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FEDERAL ASSISTANCE

Grant System Continues to Be Highly Fragmented

Statement of Paul L. Posner, Managing Director
Federal Budget Issues and Intergovernmental Relations, Strategic Issues

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GAO-03-718T

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Highlights

Highlights of GAO-03-718T, a report to the Subcommittee on Technology, Information Policy, Intergovernmental Relations and the Census, Committee on Government Reform, House of Representatives

FEDERAL ASSISTANCE

Grant System Continues to Be Highly Fragmented

Why GAO Did This Study

The Federal Financial Assistance Management Improvement Act of 1999 is one of the most recent in a series of efforts to reform the federal grants management system. The act seeks to improve the effectiveness and performance of Federal financial assistance programs; simplify application and reporting requirements; improve delivery of services to the public; and facilitate greater coordination among those responsible for delivering such services. GAO has a responsibility to evaluate the implementation of this Act by 2005 and will soon begin developing an approach and methodology for the study. This testimony describes the problems fostered by proliferation and fragmentation, which the Act addresses indirectly.

What GAO Recommends

We do not make any recommendations in this testimony; however, if Congress chooses to address fragmentation in the federal grant system more directly we have provided several options. Fragmentation of the grant system could be addressed through consolidation of programs with overlapping missions and objectives by (1) combining multiple programs into block grants, (2) establishing performance partnerships, and (3) providing for waiver authority of federal funding restrictions and program rules when requested and sufficiently justified by state or local governments.

www.gao.gov/cgi-bin/getrpt?GAO-03-718T.

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

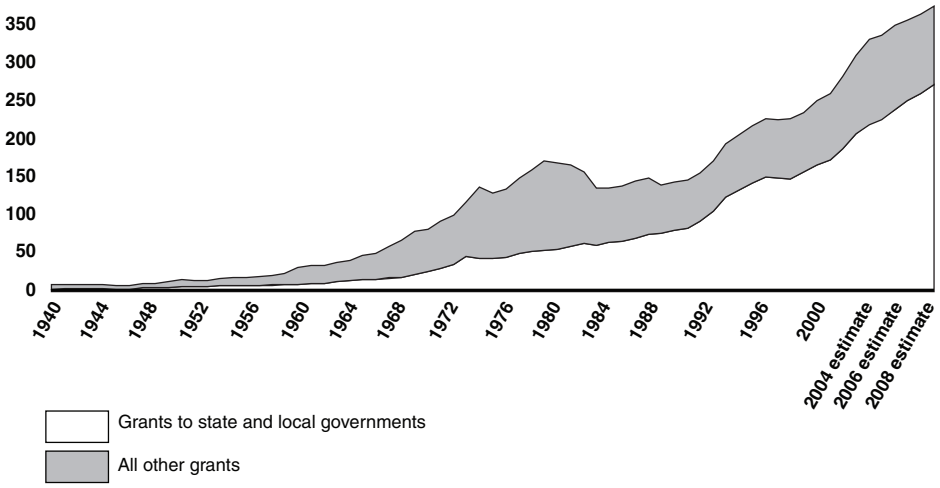
What GAO Found

While the Federal Financial Assistance Management Improvement Act of 1999 (FFAMIA) offers promising opportunities to improve the federal grant system, there remain over 600 different federal financial assistance programs to implement domestic policy. Federal grant recipients must navigate through a myriad of federal grant programs in order to find the appropriate source of funds to finance projects that meet local needs and address local issues.

Despite the process reforms initiated under FFAMIA, the federal grant system continues to be highly fragmented, potentially resulting in a high degree of duplication and overlap among federal programs. Since the 1960s the number and dollar amount of federal grant programs has grown substantially (see figure below). Growth in both the number of grant programs and the level of funding have created a high level of complexity in the system.

While the act seeks to improve the effectiveness and performance of federal assistance programs by simplifying grant administration and facilitating coordination among grant recipients. Congress could also consider consolidating grants that have duplicative objectives and missions. Consolidation can be achieved through a variety of ways including combining multiple programs into block grants, establishing performance partnerships, and providing for waiver authority of federal funding restrictions and program rules when requested and sufficiently justified by state or local governments. Each of these alternatives has implications for accountability that Congress will face as it considers improvements to the federal grant system.

Total Outlays for Grants (Fiscal Years 1940-2008).



Source: Budget of the United States Government, FY 2004, Office of Management and Budget.

Mr. Chairman and Members of the Subcommittee:

I appreciate the opportunity to be here today to discuss issues relating to the management of the federal grant system. The Federal Financial Assistance Management Improvement Act of 1999 is one of the most recent in a series of efforts to reform the federal grants management system extending back to the mid-1960s. Like most of the earlier reforms, the act seeks to:

- Improve the effectiveness and performance of Federal financial assistance programs;
- Simplify federal financial assistance application and reporting requirements;
- Improve delivery of services to the public; and
- Facilitate greater coordination among those responsible for delivering such services.

As such, the act seeks to address many of the administrative burdens that confound the nation's many grant recipients. As the 106th Congress found, there are still more than 600 different federal financial assistance programs to implement domestic policy—in fact, OMB's latest count in 2001 found 668 different grant programs. On the one hand, the administration's efforts to implement the act seek to streamline the flow of information on the various grants and develop uniform application and reporting procedures. On the other hand, federal grant recipients must still navigate through a myriad of federal grant programs in order to find the appropriate source of funds to finance projects that meet local needs and address local issues. In many cases, numerous grants from several different agencies support similar purposes and activities, giving rise to the potential for fragmentation in service delivery.

In testimony this morning you may hear about the administration's efforts to implement this act. GAO has a responsibility to evaluate the implementation of the act by 2005 and will soon begin developing an approach and methodology for the study. This hearing provides valuable information to help us understand the progress made and helps us better understand congressional oversight interests. We look forward to working with your subcommittee as well as other congressional clients as we develop our approach and methodology for this study.

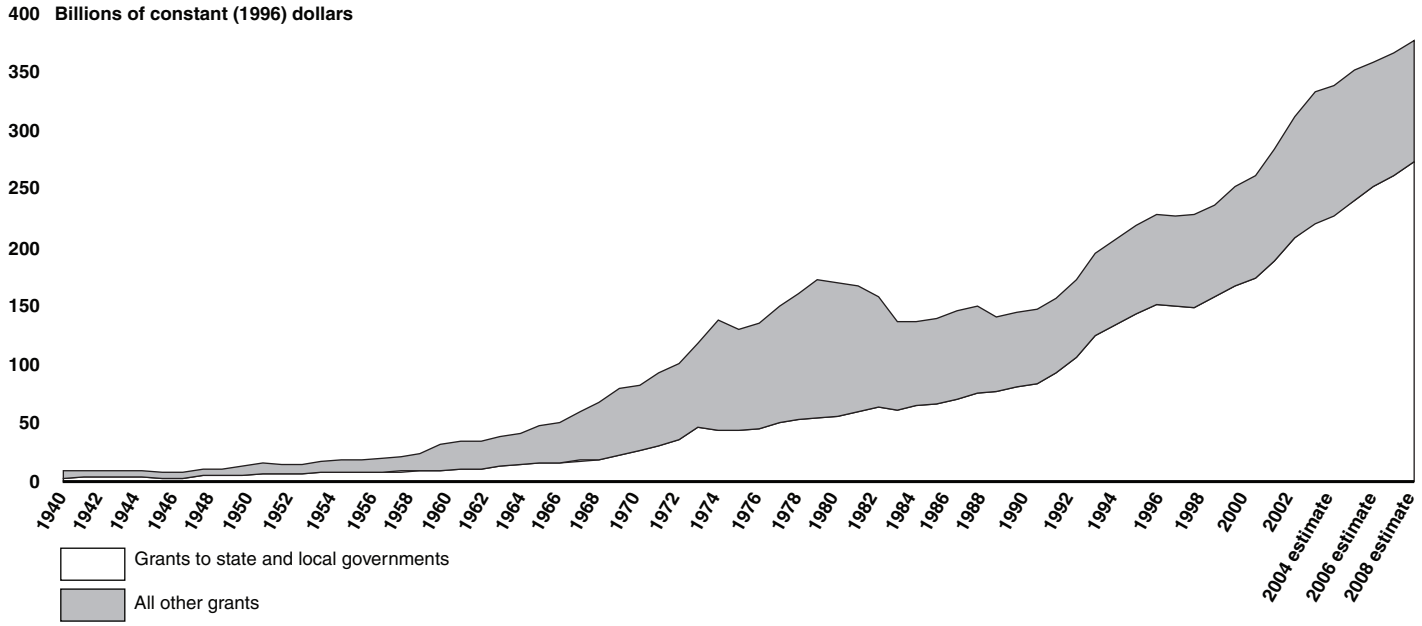
Today, I would like to provide a broader perspective on the structure of federal grants to state and local governments in general and the kinds of management and service delivery problems fostered by the proliferation of federal assistance programs and the fragmentation of responsibility among different federal departments and agencies. In my statement this morning, I would like to offer a short history of grant management reform efforts, describe the current profile of federal grants to states and local governments, and discuss GAO's recent work on these issues. Using the homeland security grants as an example, I will explain how the system continues to be highly fragmented, potentially resulting in a high degree of duplication and overlap among federal programs. Finally, I would like to suggest a range of alternatives available to Congress as it weighs reforms of the nation's homeland security grant programs.

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.

Trends in Federal Grants

In 1862, Congress enacted the Morrill Act to help states establish and maintain land-grant colleges. The act carefully specified the grant's objectives, placed conditions on the use of revenue derived from the sale of the 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. In the 1960s, the number and dollar amount of federal assistance programs grew substantially. (See fig. 1.) During this timeframe, major steps were taken to broaden elementary, secondary, and higher education opportunities; promote development in economically depressed areas; to help finance health services and medical care for the indigent; launch a war on poverty; and attempt a comprehensive physical, social, and economic program to transform slum and blight-ridden cities into model neighborhoods.

Figure 1: Total Outlays for Grants (Fiscal Years 1940-2008)



Source: Budget of the United States Government, FY 2004, Office of Management and Budget.

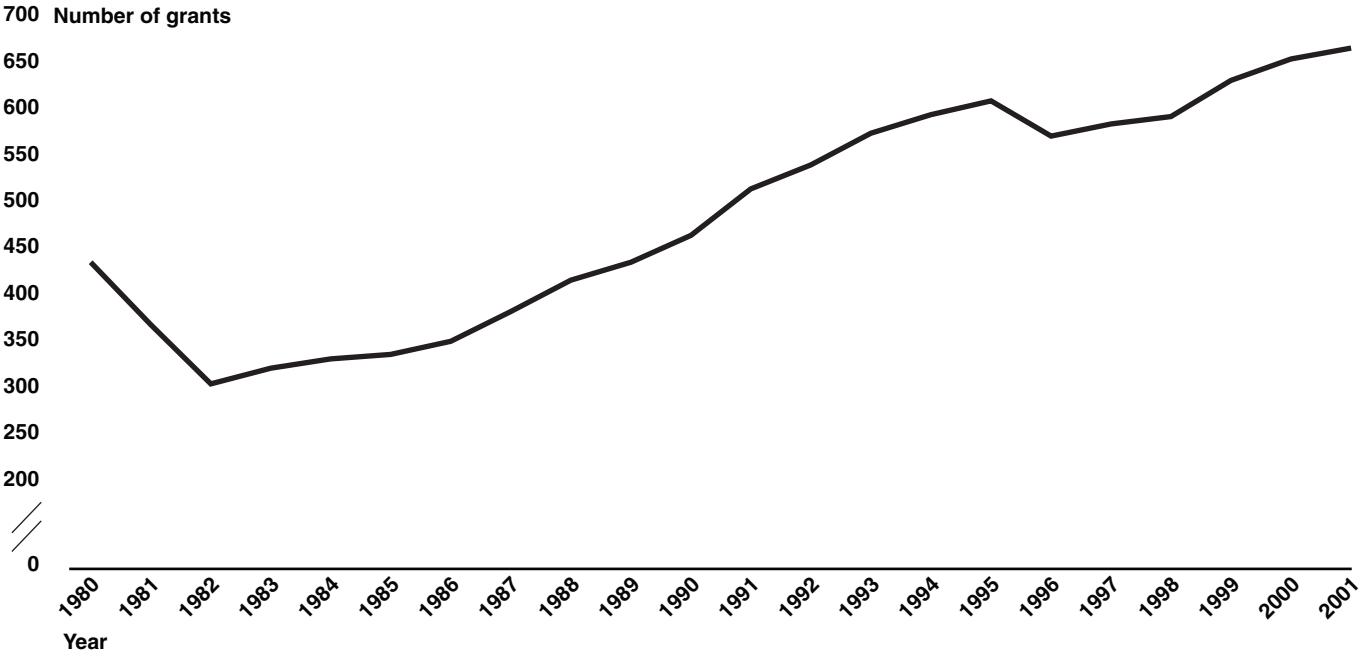
Growth in the both the numbers of new grant programs and the level of funding created greater complexity. During the 1960s and into the 1970s, various reforms were begun to address the complexity in the grant system. In 1968, Congress passed the Intergovernmental Cooperation Act of 1968 that sought to improve the cooperation and coordination of activities among levels of government. From 1969-1973, the President initiated the Federal Assistance Review—a government-wide effort with a goal to streamline, simplify, and speed up the flow of federal assistance and improve the federal government's responsiveness to its state and local partners. In addition, Federal Management Circular 74-7, issued in 1974, provided for standardized administrative provisions across grant programs. The Joint Funding Simplification Act of 1974 permitted grantees to streamline federal assistance by enabling them to combine funding from several grants administered by one or more federal agencies.

As previous congressional committee reports have noted, these administrative simplification initiatives, while useful in addressing certain administrative burdens associated with grants, did not address the more fundamental challenges stemming from the fragmented nature of the grant system. For example, the House Government Operations Committee, the

predecessor to the House Government Reform 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.

Over the years, Congress at times has acted to improve the grant system through consolidation. The Omnibus Budget Reconciliation Act of 1981 consolidated a number of social service programs into nine block grants which allowed for greater state and local autonomy and flexibility in the fashioning of local strategies to address federal objectives. More recently, in 1996 the 104th Congress consolidated a number of welfare-related programs into the Temporary Assistance for Needy Families block grant. Notwithstanding these efforts, as figure 2 shows, over the last 20 years each period of consolidation was followed by a proliferation of new federal programs. Moreover, some of the block grants were later recategorized, as Congress added new set-asides and cost-ceilings to address national programmatic concerns, thereby limiting the grants' flexibility.

Figure 2: Trend in the Number of Federal Grant Programs to State and Local Governments 1980-2001

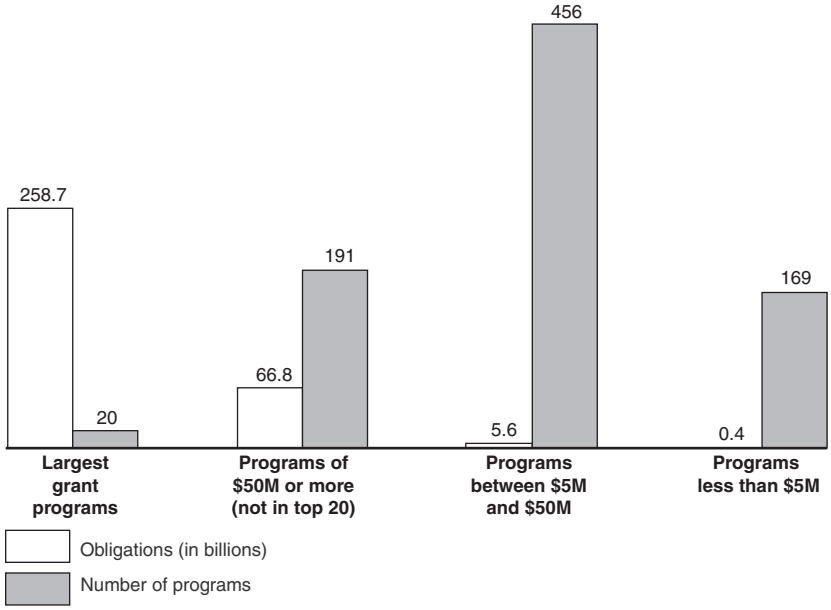


Source: OMB analysis.

A sizable increase in the number of grant programs could be justified and simply be an indication that as society evolves the nation's needs also change and we need new tools—in the form of new programs—at our disposal to address those needs. As such, program proliferation may be an indication that there is heightened congressional interest in ensuring that federal funds are directed in such a way as to meet specific—more narrowly defined—national goals and objectives. Nonetheless, the problems associated with a proliferation of federal programs are compounded when multiple grants are available for the same or similar purposes, forcing grant recipients to package different programs with potentially conflicting requirements to address common problems.

Moreover, the total funds available for many of these programs are quite small. As figure 3 shows, the vast majority of available federal funds—78 percent—are concentrated in 20 large grant programs. Stated differently, Mr. Chairman, in 2001 169 federal grant programs were funded at less than $5 million. Cumulatively, these small programs receive less than 1 percent of all federal funds provided through the grant system.

Figure 3: Grant Fragmentation: Many Grants Were Funded At Less Than $5 Million in 2001



Source: OMB analysis.

As you can imagine, at the recipient level, the funds available can be quite small, particularly—as you may hear in the statements of members of the second panel—in relation to the administrative effort and costs incurred in applying for and managing the grant. For example, FEMA's Hazardous Materials Assistance program provided grants from "a few dollars to $20,000" per applicant, according to the Catalog of Federal Domestic Assistance. FEMA's State Fire Training Systems Grants ranged from only $25,000 to $30,000 per state. While these funds undoubtedly served important purposes, the question is whether the funds could have been provided through more efficient means.

Continuing Fragmentation in the Structure of Federal Grants

Many of the same grants management challenges from the past are still with us today. 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.[1] 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.

More recently, GAO has addressed mission fragmentation through the framework provided under the Government Performance and Results Act (the Results Act). The Results Act's key stages include defining missions and outcomes, developing a strategy, measuring performance, and using performance information. For example, we reported in 2000 on the 50 programs for the homeless that were administered by 8 federal agencies. Housing services were provided under 23 programs operated by 4 agencies, and food and nutrition services were under 26 programs administered by 6 agencies.[2]

[1] 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).

[2] U.S. General Accounting Office, *Managing for Results: Continuing Challenges to Effective GPRA Implementation*, GAO/T--GGD-00-178 (Washington, D.C.: July 20, 2000).

We recently identified 44 programs administered by 9 different federal agencies that provided a range of employment and training services.[3] In the late 1990s, the Congress tried to bring some unity to this fragmented employment and training system by requiring states to provide most federally funded employment-related services through a centralized service delivery system—one-stop centers. Two years earlier, welfare reform legislation provided states with the flexibility to focus on helping needy adults with children find and maintain employment. Despite the similar focus, the welfare program was not required to be a part of the new workforce investment system. We recently reported[4] that nearly all states report some coordination of their welfare and workforce systems services at the state and local level, but that several challenges remain. For example, different definitions of what constitutes work as well as complex reporting requirements under both programs hamper state and local coordination efforts. Though some states and localities have found creative ways to work around these issues, the differences remain barriers to coordination for many others. Each of these programs is operated out of a different federal agency; the welfare program is administered from the Department of Health and Human Services (HHS), and the Department of Labor (Labor) administers the workforce investment program. We found that HHS and Labor have not addressed differences in program definitions and reporting requirements.

Fragmentation in Homeland Security Grants for First Responders

It falls to the 108th Congress to redesign the nation's homeland security grant programs in light of the events of September 11, 2001. 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. This goal is too important, and federal resources too scarce, to worry about holding our partners accountable *after* they have already spent the funds.

[3] U.S. General Accounting Office: *Multiple Employment and Training Programs: Funding and Performance Measures for Major Programs* GAO-03-589 (Washington, D.C.: Apr. 18, 2003.)

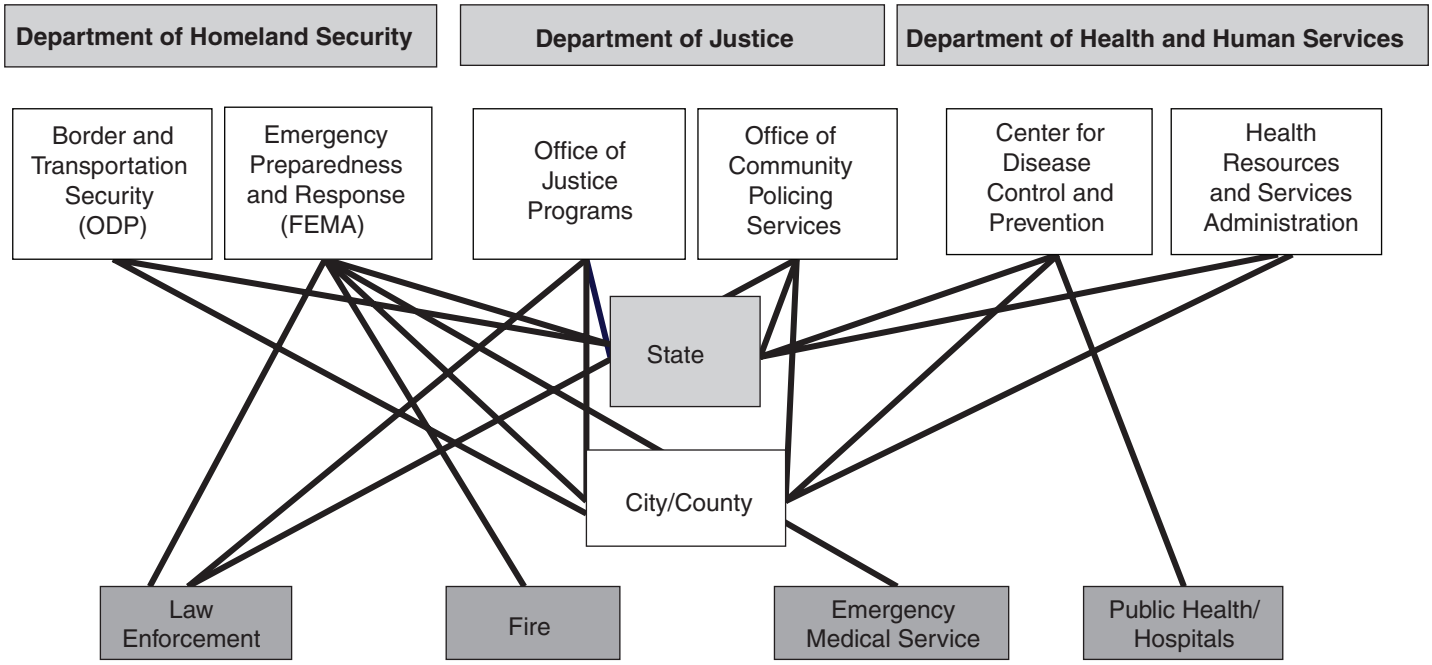
[4] U.S. General Accounting Office, *Workforce Investment Act: States and Localities Increasingly Coordinate Services for TANF Clients, but Better Information Needed on Effective Approaches*, GAO-02-696 (Washington D.C.: July 3, 2002).

Funding increases for combating terrorism have been dramatic and reflect the high priority that the administration and Congress place on this mission. These increases bring an added 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 testified before this subcommittee last year on the development of counter-terrorism programs for state and local governments that were similar and potentially duplicative. We have identified at least 16 different grant programs that can be used by the nation's first responders to address the nation's homeland security. These grants are currently provided through two different directorates of the new Department of Homeland Security, the Department of Justice, and HHS and serve state governments, cities and localities, as well as counties and others. Multiple fragmented grant programs can create a confusing and administratively burdensome process for state and local officials seeking to use federal resources for pressing homeland security needs. This is illustrated in figure 4 which shows the complex delivery structure for these 16 preparedness grant programs.

[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).

Figure 4: Web of Federal Homeland Security Grant Programs



Source: GAO analysis.

To illustrate the level of fragmentation across homeland security programs, we have shown in table 1 significant features for the major assistance programs targeted to first responders.[6] 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, others go to state emergency management agencies, and at least one goes to state fire marshals. The allocation methods differ as well—some are formula grants while 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.

[6] This table is not meant to be all-inclusive; there are other—broader purpose—grants which may also be used for first responder preparedness.

Table 1: Selected Characteristics of Homeland Security Grant Programs

Grant	Federal Agency	Grantee	Match	MOE	Funding Formulas And Cost Sharing Provisions
State Domestic Preparedness Equipment Support Program	ODP/DHS	State and local units of government			The funds are allocated to the States on the basis of a formula that provides a base amount to each State, with the balance of the funds distributed on the basis of population.
Local Law Enforcement Block Grants Program (LLEBG)	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.
Emergency Management Performance Grants (EMPG)	FEMA/DHS	State and local units of government	•		For each state, a target allocation is derived by calculating the same proportion of available funds as the State received the prior year. 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.
Edward Byrne Memorial State and Local Law Enforcement Assistance (Byrne Formula Grant Program)	Bureau of Justice Assistance in the Office of Justice Programs, DOJ	State and local units of government	•	•	Each participant state receives a base amount of $500,00 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, state-wide 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.
State Homeland Security Grant Program (SHSGP)	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 DC and the Puerto Rico) and .25 percent of the total allocation for the territories, with the balance of funds being distributed on a population-share basis.
State and Local Domestic Preparedness Training Program	ODP/DHS	Providers of Training, States, and local units of government			none
State and Local Domestic Preparedness Exercise Support	ODP/DHS	Providers of Exercise Support, States, and local units of government			none

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Grant	Federal Agency	Grantee	Match	MOE	Funding Formulas And Cost Sharing Provisions
State and Local Domestic Preparedness Technical Assistance	ODP/DHS	Providers of Techincal Assistance			none
First Responder Counter-Terrorism Assistance	FEMA/DHS	Fire & emergency first responders; law enforcement personnel with operational and/or incident mgt responsibilities			none
State Fire Training Systems Grants (National Fire Academy Training Grants)	FEMA/DHS	Representatives from the 50 State Fire Training Systems			none
Hazardous Materials Assistance Program	FEMA/DHS	States, locals, tribes, US territories, State Emergency Response Committees, and Local Emergency Planning Commissions			none
Assistance to Firefighters Grant	FEMA/DHS	Fire departments in the States. An EMS unit can apply if the unit is under the auspices of a fire department as defined above.	•	•	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 Discretionary Grants Program	Bureau of Justice Assistance in the Office of Justice Programs, DOJ	State and local public safety entities.		•	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 required. 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
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

Source: Catalogue of Federal Domestic Assistance, December 2002.

Table 2 shows considerable overlap in the activities that these programs support—for example, funding from both the State and Local Domestic Preparedness Exercise Support Program and the State Domestic Preparedness Equipment Support Program can be used for planning and conducting exercises.

Table 2: Overlap and Duplication in Homeland Security Grant Programs

Grant	Equipment	Training	Exercises	Planning
State Domestic Preparedness Equipment Support Program	•		•	•
Local Law Enforcement Block Grants Program (LLEBG)	•	•		•
Emergency Management Performance Grants (EMPG)		•	•	•
Edward Byrne Memorial State and Local Law Enforcement Assistance (Byrne Formula Grant Program)	•	•	•	•
State Homeland Security Grant Program (SHSGP)	•	•	•	•
State and Local Domestic Preparedness Training Program		•		
State and Local Domestic Preparedness Exercise Support			•	•
State and Local Domestic Preparedness Technical Assistance				•
First Responder Counter-Terrorism Assistance		•		
State Fire Training Systems Grants (National Fire Academy Training Grants)		•		
Hazardous Materials Assistance Program		•	•	•
Assistance to Firefighters Grant	•	•	•	•
Edward Byrne Memorial State and Local Law Enforcement Discretionary Grants Program	•	•	•	•
Public Safety Partnership and Community Policing Grants (COPS)		•		
CDC - Investigations & Technical Assistance				•
Public Health and Social Services Emergency Fund—Bioterrorism Hospital Preparedness Program	•	•		•

Source: Catalogue of Federal Domestic Assistance, December 2002.

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 Homeland Security Strategy* recognizes, preparing the nation to address the new threats from terrorism calls for partnerships across many disparate actors at many levels in our system. 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. The complex web of federal grants depicted in figure 4 suggests that by allocating federal aid to different players at the state and local level, federal grant programs 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 constrains 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 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.[7]

Potential Alternatives

In addressing the fragmentation prompted by the current homeland security grant system, Congress has several alternatives available. Actions taken by federal agencies under the rubric of the Federal Financial Assistance Management Improvement Act of 1999 will help to streamline the process for obtaining aid across the myriad of programs and standardize administrative requirements. These initiatives promise to reduce administrative burdens at all levels and promote a more efficient grants management process in general.

Going beyond these initiatives to address the underlying fragmentation of grant programs remains a challenge for our federal system in the homeland security area, as well as across other program areas. 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 grant waivers.

Block grants are one option that 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,

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

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.

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. For instance, the block grants enacted as part of the Omnibus Reconciliation Act of 1981 were not implemented in a manner that encouraged consistent reporting of program data. These block grants have been subject to at least 58 subsequent congressional actions, many of which served to recategorize the programs by tightening program requirements and limiting the grantees' flexibility.[8]

The consolidation of categorical grants, however, need not be structured as a block grant. In fact, federal funding streams can be combined while retaining strong performance oriented accountability by state and local governments for discrete federal goals and objectives. 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 their EPA regional offices which can include major federal environmental grant programs. These agreements delineate which problems would receive priority attention within a state and how the state's performance will be measured. Congress provided states with flexibility to use funds from two or more environmental program grants in a more flexible and streamlined manner.

The benefits of the EPA performance partnership system are ones that should also be helpful for other areas such as homeland security. EPA partnerships (1) allowed states to shift resources to address priority needs

[8] 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).

and fund crosscutting efforts that are difficult to support with traditional grants, (2) provided a way to support innovative or unique projects, (3) increased the focus on environmental results and program effectiveness, and (4) fostered reduced reporting burden and improved information management.

But we reported some significant implementation issues for the performance partnership approach as well. In 1999, we reported[9] that the initiative was 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 and the considerable resources needed for high-quality performance measurement.

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. Lacking such measures and outcomes at the national level will surely encumber the federal, state, and local partners' ability to establish agreements on what sort of goals are expected of our state and local partners, much less how they could be measured.

A third approach to overcoming fragmentation could be to provide in law for waivers of federal funding restrictions and program rules when requested and sufficiently justified by state or local governments. In the homeland security area, legislation has been introduced to provide waivers for states to use funds from one category of federal assistance, such as equipment, to support other homeland security activities such as training. This approach could help recipients adjust available federal funds to unique needs and conditions in each state. Unlike full grant consolidation—which is legislated—each waiver must be approved by federal agency officials before grantees could have the kind of flexibility

[9] 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).

they desire. Some might view the approval requirement as an additional administrative burden while others consider the federal role essential to ensuring accountability.

Conclusions

Mr. Chairman, we are eager to work with your subcommittee and others to improve the efficiency and effectiveness of our federal grant system. Improving the grant partnership among federal and nonfederal officials is vital to achieving important national goals. The Federal Financial Assistance Management Improvement Act of 1999 offers promising opportunities to help those officials achieve their mutual goals through the use of federal assistance programs. We look forward to reviewing the activities undertaken pursuant to the Act with an eye toward both highlighting progress as well as identifying further improvements that can be made at all levels of our federal system. We are also ready to assist Congress in identifying the problems stemming from the underlying nature of the grant system and in sorting through the tradeoffs Congress will face in resolving these problems.

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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