

GAO

Testimony

Before the Subcommittee on Terrorism, Technology and
Homeland Security, Committee on the Judiciary,
U.S. Senate

For Release on Delivery
Expected at 2:15 p.m., EDT
Wednesday, September 3, 2003

HOMELAND SECURITY

Reforming Federal Grants
to Better Meet Outstanding
Needs

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Highlights of [GAO-03-1146T](#), a report to Subcommittee on Terrorism, Technology and Homeland Security, Committee on the Judiciary, U.S. Senate

Why GAO Did This Study

The challenges posed in strengthening homeland security exceed the capacity and authority of any one level of government. Protecting the nation calls for a truly integrated approach bringing together the resources of all levels of government. The Council on Foreign Relations study—*Emergency Responders: Drastically Underfunded, Dangerously Unprepared*—states that in the aftermath of the September 11 attacks, the United States must prepare based on the assumption that terrorists will strike again. Although it acknowledges the nation's preparedness has improved, the Council's report highlights gaps in preparedness including shortfalls in personnel, equipment, communications, and other critical capabilities. Given the many needs and high stakes, it is critical that the design of federal grants be geared to fund the highest priority projects with the greatest potential impact for improving homeland security. This testimony discusses possible ways in which the grant system for first responders might be reformed.

What GAO Recommends

We do not make recommendations in this testimony; however, if Congress chooses to reform the grant system we have provide options including consolidating grant programs through block grants, establishing performance partnerships, and streamlining planning and administrative requirements. www.gao.gov/cgi-bin/getrpt?GAO-03-1146T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Paul L. Posner at (202) 512-9573 or posnerp@gao.gov.

HOMELAND SECURITY

Reforming Federal Grants to Better Meet Outstanding Needs

What GAO Found

The federal grant system for first responders is highly fragmented, which can complicate coordination and integration of services and planning at state and local levels. In light of the events of September 11, 2001 and the establishment of the Department of Homeland Security, the 108th Congress faces the challenge of redesigning the homeland security grant system. In so doing, Congress must balance the needs of our state and local partners in their call for both additional resources and more flexibility with the nation's goals of attaining the highest levels of preparedness. Given scarce federal resources, appropriate accountability and targeting features need to be designed into grants to ensure that the funds provided have the best chance of enhancing preparedness.

Addressing the underlying fragmentation of grant programs remains a challenge for our federal system in the homeland security area. Several alternatives might be employed to overcome problems fostered by fragmentation in the federal aid structure, including consolidating grant programs through block grants, establishing performance partnerships, and streamlining planning and administrative requirements. Grant programs might be consolidated using a block grant approach, in which state and local officials bear the primary responsibility for monitoring and overseeing the planning, management, and implementation of activities financed with federal grant funds. While block grants devolve authority for decisions, they can be designed to facilitate accountability for national goals and objectives.

Congress could also choose to take a more hybrid approach that would consolidate a number of narrowly focused categorical programs while retaining strong standards and accountability for discrete federal performance goals. One example of this model involves establishing performance partnerships, exemplified by the initiative of the Environmental Protection Agency in which states may voluntarily enter into performance agreements with the agency's regional offices covering the major federal environmental grant programs. Another option would be to simplify and streamline planning and administrative requirements for the grant programs. Whatever approach is chosen, it is important that grants be designed to target funds to states and localities with the greatest need, discourage the replacement of state and local funds with federal funds, and strike the appropriate balance between accountability and flexibility.

Mr. Chairman and Members of the Subcommittee:

I appreciate the opportunity to be here today to discuss issues critical to successful federal leadership of, assistance to, and partnership with state and local governments to enhance homeland security. As you know, the challenges posed in strengthening homeland security exceed the capacity and authority of any one level of government. Protecting the nation against these unique threats calls for a truly integrated approach, bringing together the resources of all levels of government.

There is a great deal of room for improvement in how the federal government provides assistance to state and local governments to enhance their levels of preparedness for terrorist acts. We testified earlier this year that the federal grant system for first responders is highly fragmented and that the fragmented delivery of federal assistance can complicate coordination and integration of services and planning at state and local levels.¹

The Council on Foreign Relations report rightly points out that in the aftermath of the September 11 attacks, the United States must plan and prepare on the assumption that terrorists will strike again.² Given the many needs and high stakes involved, it is all the more important that the structure and design of federal grants be geared to fund the highest priority projects with the greatest potential impact for improving homeland security. Sustaining support for the necessary funding over the longer term will ultimately depend on rationalizing our grant system to streamline and simplify overlapping programs, promote appropriate targeting, and ensure accountability for the results achieved with scarce federal resources. Accountability needs to be built in on the front end, not after the funds are expended. Now is the time for policymakers to step back and rationalize the structure and design of first responder grant programs to improve their potential effectiveness.

Today, I would like to start by providing a perspective on the Council's report on the preparedness of first responders throughout the nation. I will

¹ U.S. General Accounting Office, *Federal Assistance: Grant System Continues to Be Highly Fragmented*, [GAO-03-718T](#) (Washington, D.C.: Apr. 29, 2003).

² Report of an Independent Task Force Sponsored by the Council on Foreign Relations, *Emergency Responders: Drastically Underfunded, Dangerously Unprepared* (New York, NY: 2003).

then focus on the system of homeland security grants and explain how the system continues to be highly fragmented, potentially resulting in duplication and overlap among federal programs. Finally, I would like to focus on grants design options to improve targeting, fiscal accountability, and results through the intergovernmental homeland security partnership.

This testimony draws upon our wide-ranging ongoing and completed work on federal grants management issues, grant reform efforts, homeland security, and performance management initiatives. We conducted our work in accordance with generally accepted government auditing standards.

Background

The Council on Foreign Relations study sets the stage for rethinking the federal role in assisting communities prepare for homeland security. Although acknowledging that the nation's preparedness has improved, the Council's report highlights some of the significant gaps in preparedness including shortfalls in personnel, equipment, communications, and other critical capabilities in local services.

The Council's report attempts to fill a void by estimating unmet needs for emergency responders. The Council's 5-year estimate of approximately \$98 billion across all levels of government was developed in concert with The Concord Coalition and the Center for Strategic and Budgetary Assessments. It was based on data made available by professional associations and others in the areas of fire service, urban search and rescue, hospital preparedness, public health, emergency 911 systems, interoperable communications, emergency operations centers, animal/agricultural emergency response, emergency medical services systems, emergency management planning and coordination, and emergency response regional exercises. However, the report clearly states that it does not include estimates for certain costs such as overtime for training and other estimated needs in several critical mission areas, such as the needs of police forces, because national police organizations were unable to provide the information.

The total estimate is characterized in the report as being very preliminary and imprecise given the absence of comprehensive national preparedness standards. As the report itself acknowledges, the analysis is intended to foster national debate by focusing on the baseline of preparedness and steps needed to promote higher levels of readiness.

The report performs a service in beginning an important dialogue on defining standards to assess readiness and recommends the development of a better framework and procedures to develop more precise estimates of national requirements and needs. The report concludes that the basis for funding decisions would be improved by agreement on a more detailed and systematic methodology to determine national requirements grounded in national standards defining emergency preparedness.

We at GAO have not evaluated the methodology used in the Council's report. However, we have issued a report evaluating needs assessments performed by other agencies in the area of public infrastructure. That report highlights best practices that may prove useful if used by the Department of Homeland Security or other public or private entities in analyzing homeland security preparedness needs in the future.³ The practices used by these agencies to estimate funding needs varied widely, but we were able to benchmark their assessments against best practices used by leading public and private organizations. They also reflect requirements that the Congress and the Office of Management and Budget have placed on federal agencies that are aimed at improving capital decisionmaking practices.

Among these best practices for infrastructure, there are several that might be considered useful and relevant when conducting homeland security capability assessments. For example, some agencies' assessments focus on resources needed to meet the underlying missions and performance goals. This type of results-oriented assessment is based on the actions needed to attain specific outcomes, rather than being simply a compilation of all unmet needs regardless of their contribution to underlying outcomes and goals. Assessments might also consider alternative approaches to meeting needs for cost effectiveness such as reengineering existing processes and improving collaboration with other governments and the private sector. Best-practice agencies use cost-benefit analysis to include only those needs for which benefits exceed costs; in cases where benefits are difficult to quantify, assessments could include an analysis that compares alternatives and recommends the most cost-effective (least-cost) option for achieving the goal. Some agencies also rank projects based on established criteria such as cost-effectiveness, relative risk, and potential contribution to program goals. Finally, we found that best-practice

³ U.S. General Accounting Office, *U.S. Infrastructure: Agencies' Approaches to Developing Investment Estimates Vary*, [GAO-01-835](#) (Washington, D.C.: July 20, 2001).

agencies have a process to independently review the quality of data used to derive estimates.

Fragmentation in Homeland Security Grants for First Responders

GAO's work over the years has repeatedly shown that mission fragmentation and program overlap are widespread in the federal government and that crosscutting program efforts are not well coordinated. As far back as 1975, GAO reported that many of the fundamental problems in managing federal grants were the direct result of the proliferation of federal assistance programs and the fragmentation of responsibility among different federal departments and agencies.⁴ While we noted that the large number and variety of programs tended to ensure that a program is available to meet a defined need, we found that substantial problems occur when state and local governments attempt to identify, obtain, and use the fragmented grants-in-aid system to meet their needs. Such a proliferation of programs leads to administrative complexities that can confuse state and local grant recipients. Like GAO, Congress is aware of the challenges facing grantees in the world of federal grants management. In 1999, it passed the Federal Financial Assistance Management Improvement Act (P.L. 106-107), with the goal of improving the effectiveness and performance of federal financial assistance programs, simplify federal financial assistance application and reporting requirements, and improve the delivery of services to the public.

The 108th Congress faces the challenge to redesign the nation's homeland security grant programs in light of the events of September 11, 2001 and the establishment of the Department of Homeland Security (DHS). In so doing, Congress must balance the needs of our state and local partners in their call for both additional resources and more flexibility with the nation's goals of attaining the highest levels of preparedness. At the same time, we need to design and build in appropriate accountability and targeting features to ensure that the funds provided have the best chance of enhancing preparedness.

⁴ U.S. General Accounting Office, *Fundamental Changes Are Needed in Federal Assistance to State and Local Governments*, GAO/GGD-75-75 (Washington, D.C.: Aug. 19, 1975).

Funding increases for combating terrorism have been dramatic and reflect the high priority that the administration and Congress place on this mission. As the Council's report observes, continuing gaps in preparedness may prompt additional funds to be provided. The critical national goals underlying these funding increases bring a responsibility to ensure that this large investment of taxpayer dollars is wisely applied. We recently reported on some of the management challenges that could stem from increased funding and noted that these challenges—including grants management—could impede the implementation of national strategies if not effectively addressed.⁵

GAO has testified before on the development of counter-terrorism programs for state and local governments that were similar and potentially duplicative.⁶ Table 1 shows many of the different grant programs that can be used by first responders to address the nation's homeland security.⁷ To illustrate the level of fragmentation across homeland security programs, we have shown in table 1 the significant features for selected major assistance programs targeted to first responders. As the table shows, substantial differences exist in the types of recipients and the allocation methods for grants addressing similar purposes. For example, some grants go directly to local first responders such as firefighters while at least one goes to state emergency management agencies and another directly to state fire marshals. The allocation methods differ as well—some are formula grants while the others involve discretionary decisions by federal agency officials on a project basis. Grant requirements differ as well—DHS' Assistance to Firefighters Grant has a maintenance of effort requirement (MOE) while the State Fire Training Systems Grant has no similar requirement.

⁵ U.S. General Accounting Office, *Combating Terrorism: Funding Data Reported to Congress Should Be Improved*, [GAO-03-170](#) (Washington, D.C.: Nov. 26, 2002).

⁶ U.S. General Accounting Office, *Combating Terrorism: Intergovernmental Partnership in a National Strategy to Enhance State and Local Preparedness*, [GAO-02-547T](#) (Washington, D.C.: Mar. 22, 2002).

⁷ While the selected grant programs listed in table 1 could be placed into the categories used in the Council's report, we have not reviewed the methodology used by the Council to make its budgetary estimates.

Table 1: Characteristics of Selected Homeland Security Grant Programs

Grant	Federal Agency	Grantee	MATCH	MOE	Funding Formulas And Cost Sharing Provisions
State Homeland Security Grant Program	ODP/ DHS	State and local units of government			FY2003 allocations determined by using a base amount of .75 percent of the total allocation to the states (including D.C. and Puerto Rico) and .25 percent of the total allocation for the territories, with the balance of funds being distributed on a population-share basis.
Emergency Management Performance Grants	FEMA/DHS	State and local units of government	✓		<p>For each state, a target allocation is derived by calculating the same proportion of available funds as the state received the prior year.</p> <p>A matching requirement is calculated for each state. Each recipient's cost share percentage will increase by 1 percent over the prior year until the 50/50 level is reached.</p>
Urban Areas Security Initiative	ODP/DHS	Selected cities and states chosen by the Secretary of DHS			Funds distributed according to formula—a combination of current threat estimates, critical assets within the urban area, population and population density—that is a weighted combination of each factor, the results for which are ranked and used to calculate the proportional allocation of resources.
Urban Areas Security Initiative -Transit System Security Grant Program	ODP/DHS	Selected mass transit systems chosen by the Secretary of DHS			Non-supplanting certification required.
Urban Areas Security Initiative – Port Security Grant Program	ODP/DHS	State and local government entities and commercial companies to enhance security at selected ports			Non-supplanting certification required.
First Responder Counter-Terrorism Assistance	FEMA/DHS	Fire and emergency first responders; law enforcement personnel with operational and/or incident management responsibilities			None
State Fire Training Systems Grants (National Fire Academy Training Grants)	FEMA/DHS	Representatives from the 50 State Fire Training Systems			None

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Grant	Federal Agency	Grantee	MATCH	MOE	Funding Formulas And Cost Sharing Provisions
Hazardous Materials Assistance Program	FEMA/DHS	States, locals, tribes, territories, State Emergency Response Committees, and Local Emergency Planning Commissions			None
Hazardous Material Training Program	FEMA/DHS	Tribal government	✓		Matching requirement of 20 percent can be satisfied with cash or third party in-kind contribution.
Assistance to Firefighters Grant	FEMA/DHS	Fire departments in the states. An Emergency Management Services unit can apply if the unit is under the auspices of a fire department.	✓	✓	Applicants who protect a population of 50,000 or less must provide a nonfederal cost-share of not less than 10 percent of the total award. Applicants who protect a population of 50,000 or more must provide a nonfederal cost-share of not less than 30 percent of the total award. This program also has a maintenance-of-effort requirement.
Edward Byrne Memorial State and Local Law Enforcement Assistance (Byrne Formula Grant Program)	Bureau of Justice Assistance in the Office of Justice Programs, Department of Justice (DOJ)	State and local units of government	✓	✓	Each participant state receives a base amount of \$500,000 or .25 percent of the amount available for the program, whichever is greater, with the remaining funds allocated to each state on the basis of the state's relative share of total U.S. population. Match for the formula grant programs will be provided for on a project-by-project basis, statewide basis, unit-of-government basis, or a combination of the above. The Act restricts the use of funds for supplanting state and local funds and land acquisition.
Local Law Enforcement Block Grants Program	Bureau of Justice Assistance in the Office of Justice Programs, DOJ	State and local units of government	✓	✓	The federal funds may not exceed 90 percent of the total costs of a program. Federal funds may not be used to supplant state and local funds.
Public Safety Partnership and Community Policing Grants (COPS)	Office of Community Oriented Policing Services, DOJ	State and local units of government	✓		Some grants, such as for hiring and the Schools Grant Program, require no local percentage match. Other awards generally are made for 75 percent of allowable project costs.

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Grant	Federal Agency	Grantee	MATCH	MOE	Funding Formulas And Cost Sharing Provisions
Law Enforcement Assistance – FBI Field Police Training	FBI/DOJ	All authorized municipal, county, local and state criminal justice personnel			None
State and Local Anti-Terrorism Training	Bureau of Justice Assistance in the Office of Justice Programs, DOJ	State and local law enforcement and prosecution authorities			None
Emergency Management Institute -- Resident Educational Program	FEMA/DHS	Individuals who need emergency management training and are assigned to an emergency management position in State, local, or tribal government			None
Emergency Operations Centers	FEMA/DHS	States, D.C. and territories. Local governments may receive assistance as subgrantees to the state	✓		Funds awarded in two phases. In Phase 1, each state will be allocated \$50,000 with no matching for an initial assessment of hazards, vulnerabilities and risk. Phase 2 grants used to address the most immediate deficiencies including modification, new construction and retrofitting facilities has a 50 percent nonfederal matching.
CDC - Investigations & Technical Assistance	CDC/HHS	States, political subdivisions of states, local health authorities, and organizations with specialized health interests may apply			None
Public Health and Social Services Emergency Fund—Bioterrorism Hospital Preparedness Program	Health Resources and Services Administration/HHS	Federal agencies, state and local governments, and other service providers in areas impacted			None
Interoperable Communications Equipment	Emergency Preparedness and Response Directorate/DHS	Local governments nominated by state or territory government.	✓		Grant awards required a 25 percent nonfederal matching. The match does not need to be a cash match.
Community Emergency Response Teams (CERT)	FEMA/DHS	States, D.C. and territories. Local governments may receive assistance as subgrantees to the state.			States (including D.C. and Puerto Rico) and territories will be allocated a base amount of .75 percent and .25 percent respectively of the total amount available. The remaining funds will be allocated according to population and added to the base

Source: Catalogue of Federal Domestic Assistance, August 2003; Congressional Research Service reports.

Table 2 shows that considerable potential overlap exists in the activities that these programs support—for example, funding for training is provided by most grants in the table and several provide for all four types of needs.

Table 2: Overlap and Duplication in Selected Homeland Security Grant Programs

Grant	Equipment	Training	Exercises	Planning
State Homeland Security Grant Program (SHSGP)	•	•	•	•
Emergency Management Performance Grants (EMPG)		•	•	•
Urban Areas Security Initiative	•	•	•	•
Urban Areas Security Initiative – Transit System	•	•	•	•
Urban Areas Security Initiative – Port Security Grant Program	•	•	•	
First Responder Counter-Terrorism Assistance		•		
State Fire Training Systems Grants (National Fire Academy Training Grants)		•		
Hazardous Materials Assistance Program		•	•	•
Hazardous Material Training Program		•		
Assistance to Firefighters Grant	•	•	•	•
Edward Byrne Memorial State and Local Law Enforcement Assistance (Byrne Formula Grant Program)	•	•	•	•
Local Law Enforcement Block Grants Program (LLEBG)	•	•		•
Public Safety Partnership and Community Policing Grants (COPS)		•		
Law Enforcement Assistance – FBI Field Police Training		•		
State and Local Anti-Terrorism Training		•		
Emergency Management Institute Resident Educational Program		•		
Emergency Operations Centers (Facilities grant to encourage development/retrofitting of centers)				

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Grant	Equipment	Training	Exercises	Planning
Centers for Disease Control – Investigations & Technical Assistance				•
Public Health and Social Services Emergency Fund—Bioterrorism Hospital Preparedness Program	•	•	•	•
Interoperable Communications Equipment	•			
Community Emergency Response Teams (CERT)	•	•		

Source: *Catalogue of Federal Domestic Assistance*, August 2003; Congressional Research Service reports.

The fragmented delivery of federal assistance can complicate coordination and integration of services and planning at state and local levels. Homeland security is a complex mission requiring the coordinated participation of many federal, state, and local government entities as well as the private sector. As the national strategy issued by the administration last summer recognizes, preparing the nation to address the new threats from terrorism calls for partnerships of many disparate actors at many levels in our system.⁸ Within local areas, for example, the failure of local emergency communications systems to operate on an interoperable basis across neighboring jurisdictions reflects coordination problems within local regions. Local governments are starting to assess how to restructure relationships along contiguous local entities to take advantage of economies of scale, promote resource sharing, and improve coordination on a regional basis. Our previous work suggests that the complex web of federal grants used to allocate federal aid to different players at the state and local level may continue to reinforce state and local fragmentation.

Some have observed that federal grant restrictions constrain the flexibility state and local officials need to tailor multiple grants to address state and local needs and priorities. For example, some local officials have testified that rigid federal funding rules constrain their flexibility and cannot be used to fund activities that meet their needs. We have reported that overlap and fragmentation among homeland assistance programs fosters inefficiencies and concerns in first responder communities. State and local officials have repeatedly voiced frustration and confusion about the

⁸ The White House, Office of Homeland Security, *National Strategy for Homeland Security* (Washington, D.C.: July 16, 2002).

burdensome and inconsistent application processes among programs. We concluded that improved coordination at both federal and state and local levels would be promoted by consolidating some of these first responder assistance programs.⁹

Rationalizing the First Responder Grant System

Using grants as a policy tool, the federal government can engage and involve other levels of government and the private sector in enhancing homeland security while still having a say in recipients' performance and accountability. The structure and design of these grants will play a vital role in determining success and ensuring that scarce federal dollars are used to achieve critical national goals.

Consolidating Grants

Addressing the underlying fragmentation of grant programs remains a challenge for our federal system in the homeland security area. Several alternatives have been pursued in the past to overcome problems fostered by fragmentation in the federal aid structure. I will discuss three briefly here – block grants, performance partnerships, and streamlining planning and administrative requirements.

Block grants are one way Congress has chosen to consolidate related programs. Block grants currently are used to deliver assistance in such areas as welfare reform, community development, social services, law enforcement, public health, and education. While such initiatives often involved the consolidation of categorical grants, block grants also typically devolve substantial authority for setting priorities to state or local governments. Under block grants, state and local officials bear the primary responsibility for monitoring and overseeing the planning, management, and implementation of activities financed with federal grant funds. Accordingly, block grant proposals generally call for Congress to make a fundamental decision about where power and authority to make decisions should rest in our federal system for a particular program area.

⁹ U.S. General Accounting Office, *Combating Terrorism: Selected Challenges and Related Recommendations*, [GAO-01-822](#) (Washington, D.C., Sept. 20, 2001).

While block grants devolve authority for decisions, they can and have been designed to facilitate some accountability for national goals and objectives. Since federal funds are at stake, Congress typically wants to know how federal funds are spent and what state and local governments have accomplished. Indeed, the history of block grants suggests that the absence of national accountability and reporting for results can either undermine continued congressional support or prompt more prescriptive controls to ensure that national objectives are being achieved.¹⁰

Given the compelling national concerns and goals for homeland security, Congress may conclude that the traditional devolution of responsibility found in a pure block grant may not be the most appropriate approach. Congress might instead choose a hybrid approach—what we might call a “consolidated categorical” grant which would consolidate a number of narrower categorical programs while retaining strong standards and accountability for discrete federal performance goals. State and local governments can be provided greater flexibility in using federal funds in exchange for more rigorous accountability for results.

One example of this model involves what became known as “performance partnerships,” exemplified by the initiative of the Environmental Protection Agency (EPA). Under this initiative, states may voluntarily enter Performance Partnership Agreements with EPA regional offices covering the major federal environmental grant programs. States can propose to use grants more flexibly by shifting federal funds across programs but they are held accountable for discrete or negotiated measures of performance addressing EPA’s national performance goals. This approach has allowed states to use federal funds more flexibly and support innovative projects while increasing the focus on results and effectiveness. However, in 1999 we reported that the initiative had been hampered by an absence of baseline data against which environmental improvements could be measured and the inherent difficulty in quantifying certain results and linking them to program activities.¹¹

¹⁰ U.S. General Accounting Office, *Block Grants: Increases in Set-Asides and Cost Ceilings Since 1982*, [GAO/HRD-92-58FS](#) (Washington, D.C.: July 27, 1992).

¹¹ U.S. General Accounting Office, *Environmental Protection: Collaborative EPA-State Effort Needed to Improve New Performance Partnership System*, [GAO/RCED-99-171](#) (Washington, D.C.: June 21, 1999).

The challenge for developing performance partnerships for homeland security grants will be daunting because the administration has yet to develop clearly defined federal and national performance goals and measures. We have reported that the initiatives outlined in the *National Strategy for Homeland Security* often do not provide performance goals and measures to assess and improve preparedness at the federal or national levels. The strategy generally describes overarching objectives and priorities but not measurable outcomes. The absence of such measures and outcomes at the national level will undermine any effort to establish performance based grant agreements with states. The Council on Foreign Relations report recommends establishing clearly defined national standards and guidelines in consultation with first responders and other state and local officials.

Another alternative to overcome grant fragmentation is the simplification and streamlining of administrative and planning requirements. In June 2003, the Senate Governmental Affairs Committee passed a bill (S. 1245, The Homeland Security Grant Enhancement Act of 2003) intended to better coordinate and simplify homeland security grants. The bill would establish an interagency committee to coordinate and streamline homeland security grant programs by advising the Secretary of DHS on the multiple programs administered by federal agencies. The interagency committee would identify all redundant and duplicative requirements to the appropriate committees of Congress and the agencies represented in the interagency committee. The bill also establishes a clearinghouse function within the Office for State and Local Government Coordination for grant information that would gather and disseminate information regarding successful state and local homeland security programs and practices. The bill seeks to streamline the application process for federal assistance and to rationalize and better coordinate the state and local planning requirements. The bill provides for a comprehensive state plan to address the broad range of emergency preparedness functions currently funded from separate programs with their own separate planning requirements.

A statewide plan can be used as a tool to promote coordination among federal first responder programs that continue to exist as separate funding streams. One option could be to require recipients of federal grants for homeland security within each state to obtain review and comment by the central state homeland security agency to attest to consistency with the statewide plan.

Whatever approach is chosen, it is important that grants be designed to (1) target the funds to states and localities with the greatest need, (2) discourage the replacement of state and local funds with federal funds, commonly referred to as “supplantation,” with a maintenance-of-effort requirement that recipients maintain their level of previous funding, and (3) strike a balance between accountability and flexibility.¹²

Targeting

As Congress goes forward to consider how to design a grant system to promote a stronger federal, state, local and regional partnership to improve homeland security, it faces some of the traditional dilemmas in federal grant design. One is targeting. How do you concentrate funds in the places with the highest risks? A proclivity to spread money around, unfortunately, may provide less additional net protection while actually placing additional burdens on state and local governments. Given the significant needs and limited federal resources, it will be important to target to areas of greatest need. The formula for the distribution of any new grant could be based on several considerations, including relative threats and vulnerabilities faced by states and communities as well as the state or local government’s capacity to respond to a disaster. The Council on Foreign Relations report recommends that Congress establish a system for allocating scarce resources based on addressing identified threats and vulnerabilities. The report goes on to say that the federal government should consider factors such as population and population density, vulnerability assessments, and the presence of critical infrastructure within each state as the basis for fund distribution.

By comparing three of the grants listed in table 2, one can see differences in the way funds have been allocated thus far. For example, under the State Homeland Security Grant Program allocations are determined by using a base amount of .75 percent of the total allocation to each state (including the District of Columbia and Puerto Rico) and .25 percent of the total to the territories. The balance of the funds goes to recipients on a population-share basis. In contrast, the Urban Area Security Initiative funds are distributed according to a formula from the Department of Homeland Security as being a combination of weighted factors including current threat estimates, critical assets within the urban area, population and

¹² The Rockefeller Institute of Government, *The Role of “Home” in Homeland Security: The Federalism Challenge—The Challenge for State and Local Governments*, Symposium Series Number 2 (Albany, New York: March 24, 2003).

population density—the results of which are ranked and used to calculate the proportional allocation of resources. For Byrne Grants, each participant state receives a base amount of \$500,000 or .25 percent of the amount available for the program, whichever is greater, with the remaining funds allocated to each state based on the state’s relative share of the total U.S. population.

Supplantation and Sustainability

A second dilemma in federal grant design involves preventing fiscal substitution or supplantation. In earlier work, we found that substitution is to be expected in any grant and, on average, every additional federal grant dollar results in about 60 cents of supplantation.¹³ We found that supplantation is particularly likely for block grants supporting areas with prior state and local involvement. However, our work on the Temporary Assistance to Needy Families block grant found that a strong maintenance of effort provision can limit states’ ability to supplant¹⁴ since recipients can be penalized for not meeting a maintenance of effort requirement.

It seems obvious to say that grant recipients should maintain the effort they were making prior to receiving the grant and use the grant to add to, rather than replace, their own contribution. However, since September 11, 2001, many local jurisdictions have taken it upon themselves to take the initiative to dramatically increase their own-source funding in an effort to enhance security. Should the federal grant system now penalize them by locking in their increased spending levels and at the same time reward state and local governments that have taken a “wait and see” attitude concerning enhancing security? This is one of the design dilemmas that Congress will need to address to ensure that scarce federal resources in fact are used to promote increased capability.

A third challenge is sustainability. Local governments think of sustainability as keeping the federal spigot permanently turned on. They may argue that the urgent needs they face will drive out the important needs of enhanced homeland security without continued federal aid. However, from a broader, national perspective there is an expectation that

¹³ U.S. General Accounting Office, *Federal Grants: Design Improvements Could Help Federal Resources Go Further*, [GAO-AIMD-97-7](#) (Washington, D.C.: Dec. 18, 1996).

¹⁴ U.S. General Accounting Office, *Welfare Reform: Challenges in Maintaining a Federal-State Fiscal Partnership*, [GAO-01-828](#) (Washington, D.C.: Aug. 10, 2001).

the responsibility for sustaining homeland security responsibility would at least be shared by all levels of government since state, local, and regional governments receive benefits from these grants in addition to the national benefit of improving homeland security.

Several options can be considered to further shared fiscal responsibility. A state and local match could be considered to reflect both the benefits received by state and local taxpayers from preparedness as well as to encourage the kind of discipline and responsibility that can be elicited when a government's own funds are at stake. An additional option—the “seed money” approach—could be to lower the federal match over time to encourage ownership, support, and long term sustainability at the state and local level for funded activities. However, at their best grants can stimulate state and local governments to enhance their preparedness to address the unique threats posed by terrorism. Ideally, grants should stimulate higher levels of preparedness and avoid simply subsidizing local functions that are traditionally state or local responsibilities. The literature on intergovernmental management suggests that federal money can succeed in institutionalizing a commitment to aided goals and purposes over time within states and communities, as professional administrators and clients of these programs take root and gain influence within local political circles.¹⁵

Accountability and Flexibility

Ultimately, the sustainability of government funding can be promoted by accountability provisions that provide clear and transparent information on results achieved from the intergovernmental partnership. At the federal level, experience with block grants shows that grant programs are sustainable if they are accompanied by sufficient performance and accountability information on national outcomes to enable them to compete for funding in the congressional appropriations process. Accountability can be performance and results oriented to provide focus on national goals across state and local governments while providing for greater flexibility for those governments in deciding how best to meet those goals.

Last summer, the Administration released a national strategy for homeland security that placed emphasis on security as a shared national

¹⁵ See Paul Peterson, Barry Rabe, and Kenneth Wong, *When Federalism Works* (Washington, D.C., Brookings Institution, 1985).

responsibility involving close cooperation among all levels of government. We noted at the time that the national strategy's initiatives often did not provide a baseline set of performance goals and measures for homeland security.¹⁶ Then and now—over a year later—the nation does not have a comprehensive set of performance goals and measures against which to assess and upon which to improve prevention efforts, vulnerability reduction, and responsiveness to damage and recovery needs at all levels of government. We still hold that given the need for a highly integrated approach to the homeland security challenge, national performance goals and measures for strategy initiatives that involve both federal and nonfederal actors may best be developed in a collaborative way involving all levels of government and the private sector. At this point, there are few national or federal performance standards that can be defined, given the differences among states and lack of understanding of what levels of preparedness are appropriate given a jurisdiction's risk factors. The Council on Foreign Relations recommended that national standards be established by federal agencies in such areas as training, communications, and response equipment, in consultation with intergovernmental partners.

Communications is an example of an area for which standards have not yet been developed, but various emergency managers and other first responders have highlighted that standards are needed. State and local government officials often report that there are deficiencies in their communications capabilities, including the lack of interoperable systems. The national strategy recognizes that it is crucial for response personnel to have and use equipment, systems, and procedures that allow them to communicate. Therefore, the strategy calls for a national communication plan to establish protocols (who needs to talk to whom), processes, and national standards for technology acquisition.

¹⁶ U.S. General Accounting Office, *Homeland Security: Effective Intergovernmental Coordination is Key to Success*, [GAO-02-1013T](#) (Washington, D.C.: Aug. 23, 2002).

Need for Integrated Approaches from State and Local Partners

Just as the federal government needs to rationalize its grant system for first responders, state and local governments are also challenged to streamline and better coordinate their efforts. As pointed out in the recent report from the Century Foundation,¹⁷ ultimately the nation's homeland defense will be critically dependent on the ability of state and local governments to act to overcome barriers to coordination and integration. The scale of homeland security threat spills over conventional boundaries of political jurisdictions and agencies. Effective response calls on local governments to reach across boundaries to obtain support and cooperation throughout an entire region or state.

Promoting partnerships among key players within each state and even across states is vital to addressing the challenge. States and local governments need to work together to reduce and eliminate barriers to achieving this coordination and regional integration. The federal government is, of course, a key player in promoting effective preparedness and can offer state and local governments assistance beyond grant funds in such areas as risk management and intelligence sharing. The Office for State and Local Government Coordination has been established within DHS to facilitate close coordination with state and local first responders, emergency services and governments. In turn, state and local governments have much to offer in terms of knowledge of local vulnerabilities and resources, such as local law enforcement personnel, available to respond to threats in their communities.

Local officials emphasized the importance of regional coordination. Regional resources, such as equipment and expertise, are essential because of proximity, which allows for quick deployment, and experience in working within the region. Large-scale or labor-intensive incidents quickly deplete a given locality's supply of trained responders. Some cities have spread training and equipment to neighboring municipal areas so that their mutual aid partners can help. We found in our work last year that to facilitate emergency planning and coordination among cities in metropolitan areas officials have joined together to create task forces, terrorism working groups, advisory committees and Mayors' caucuses. Cities and counties have used mutual aid agreements to share emergency resources in their metropolitan areas. These agreements may include fire,

¹⁷ Kettl, Donald F., *The States and Homeland Security: Building the Missing Link*, The Century Foundation's Homeland Security Project Working Group on Federalism Challenges, (New York, New York: 2003).

police, emergency medical services, and hospitals and may be formal or informal. These partnerships afford economies of scale across a region. In events that require a quick response, such as a chemical attack, regional agreements take on greater importance because many local officials do not think that federal and state resources can arrive in sufficient time to help.

Forging regional arrangements for coordination is not an easy process at the local level. The federal government may be able to provide incentives through the grant system to encourage regional planning and coordination for homeland security. Transportation planning offers one potential model for federal influence that could be considered. Under federal law, Metropolitan Planning Organizations are established to develop regionally based transportation plans from which, generally, projects that are to be federally funded must be selected.

Conclusion

Improving the partnership among federal and nonfederal officials is vital to achieving important national goals. The task facing the nation is daunting and federal grants will be a central vehicle to improve and sustain preparedness in communities throughout the nation. While funding increases for combating terrorism have been dramatic, the Council's report reflects concerns that many have about the adequacy of current grant programs to address the homeland security needs.

Ultimately, the "bottom line" question is: What impact will the grant system have in protecting the nation and its communities against terrorism? At this time, it is difficult to know since we do not have clearly defined national standards or criteria defining existing or desired levels of preparedness across the country. Our grant structure is not well suited to provide assurance that scarce federal funds are in fact enhancing the nation's preparedness in the places most at risk. There is a fundamental need to rethink the structure and design of assistance programs, to streamline and simplify programs, improve targeting, and enhance accountability for results. Federal, state, and local governments alike have a stake in improving the grant system to reduce burden and tensions and promote the level of security that can only be achieved through effective partnerships. The sustainability and continued support for homeland security initiatives will rest in no small part on our ability to demonstrate to the public that scarce public funds are in fact improving security in the most effective and efficient manner.

This concludes my prepared statement. I would be pleased to answer any questions you or the members of the subcommittee may have at this time.

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