and local governments. These programs were well intended and designed to emphasize and direct resources to meet specifically defined national needs, but the sheer number and variety of programs has made it extremely difficult for State and local governments to use this assistance effectively.

The present Federal assistance delivery system:

- Lacks an adequate means for disseminating grant-in-aid information needed by State and local governments.
- Creates a high degree of funding uncertainty due to late congressional authorizations and appropriations and executive impoundment of appropriated funds.
- Fosters complex and varying application and administrative processes.
- Is fragmented, with similar programs being administered by different Federal agencies or agency components and with programs too restrictive to meet State and local needs.

These problems, individually and collectively, cause the planning and implementation of State and local projects to be significantly impeded.

State and local governments must devote considerable time and effort to simply keep informed of available Federal assistance. Because of the funding uncertainties associated with many of the programs, available assistance is often learned of too late or offered under time constraints which sometimes prevent State and local governments from taking advantage of the assistance. Delays in notification and allocation of funds to State and local governments and other grantees can also lead to poor planning,

program delays, and waste in the administration of Federal assistance programs.

The existing funding uncertainties can also adversely affect Federal agencies' ability to plan and implement programs. Because of late appropriations, the introduction of new programs late in the fiscal year, and the unexpected release of impounded funds, Federal agencies are often forced to hastily plan and publicize programs and review and approve project applications before yearend. This, we believe, can lead to the creation of ill-conceived programs and the approval of ill-conceived projects, thereby lessening the opportunities for achieving program objectives and national goals.

The recently enacted Congressional Budget and Impoundment Control Act of 1974 should:

- Reduce the problems created by executive impoundment.
- Improve the timing of the appropriation process.
- Increase the fiscal, budgetary, and program information available to State and local governments for determining the impact of Federal assistance on their budgets.

Further improvements in the system could be achieved by more extensively using either advance or forward funding of appropriations for grant-in-aid programs and authorizing and appropriating for longer than 1 fiscal year. An increase in the use of these measures would help reduce the present delays in the authorization and appropriation process. This, in turn, should reduce the present funding uncertainties associated with Federal assistance to State and local governments.

We believe that, because of their tendency to restrict budget flexibility and the Congress' ability to respond to changing national priorities and economic conditions, forward funding of appropriations, and authorizations and appropriations for greater than 1 year should be considered primarily for those programs and activities of the Federal Government, including grants-in-aid to State and local

governments, where firm planning before the beginning of the appropriation year is a significant factor in successfully executing such programs and activities.

Further improvements in the system could also be achieved by establishing a minimum amount of time--60 days, for instance--which all grantmaking agencies must allow prospective grantees to develop and submit applications for Federal assistance. In many cases prospective grantees do not have enough time to prepare adequate proposals and comply with their own requirements for obtaining approval to apply for Federal assistance. By eliminating the severe time constraints under which assistance is made available, all those who are eligible and needy should be more assured of having the opportunity to apply.

When assistance is identified and obtained, State and local governments must deal with considerable variations in the processes for applying and administering Federal assistance programs. FMC 74-7, designed to provide greater consistency among the administrative requirements, has not achieved its full potential. Continued efforts toward achieving standardization among Federal agencies' administrative requirements for assistance programs to State and local governments are needed to alleviate this problem.

The consolidation of fragmented and restrictive programs is fundamental to improving the administration of Federal assistance programs at all levels of government. The proliferation of Federal assistance programs has resulted in a large number of narrowly defined categorical programs which are restrictive as to overall purpose and fragmented as to administering organizations' responsibilities.

We recognize the need for continued use of categorical grants-in-aid as a means for providing Federal assistance, particularly for research and demonstration or when the overriding objective is to prescribe a desired level of services. We believe, however, that consolidating separate programs serving similar objectives into broader purpose programs and placing programs serving similar goals within

the same Federal agency should increase the efficiency and effectiveness in the delivery and administration of Federal assistance.

The Comprehensive Employment and Training Act of 1973, the Education Amendments of 1974, and the Housing and Community Development Act of 1974 consolidated various categorical programs and should help eliminate problems associated with the fragmented assistance previously available in these areas. We believe, however, that State and local government officials' continuing problems in identifying and using Federal assistance demonstrate that additional consolidation efforts are needed.

RECOMMENDATIONS TO THE UNDER SECRETARIES
GROUP FOR REGIONAL OPERATIONS

To improve the dissemination of information to State and local governments on the availability of Federal assistance, we recommend that the Under Secretaries Group for Regional Operations direct Federal Regional Councils to:

- Place major emphasis on helping State and local governments identify and obtain information on Federal assistance.
- Designate a cadre of officials having a broad knowledge of Federal assistance programs to respond to inquiries from State and local governments or to make referrals, as appropriate, to other Federal officials with expertise in the field of inquiry.

RECOMMENDATION TO THE ADMINISTRATOR
OF GENERAL SERVICES

To provide greater assurance that all eligible and needy prospective grantees have the opportunity to receive Federal assistance, we recommend that the Administrator of General Services revise FMC 74-7 to provide that all grantmaking agencies allow prospective grantees a minimum amount of time, such as 60 days, to prepare and submit applications for Federal assistance.

RECOMMENDATIONS TO THE CONGRESS

To reduce the complexity of the current delivery system of Federal assistance to State and local governments, we recommend that the Congress consider consolidating programs serving similar objectives into broader purpose programs and placing programs serving similar goals within the same Federal agency. An approach to achieving these objectives would be to enact previously proposed amendments to the Intergovernmental Cooperation Act of 1968 which would establish a consolidation mechanism. The proposed amendments direct the President to periodically examine the various assistance programs and recommend to the Congress for approval those program consolidations deemed necessary or desirable.

We further recommend that the Congress, to relieve the time pressure on its deliberations and to eliminate funding uncertainties resulting from delays in the passage of authorization and appropriation bills, consider greater use of both advanced and forward funding and authorizations and appropriations for longer than 1 fiscal year.

We believe that these measures should be considered case by case for individual programs, weighing their restrictive effect on the flexibility of Federal fiscal policy against the need for greater certainty on future funding levels by recipients of Federal assistance. In determining whether these measures should be used, the Congress should give consideration to the possible adverse effects on programs and activities resulting from State and local governments' inability to adequately address such key planning elements as (1) raising sufficient matching revenues and (2) assuring program and staffing continuity.

CHAPTER 5

AGENCY COMMENTS AND OUR EVALUATION

OMB generally agreed with our conclusions and recommendations. (See app. IV.) Its comments included the views of Federal departments and agencies, Federal Regional Councils, States and selected political subdivisions, and major public interest groups representing State and local governments. There was broad consensus that our report accurately identifies major problems associated with Federal assistance to State and local governments and general agreement, with some reservations, that most of the recommendations are valid and should be pursued. GSA responded separately to the material in our report and its comments are included in appendix V.

OMB said our report lacks Federal perspective and that its recitation of State and local problems encourages the conclusion that such problems are caused solely by Federal shortcomings or arbitrary attitudes. In our opinion, the Federal viewpoints are adequately reflected and Federal efforts to improve the delivery of assistance are recognized. OMB's comments provide additional Federal perspective. More importantly, our principal objective in this review was to present to the Congress the problems of the Federal delivery system from an intergovernmental perspective rather than from the perspective of only one of the partners in our Federal system of government.

Regarding our recommendation that the Congress consider consolidating programs serving similar objectives into broader purpose programs, we offered as a possible approach enactment of previously proposed amendments to the Intergovernmental Cooperation Act of 1968. Those amendments would direct the President to determine what consolidations are necessary or desirable and to propose specific consolidation plans. OMB noted that the act requires congressional committees to review programs for necessary changes and suggested that we concentrate more attention on offering specific recommendations to the Congress to help meet this requirement.

The Intergovernmental Cooperation Act of 1968 requires periodic congressional reviews of grant-in-aid programs. These reviews are to determine

- the extent to which the programs' purposes have been met;
- the extent to which the objectives of such programs can be carried on without further Federal financial assistance;
- whether or not any changes in the original program's purpose, direction, administration, or procedures and requirements shall be made; and
- the extent to which such grant-in-aid programs are adequate to meet the growing and changing needs which they were designed to meet.

Further, the act requires us, upon request of congressional committees, to study grant-in-aid programs to determine the extent to which

- they conflict with or duplicate other grant-in-aid programs and
- more effective, efficient, economical, and uniform program administration can be achieved by changing certain requirements and procedures.

We have studied and are continuing to study Federal assistance programs and delivery systems from this perspective and will continue to recommend specific consolidations where they would be advantageous.

However, the current act does not assign specific responsibilities to the executive branch. We believe that a statutory mandate with specific delineation of executive branch responsibilities is needed to provide impetus for conducting studies and proposing consolidation plans.

OMB agreed that amendment of the Intergovernmental Cooperation Act warrants further consideration but expressed a preference for changes that would provide sufficient

flexibility to facilitate major functional consolidations and organizational realignments. According to OMB, the executive branch will continue to use existing authority to consolidate programs and agency functions in areas of urgent need and in areas of opportunity consistent with our mutual objectives. OMB also plans to actively pursue the President's recent request to the Congress that reorganization plan authority be renewed for another 4-year period.

Our recommendation concerning the placement of like programs in a single agency was broadly endorsed; however, some reservations were expressed as to whether new authorities would facilitate fundamental changes. Several respondents commented that the piecemeal manner in which categorical programs are enacted has unfortunate organizational consequences not only at the Federal but also at the State and local governmental levels. It was also noted that organizational fragmentation usually cannot be resolved by administrative actions because of statutory restrictions and because of the recognition that desirable organizational changes or consolidations often run counter to congressional committees' desires. The respondents commented further that the executive branch has attempted many organizational remedies to these persistent problems and will continue to do so to achieve better management of government assistance programs.

Our recommendation about forward funding and authorizations and appropriations for longer than 1 fiscal year was broadly endorsed; most respondents agreed its full adoption would significantly reduce funding uncertainties for potential grantees. However, OMB and some other respondents had serious reservations about forward funding; they noted it would restrict Federal fiscal policy and overall budget flexibility by increasing the number and size of relatively uncontrollable programs in the Federal budget. OMB also noted that the Congressional Budget Act of 1974 provides for year-ahead requests for authorizations, for timely reporting of authorizing legislation by substantive committees, for appropriating funds by the end of the fiscal year, and for studying the advisability of appropriating 1 year in advance.

Requests for and reporting of authorizing legislation and appropriation of funds by commencement of the fiscal year will alleviate, but not eliminate, funding uncertainties

experienced by potential recipients of Federal assistance. We recognize the importance of retaining flexibility in Federal fiscal policy but believe that it should be weighed on a case-by-case basis for certain programs and activities for which firm planning before the beginning of the fiscal year is a significant factor in successfully executing such programs and activities.

Concerning the subject matter of the study required by the act, we view it as another approach to streamlining the budget process. Section 502(c) of title V provides that the Director of OMB and the Director of the Congressional Budget Office jointly conduct, but separately report on, their study of the feasibility and advisability of submitting the budget or portions thereof, and enacting new budget authority or portions thereof, for a fiscal year during the regular session of the Congress which begins in the year preceding the year in which such fiscal year begins.

As with forward funding and authorizations and appropriations for longer than 1 fiscal year, we believe submitting at least parts of the budget in advance of the President's budget submission would speed up authorizations and appropriations; thus, this is another approach to reduce the funding uncertainties associated with Federal assistance programs.

OMB strongly supported our recommendation that Federal Regional Councils place major emphasis on helping State and local governments identify and obtain information on Federal assistance. While OMB agreed that every feasible action should be taken to increase the timely availability of Federal assistance information, it also agreed with other respondents that broader action is required across the total delivery system to improve the existing information tools.

Most Federal Regional Councils believed that within existing authority and resources major emphasis is being placed on assisting State and local governments and made reference to several examples of such assistance. (See pp. 77 to 79.) State and local respondents, however, supported a stronger Council role and the concept of liaison officers and desired a stronger working relationship with the Council liaisons.

OMB believed that the many actions underway or being initiated are, on an evolutionary basis, strengthening the delivery system. These actions require applying appreciable amounts of Federal resources, and any recommendation to place additional resources in any area, such as the Councils, should come only after carefully weighing the expected benefits to be derived and the probable effects on current and ongoing activities.

We continue to believe that, within existing resources, further opportunities exist for Councils to assist State and local governments. As noted in OMB's comments, most Councils either formally or on an ad hoc basis now have State and local liaison officers. Our recommendation is directed toward formally establishing in each Council a cadre of knowledgeable officials, possibly as few as one or two individuals, to serve full or part time as the respondents to information inquiries from State and local governments. Quite possibly, such inquiries would only be forthcoming when other information sources are unknown or have been exhausted. Also, as stated in our recommendation, referrals to other Federal officials would be entirely appropriate and probably necessary in view of the vast scope of Federal assistance activities.

GSA concurred in our recommendation that prospective grantees be allowed a minimum amount of time to prepare and submit applications for Federal assistance. GSA, in cooperation with OMB, will pursue this matter further with Federal agencies during an upcoming grants management study.

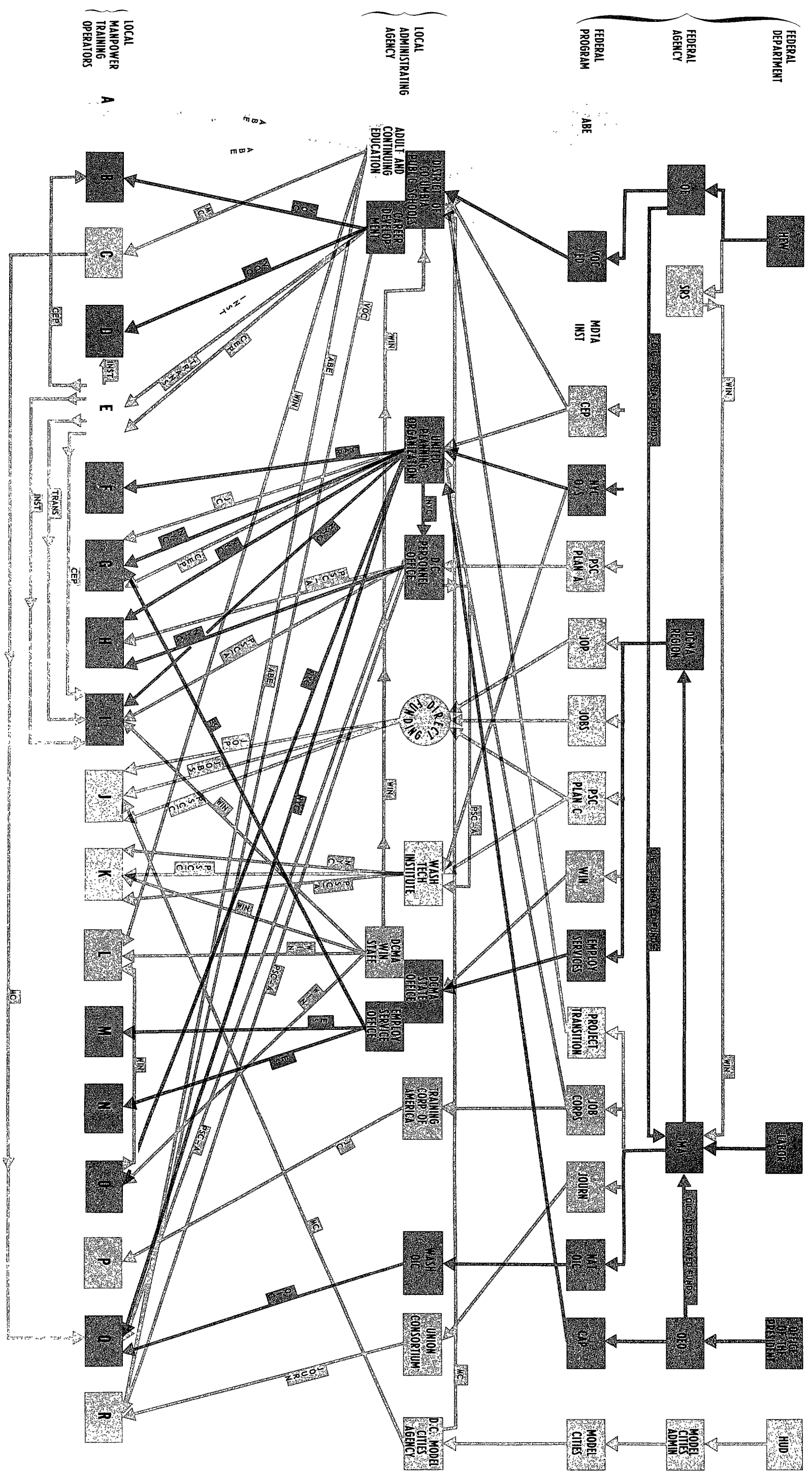
CHAPTER 6

SCOPE OF REVIEW

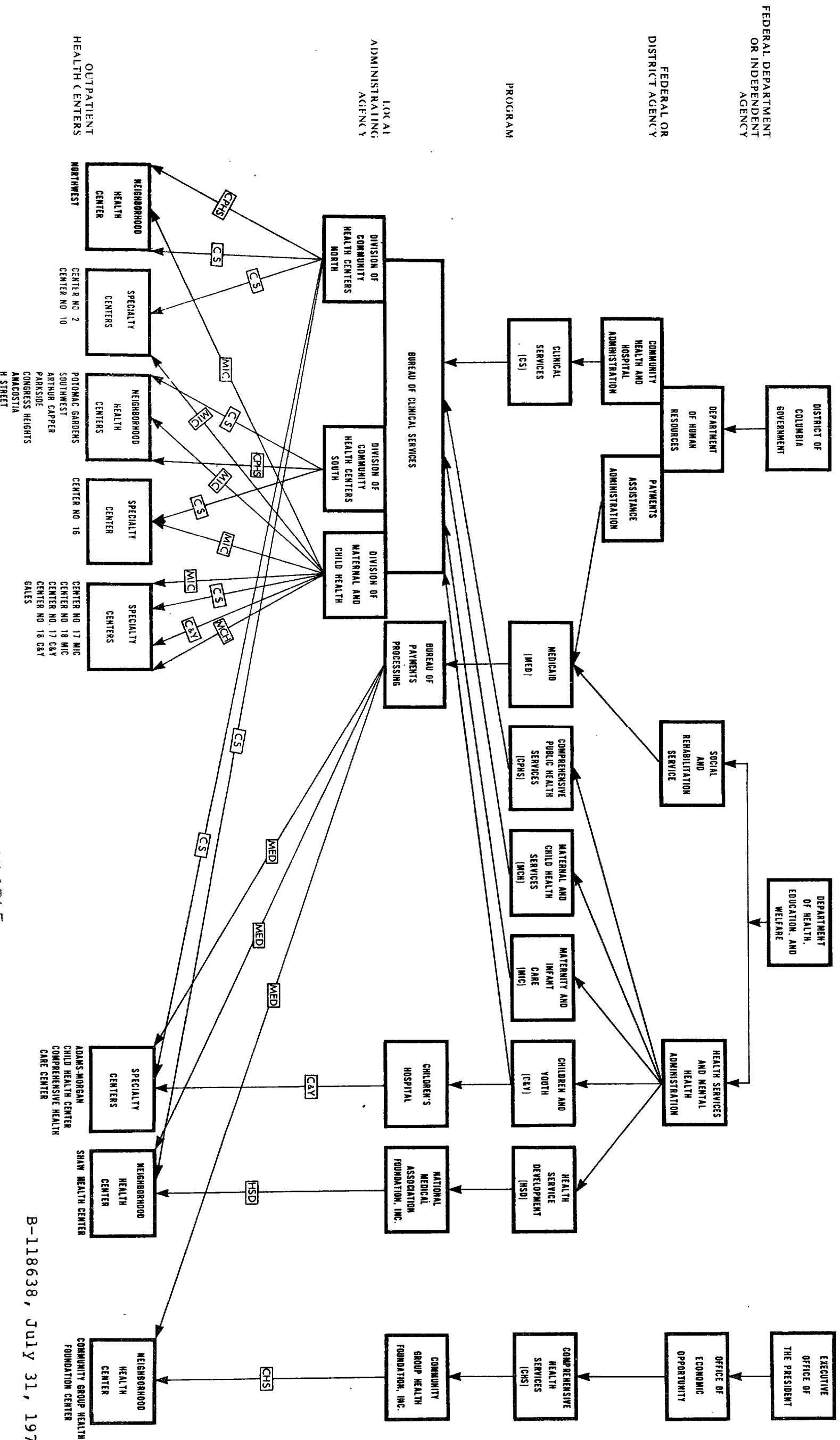
We made this review, which included a review of legislative and executive efforts to improve delivery of assistance to State and local governments, primarily from February to August 1974. In concentrating on systemwide problems which State and local governments experienced in identifying and using Federal assistance, we:

- Did our fieldwork at the offices of State agencies, cities, counties, and school districts in Maryland, Minnesota, Ohio, Oregon, Virginia, Washington, and Wisconsin.
- Contacted officials in the State and local governmental organizations visited to determine their experience in obtaining Federal assistance.
- Interviewed representatives of these governmental organizations and obtained appropriate documentation of their experiences.
- Worked at the headquarters and regional offices of Federal grantmaking agencies.

**PROGRAMS FUNDING MANPOWER
TRAINING SERVICES FOR THE DISADVANTAGED
IN THE DISTRICT OF COLUMBIA, FISCAL YEAR 1972**

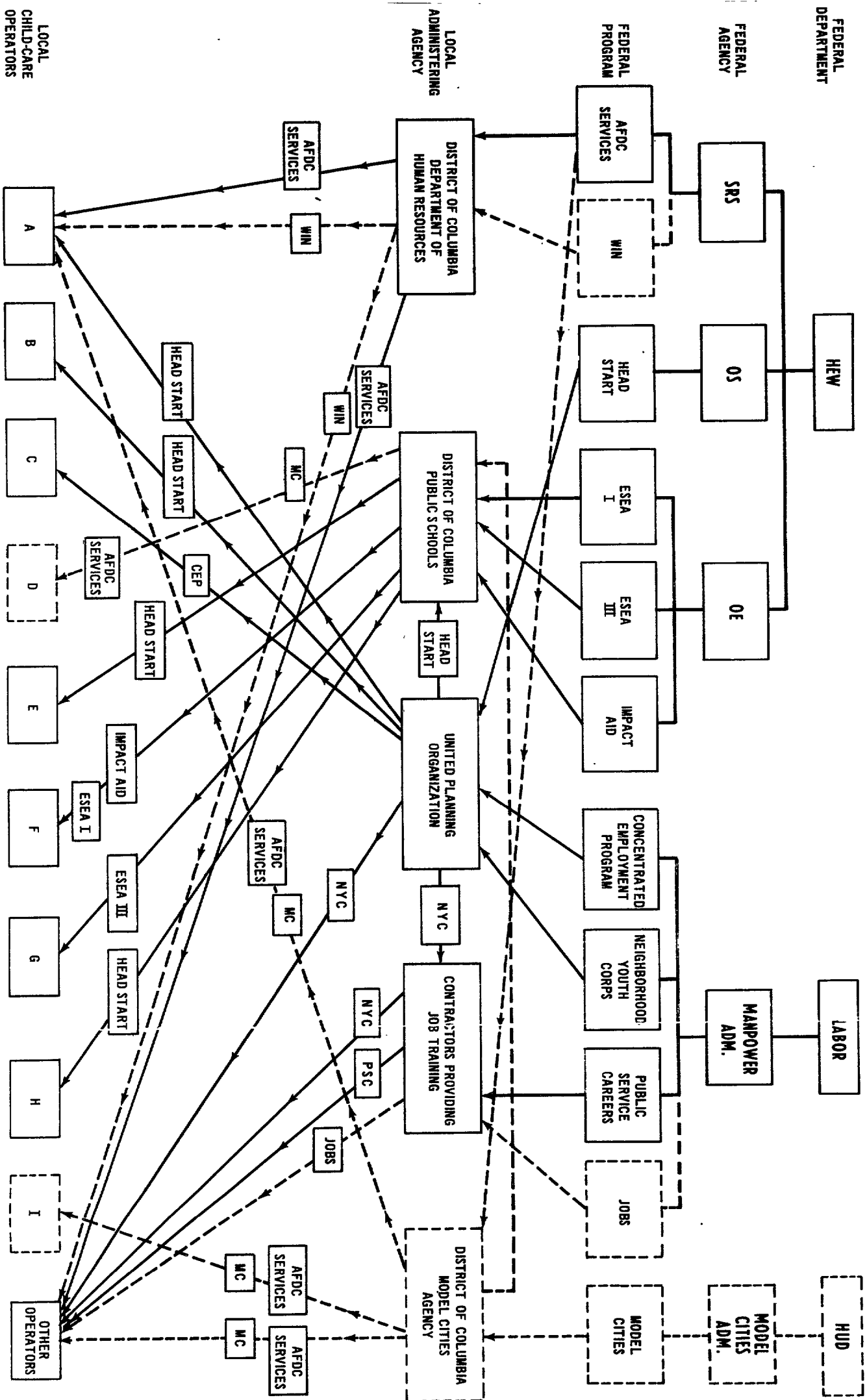


**PROGRAMS FUNDING HEALTH SERVICES IN
OUTPATIENT HEALTH CENTERS IN THE DISTRICT OF COLUMBIA
FISCAL YEAR 1972**



BEST DOCUMENT AVAILABLE

CHILD-CARE ACTIVITIES IN THE DISTRICT OF COLUMBIA



BEST DOCUMENT AVAILABLE

B-174895, Jan. 24, 1972



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

May 29, 1975

Mr. Victor Lowe, Director
General Government Division
General Accounting Office
Washington, D.C. 20548

Dear Mr. Lowe:

Enclosed is the Office of Management and Budget's consolidated review of the draft GAO Report, "Federal Assistance to State and Local Governments -- Fundamental Changes Needed." The Report was widely distributed to Federal agencies, Federal Regional Councils, a representative sampling of selected State and local officials and the major public interest groups. The consolidated review attempts to reflect major areas of consensus among the respondents. GAO is, of course, welcome to examine the written reports that we received.

Mr. Vincent Puritano, Deputy Associate Director for Intergovernmental Relations and Regional Operations, and his staff are available to discuss the draft report and our response at your convenience.

We look forward to your final report.

Sincerely,

Fernando Oaxaca
Associate Director for
Management and Operations

Enclosure

Attachment

Subject: OMB Consolidated Review of the Draft GAO Report:
"Federal Assistance to State and Local Govern-
ments -- Fundamental Changes Needed."

I. General Remarks

The draft Report was distributed widely to Federal departments and agencies, to Federal Regional Councils (FRCs), and to States and selected political subdivisions, and to major public interest groups representing State and local governments. There was a broad consensus that the Report accurately identifies major problems associated with Federal assistance to State and local governments. There was also general agreement, with some reservations - pending more specificity - that most of the recommendations are valid and should be pursued.

There was agreement from those consulted regarding the recommendations to the Congress (legislative consolidation of programs, multi-year appropriations and to a lesser degree, forward funding) and the recommendation to the Administrator of General Services (to allow 60 days for preparation and submission of applications). The reservation about forward funding is that it would tend to restrict the Federal Government's ability to adjust its fiscal policy with changing conditions.

The recommendations to the Under Secretaries Group for Regional Operations (USG) brought forth a great variety of responses, all were supportive of the GAO objective but most felt that the FRCs are already doing an effective job within their authorities and the limitations of scarce resources. In addition, many urged that the key to more effective assistance may lie more in Washington-level initiatives to improve the existing information tools and to see that they are disseminated on a timely basis to FRCs and State and local governments.

The report's major weakness lies in its lack of a Federal perspective. It recites State and local problems with Federal grants and appears to encourage the conclusion that there is no reason for such problems other than Federal shortcomings or arbitrary attitudes. Three such problem areas--(1) Excessive red tape; (2) uncertainty of funding, and (3) lack of adequate information on grants--are emphasized in the report.

1. "Red Tape" is an epithet often used to describe excessive bureaucratic requirements and interference. Continuing efforts are being made to reduce unnecessary or duplicative administrative requirements on grantees but not to the point of abdicating Federal responsibilities for assuring compliance with statutory requirements.

2. There is no doubt that the uncertainty of funding is a significant problem for potential grantees. It is also a significant problem for State and local governments with respect to their own tax receipts. In an attempt to ameliorate these problems the Congressional Budget Act of 1974 establishes procedures for year-ahead requests for authorizations, for timely reporting of authorizing legislation by substantive committees, for appropriating funds by the end of the fiscal year, and for studying the advisability of increasing the use of advance funding.

While more certain funding is important to State and local governments, it is also important that the Federal interest in this area--the need for overall budget flexibility for fiscal policy purposes not be compromised. The increasing number and size of relatively uncontrollable programs in the Budget reduces the Federal Government's ability to use the Budget as an economic tool. Many of the actions that would give recipient governments greater certainty on future funding levels and increased time would also decrease this Federal flexibility. We would hope that a satisfactory middle ground can be found that will improve the planning process for both sides.

The desirability of multi-year appropriations is a long standing issue and one properly addressed to the Congress.

3. The report states that adequate information on grants is not available, that potential recipients need better information on what types of grant programs exist and to what extent funds are still available for them. It adds that this information should be timely so that State and local governments have sufficient time to review and apply for such aid. The report recognizes that the Catalog of Federal Domestic Assistance is a valuable tool, but adds that it occasionally omits programs and doesn't provide up-to-date information on available funds.

The Catalog contains all of the information mentioned on pages 24 and 25 that the report says is needed. While an agency might occasionally fail to submit information on a program, information is provided on virtually all domestic assistance programs, including financial assistance (grants, loans, etc.), in-kind assistance (donation of Federal goods and services), technical assistance, and statistical and other information services. These programs are indexed by agency, function, popular name, eligible recipient, and specific subject. Names and addresses of local contacts are provided so that more information can be obtained.

And each program itself is thoroughly outlined and explained. Normally, it takes three to four months to produce this amount of detail. It is inevitable that some of the information will be outdated when the Catalog is published, given daily action on authorizing statutes, appropriations, administrative requirements, and grant awards. However, our experience suggests that attempting to keep this information continually up to date would be an expensive, unmanageable, and probably fruitless endeavor. That is why the offices and addresses of local contacts are provided.

The Rural Development Service of the Department of Agriculture is experimenting with a computer-assisted system for informing rural government officials of the Federal assistance available to them. One thing that they have already concluded is that no central system can or should attempt to provide current information on the funds that might be available to specific applicants.

II. Comments on the Specific Recommendations. The following section summarizes the major comments received:

A. GAO Recommendations to the Congress

1. "Congress consider the legislative consolidation of separate programs serving similar objectives into broader purpose programs and

the placement of programs serving similar goals within the same Federal agency."

2. "Congress should provide for multi-year appropriations and the forward funding of Federal assistance programs."

Comments re legislative consolidation into broader purpose programs.

- Some respondents urged that the report narrow the scope of the problem to the relatively smaller number of categorical, project-oriented grant programs for which States and their political subdivisions are primary clients. Both the National Science Foundation and HEW, for example, have many categorical programs that primarily serve the academic community or sponsor research in scientific disciplines, conducted by other than State/local government.
- Categorical grants often serve a useful purpose. A major objective has been to stimulate and support specific programs in the national interest and underwrite demonstration and experimentation projects. The Mayor's office in Boston observes that the "large and varied menu of aid programs has been a very effective means of responding to

the diversity and complexity of the problems the various programs address." They are also used to be properly responsive to the special needs of specific clientele groups, such as Veterans and Indians, and to shifts of emphases in national priorities.

- * Block grant programs are effective. There is a continuing trend toward consolidation of programs into more broad-gauged bloc grants based on recent successes. The Law Enforcement Assistance Administration, for example, recommends that their bloc grant concept be given consideration for other Federally funded programs. LEAA believes that the concept's heavy reliance on State government for planning, administration, coordination and innovation effectively brings together previously isolated components at the State/local levels. EPA stresses the point that bloc grants are a logical culmination of legislative consolidations. Also, EPA has utilized a pilot grant delivery system which combines multiple grant authorities into a single instrument to support air and water programs, and some solid waste, training and radiation elements. This successful pilot provides evidence that an all-inclusive environmental bloc grant would achieve even greater improvements.

- Assurance of equitable distribution of funds. Several State and local respondents expressed a strong recommendation that bloc-type grants be drawn up so as to prevent inequities in funding levels and target recipients. Boston, for example, points out that formulas which take into consideration the amount of local taxing effort should take also into account the effect on State and/or local revenues of tax-exempt institutions. The City of Chicago emphasizes that consolidated broad purpose programs should be targeted directly to localities, using formula grants, with formulas derived so that need, - based on population, poverty, medical under-service, etc., - is the determining factor, including hold-harmless provisions in the initial years. The State of Vermont advocates that consolidations be keyed to geographic areas (e.g., general purpose governments and areawide planning agencies,), rather than to particular clienteles, (e.g., preschool children). The State of New Mexico cautions that care must be exercised in writing guidelines to insure enough specificity to get the assistance to those that need it.

- Ways to achieve consolidation. The GAO report observes that there are a number of ways of achieving the objectives of legislative consolidation of programs. The only approach it suggests specifically, however, is the enactment of previously proposed amendments to the Intergovernmental Cooperation Act of 1968. The proposed "Intergovernmental Cooperation Act of 1973", (S. 834), is an example. It would have directed the President to determine what consolidations are necessary or desirable and to propose specific consolidation plans. A plan would become effective if neither House objected. Several respondents questioned this approach, citing the following reasons:

- The existing ICA of 1968 requires Congressional Committees to review programs for necessary changes. GAO should concentrate more attention on offering specific recommendations to the Congress to aid them in meeting this requirement.
- Previously proposed amendments have been too restrictive to permit fundamental changes. For example, S. 834 would not have permitted expansion of program objectives, clientele

groups to be served, or the creation of a new agency. A relatively brief time limitation was also imposed for Presidential submission of proposed plans.

- The President already has considerable authority to propose program consolidations and substantial progress has been made in recent years, as the GAO report indicates. Additional authority considerably beyond the scope of the proposed ICA amendments would be required to achieve changes more fundamental in nature.
- The substantial achievements being made in program consolidation suggests that progress is not as dependent on additional program consolidation authority per se as it is upon an evidence of a well-thought out proposal, in an area of national priority or opportunity, and the absence of major political differences.

Comments re placement of like programs in a single agency.

There was broad endorsement of this recommendation, but, as in the preceding comments on program consolidation, there were some reservations as to whether new authorities will

facilitate fundamental changes. In addition these specific comments were made:

- Several pointed out that the piecemeal manner in which categorical programs are enacted has unfortunate organizational consequences not only at the Federal level but also in State/local governments, who must respond to the Federal law. (The fragmentation of sub-state planning authorities and requirements was emphasized.)
- This organizational fragmentation usually cannot be resolved by administrative actions due to statutory restrictions and the full recognition that desirable organizational changes or consolidations often run counter to the desires of the concerned Congressional committees.
- The Executive Branch has attempted many organizational remedies to these persistent problems. In 1971 the President submitted to the Congress major reorganization proposals to restructure the bulk of domestic programs into four new streamlined cabinet Departments which would have eliminated much fragmentation

and overlap. Legislative authority has been sought to permit Agency heads the maximum feasible flexibility to change organization structure to keep pace with changing needs. Reorganization Plans have been used more than 70 times to effect changes. Unfortunately, the Congress allowed this special legislative authority to lapse in 1973, and renewal has not been achieved.

- While OMB did not object to the organizational placement aspects of the old Senate bill No. S 834, (The proposed IGA of 1973), the bill did place limitations on executive powers regarding functional realignments, thus narrowing the opportunities for improvements. The Executive Branch will continue to submit reorganization plans to achieve better management of government activity as the need arises and as opportunities present themselves.

Comments re multi-year appropriations/forward funding

- There was broad endorsement of this recommendation and most respondents agreed that its full adoption would go a long ways toward eliminating funding uncertainties. Serious reservation concerning forward funding was expressed by some persons because of the restrictive effect of forward funding on Federal fiscal policy. It was pointed out that Congressional Budget Act of 1974 establishes pro-

cedures for year-ahead requests for authorization, for timely reporting of authorizing funds by the end of the fiscal year and for studying the advisability of increasing the use of advance funding. It was further noted that the desirability of multi-year appropriations is a long standing issue and should be properly addressed to the Congress.

- One FRC member recommended that, where applicable, grantee applications should be written for a three year proposal, wherein the second and third year funding could be obtained -- subject to the availability of appropriations -- by merely modifying the application to incorporate the first and second year's experience. Congress would then have a ballpark estimate for funding requirements for three years.

B. GAO Recommendations to the Administrator of General Services.

"To provide greater assurance that all eligible and needy prospective grantees have the opportunity to avail themselves of Federal assistance, we recommend that the Administrator of General Services revise Federal Management Circular 74-7 to include a provision that all grantmaking agencies allow prospective grantees a minimum amount of time, such as 60 days, to

prepare and submit applications for Federal assistance."

Comments:

- We note that GSA has responded directly to the GAO, generally agreeing with the recommendation, and indicating they will pursue this matter further with Federal agencies in an upcoming grants management study they will be undertaking in conjunction with OMB.
- There was a broad consensus of support for this recommendation from nearly all respondents, with only minor reservations, and an assumption that there will be more timely appropriations and allocations in the future to allow sufficient leadtime in overcoming cyclical awarding deadlines or year-end obligation deadlines. Most are hopeful that the Congressional Budget Act of 1974 will serve to institute a better discipline.
- Some agencies pointed out that they are taking corrective measures administratively, to the degree possible. For example, LEAA will publish guidelines, containing descriptions of discretionary funds available, on or about the first of the fiscal year for FY 76, setting deadlines for the first submission of grant applications 75 to 90 days thereafter.

Further, the program guide will specify the expected range of dollar amounts per year for grants and how many years grants are expected to run. This should improve local planning and budgeting and preclude the further occurrence of short lead time problems as cited on pages 39-40 of the Report for LEAA.

- ° Reservations cited included: a caution that the need for overall budget flexibility for fiscal policy purposes should not be compromised, since many actions which give recipient governments more time to apply also decrease Federal flexibility; a concern that urgent applications, such as funds for the unemployed, not be included in a routine 60 day cycle; a local government request that consideration be given to establishing guarantees of minimum times for all phases of the granting process to protect the grantee from arbitrary actions of the grantor.

C. GAO Recommendations to the USG.

... that the USG:

1. "Direct Federal Regional Councils to place major emphasis on helping State and local governments identify and obtain information on Federal assistance."
2. "Direct Federal Regional Councils to designate a

cadre of officials having a broad knowledge of Federal assistance programs to respond to inquiries from State and local governments or to make referrals, as appropriate, directly to other Federal officials who have expertise in the field of inquiry."

Comments re FRC major emphasis role

- * There was a general agreement among most FRC's that they already are giving major emphasis to assisting State and local governments, within practical constraints, and that they are handling the job effectively. Most FRCs do have State/local liaison officers assigned, some formally, and some on an ad hoc basis. For example, Region I works through the individual FRC member agencies, assisted by the New England Municipal Center under a jointly funded Intergovernmental Service Program. Region V has an Intergovernmental Relations Task Force consisting of 12 Federal agency generalists and 45 State/local government representatives, backed up by the FRC staff. Region IX, and others use a geographic liaison system, keyed to the particular needs of their various clientele, and believe this approach has worked well. Noteworthy examples of the increased emphasis by the FRCs include:

- Region III FRC has actively assisted Pennsylvania State offices and local government associations in the creation of a Pennsylvania Intergovernmental Council (PIC). Formally established in April, 1975, the PIC is an intergovernmental forum for addressing major issues at all levels of government, such as sub-state regionalism, revenue sharing, community development, etc.
- The Northwest FRC is working with Washington State and local county officials on community impacts of the construction and operation of the Trident Installation at Bangor. A coordinated assessment has been made of the Trident-related impacts and estimates of probable Federal assistance request. Close cooperation is also being made with the Defense Department to assist communities near the Trident site to meet costs of increased services and facilities. This coordinated Federal/State/local effort is resulting in better planning, firmer estimates of impacts and more intergovernmental sharing of responsibility.
- The Dallas FRC has negotiated a government-wide annual arrangement with a medium size city, Tulsa, Oklahoma, wherein Federal grants from

nine Federal agencies were negotiated as a consolidated package. This approach has been replicated by the Boston FRC and is being extended by the Dallas FRC to other government jurisdictions.

- Several practical constraints were cited. DHEW states that some Federal regional offices don't exercise program authorities, since these have been decentralized to sub-regional offices, devolved to States, or retained at central Headquarters. DHEW and others question whether the FRCs can or should be used as any more than a referral mechanism to individual agencies. Many also cited the tight resource problems as a continuing constraint and requested that further thought be given to viable alternatives within the framework of the total "delivery system."
- Alternatives suggested included:
 - better use of other Federal field coordination mechanisms such as Federal Executive Boards and GSA's Federal Information Centers.
 - better coordination of existing State and local mechanisms, (including clearinghouses, Councils of Government, State Central Information Reception Agencies), in handling sub-states queries. This

includes acceptance by the States of a larger responsibility for assisting local government applicants since an increasing amount of Federal funding is administered at State level, including approval of sub-grants. States are also the only source of information on the availability of State funds for local projects.

- better understanding and use of the existing Federal information sources (Catalog, Budget document, Budgetary Information System, Outlays Reports, Federal Register, etc.)
- better synchronization of Federal policy circulars across the delivery system spectrum (A-89, FMC 74-4, A-95 and TC 1082, for example.)
- increased emphasis on capacity building to assist chief executives of State and local general purpose governments in their effort to improve their capacities to plan and manage the delivery of services.

Comments on the FRC cadre of officials.

Most Federal agencies and many FRCs did not endorse the idea of a permanent cadre of generalists at the FRC level. In addition to the related comments cited above regarding the FRC role, most stated that, at best, the FRC personnel should make referrals to individual agencies, since most of the specific

problems are single agency in nature. Others were negative on the basis that the scarcity of staff resources, when weighed against other priorities assigned to the FRC, militated against such a consideration.

- Many FRC's indicated that they felt they are already doing an effective job on an ad hoc basis and that further improvements were up to the "Washington level" to increase the effectiveness of the existing tools and mechanisms (mentioned above).
- Some indicated a willingness to go beyond their existing scope of assistance if a well-thought out and very specific approach were properly supported by the USG and the need for more resources were recognized by the Congress.
- State and local comments supported a stronger FRC role, came out strongly for the concept of liaison officers, with State/local existing mechanisms (clearinghouses and COGS) wanting a stronger working relationship for themselves with the FRC focal points.

III. OMB Comments and Recommendations. We believe that the many respondents have offered much constructive comment. Although the comments are varied, they are generally consistent, certainly in their endorsement of the principle and in most of the substance of the GAO recommendations.

We therefore wish to pull together these comments along with our own, into a more specific framework of suggestions and recommendations for continued improvements in this vital area.

A. Re GAO recommendations to Congress.

1. Legislative consolidation of programs and agency placement.

- Additional study by the GAO is recommended in order that more definitive recommendations can be made to the Congress regarding the types and the nature of consolidations deemed most feasible in view of:
 - a consideration that the scope of the problem might be effectively narrowed to the relatively smaller number of categorical, project - oriented grant programs for which States and their political subdivisions are primary clients.
 - the complexities of relationships between clientele groups and major functional areas.
 - the complexities of inter-relationships of major functional areas.
 - how to insure that delivery of consolidated assistance is equitable and reaches those most in need.
 - the enhanced visibility of the problem which could

result from the ACIR's recently initiated broad study to assess the effectiveness of the methods of delivering Federal assistance.

- specific findings and recommendations contained in other GAO reports dealing with related domestic assistance programs which call for improved coordination or consolidation.
- GAO may also wish to consider the development of a checklist for use by Congressional committees when drafting legislation, to avoid the types of legislative restrictions noted in the draft report. OMB and GSA plan to develop a similar type of checklist for use by Federal agencies in drafting proposed legislation.
- The Executive Branch will continue to use existing authorities to consolidate programs and agency functions in areas of urgent need and in areas of opportunity consistent with our mutual objectives. In addition, we will actively pursue the President's recent request to the Congress that Reorganization Plan authority again be renewed for another four-year period.
- We agree that the possible amendment of the Intergovernmental Cooperation Act of 1968 (to provide that the President will recommend program consolidations,)

warrants further consideration. However, we would hope that any proposed amendment would provide sufficient flexibility to facilitate major functional consolidations and organizational realignments. In this regard we believe the GAO should further study the viability of the ICA's proposed amendment vis a vis the possibility of formulating a broader-gauged authority, e.g., a new consolidated grant act which would be more responsive to the need for fundamental changes and would take into proper consideration the more recent related legislation such as the Legislative Reorganization Act, the Joint Funding Simplification Act, the Congressional Budget and Impoundment Control Act and the requested renewal of the Reorganization Act.

2. Provision for multi-year appropriations and forward funding.

- While we agree that more use of these mechanisms would ameliorate funding uncertainties, for State and local governments, we have serious reservations concerning forward funding, which would restrict the flexibility of Federal fiscal policy by increasing relatively uncontrollable outlays. The Congressional Budget Act of 1974 authorizes study by OMB and the Congressional Budget Office of the advisability of

of increasing the use of advance funding. We suggest that your recommendations recognize both the fact that such a study will be made and the limitations of forward funding from the Federal perspective..

- B. Re GAO Recommendation to GSA. We concur with GSA's position as stated in their direct response to the GAO to the effect that a 60-day minimum time for applicants is desirable and that it will be pursued further with Federal agencies in a joint OMB/GSA grants management study which will be initiated soon. This study will also encompass opportunities for further standardization of Federal administrative and program requirements.
- C. Re GAO Recommendations to the USG. The principle that FRCs place major emphasis on helping State and local governments obtain necessary information on Federal assistance is highly supported by OMB. We agree that every feasible action should be taken to increase the timely availability of Federal assistance information to State and local governments. We would further agree with the respondents that broader action is required across the total delivery system - including both the policies and the mechanisms. By policies we are referring to both the adequacy of Federal Circulars dealing with the Federal Assistance delivery system - e.g. FMC 74-7, A-95, A-84, A-89, A-90, TC 1082, etc., and the adequacy and timeliness of documentation, reports and communications generated

by such circulars, e.g. the Catalog, (CFDA), clearing-house notifications, grant award notifications, budgetary information reports, Federal outlays, etc. By "mechanisms" we refer not only to the FRC's but the State level and sub-state level information focal points such as the Governor's office, State planning and budget offices, State-administered program offices, State, areawide and metropolitan clearinghouses, major county and city planning and administering entities, etc.

We believe that the many actions currently underway or being initiated across major parts of this broader spectrum are, on an evolutionary basis, serving to strengthen the delivery system. These actions do require the application of an appreciable amount of Federal resources, and any recommendation to place additional resources in any given area, such as the FRCs, should come only as a result of carefully weighing the expected benefits to be derived and the probable effects on current and on-going activities across the broader spectrum. A partial list of these current activities includes:

- FRC assumption of A-95 compliance monitoring role.
- FRC dissemination of Federal budgetary information, and continued improvements in the BIS reporting system.

- FRC and member agencies' existing informational activities with State and local governments.
- Federal/State/local capacity - building efforts.
- The current project to Improve Intergovernmental Information Systems (combined application/notification form, TC 1082 compliance and program coverage expansion).
- Continuing work by GSA to develop and implement uniform administrative requirements for hospitals, universities and private non-profit organizations.
- The planned OMB/GSA grants management study.
- Implementation of the recent Joint Funding Implementation Act.
- Joint Executive/Legislative Branch work plan implementation in support of the Legislative Reorganization Act.

OMB will continue to monitor overall progress in the above improvement activities and will make reports to the USG as appropriate.

We recommend that the GAO make a further analysis across the broader spectrum of the delivery system to identify what specific actions should be taken to correct the problems cited on page 23 of the draft Report, i.e., the inadequacy of the means for disseminating grant-in-aid information needed by State and local governments, and the complex and varying application and administrative processes.

We agree with the recent statement made by Mr. Staats (in his address to the National Conference on American Federalism in Action) to the effect that more work needs to be done in this area and that efforts at further improvement require the interest and joint participation of policymakers at the Federal, State and local levels.

We will be most happy to work with you in your further analyses. We plan to continue our efforts to improve the intergovernmental information system and to simplify the application and administrative processes.

UNITED STATES OF AMERICA
GENERAL SERVICES ADMINISTRATION
WASHINGTON, DC 20405



May 9, 1975

Honorable Elmer B. Staats
Comptroller General of the United States
General Accounting Office
Washington, D.C. 20548

Dear Mr. Staats:

This is in response to a draft report, "Federal Assistance to State and Local Governments--Fundamental Changes Needed."

The draft report is very useful, and we agree with much of the criticism concerning the proliferation of Federal categorical programs. This is why we supported the Federal Assistance Review program and grant consolidation legislation. However, the draft report fails to make clear that Federal Management Circular 74-7 was designed to deal with only one of the total range of grant administrative problems mentioned in the report. Further, when mentioning delays by some agencies in implementing the Circular, the draft report fails to consider the magnitude of this effort, which involved the standardization and simplification of many thousands of administrative requirements by scores of departments and agencies. The project was unprecedented in size, and as you may recall, most observers of the effort were highly skeptical that it could succeed because of its complexity.

The report shows that the review was made primarily during the period February 1974 to August 1974 but some of the examples appear to be outdated since they relate to 1973 when implementation of the Circular first took place. We were pleased, however, to see that your followup review disclosed that the Circular had been substantially implemented for these same programs by July 1974. Enclosed is a copy of our latest progress report on the implementation of the Circular, which is based on information provided by the departments and agencies. The report indicates that, except for some minor instances, the implementation is complete, although we are double checking this data by means of an audit which is mentioned later.

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[See GAO note, p. 91.]

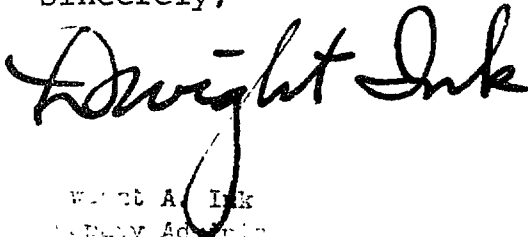
There were several other areas in the report where we had comments or questions concerning other aspects of grant administration. One area concerned a statement in the report that, "There is no one place in the Federal Government where State and local governments can obtain reliable and complete information." We believe the Catalog of Federal Domestic Assistance is a partial answer to this problem, although it does not reflect current availability of funds, a very difficult matter to handle on a centralized basis. Other areas in the report pertained to Federal Regional Councils and multi-year appropriations, but we assume that the Office of Management and Budget has had the opportunity to respond to these matters.

We noticed a reference in the report that the implementation of the Circular is being reviewed by an interagency study group under the leadership of the General Services Administration. We believe this refers to an independent interagency

audit which is being coordinated by the GSA Office of Audits, and has been underway for some time. The purpose of the audit is to verify whether field implementation of the Circular has been completed.

We support the recommendations to the Under Secretaries Group to improve the dissemination of assistance information to State and local governments, and those to Congress to reduce the complexity of the current delivery system for Federal assistance. The other recommendation which would allow prospective grantees a minimum amount of time, such as 60 days, to prepare and submit applications for Federal assistance appears to be a good one which we will explore. However, there are some exceptions which would be necessary, such as instances where the timely appropriation and apportionment of funds left only a small portion of the fiscal year to execute the program. We will pursue this matter further with the Federal agencies during an upcoming grants management study we will be undertaking in cooperation with OMB.

Sincerely,



Dwight A. Ink
Deputy Administrator

Enclosure

GAO note: Deleted comments referred to material contained in the draft report which has been revised or not included in the final report.

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