FEDERAL GRANTS MANAGEMENT: A PROGRESS REPORT ON STREAMLINING AND SIMPLIFYING THE FEDERAL GRANTS PROCESS

HEARING

BEFORE THE

SUBCOMMITTEE ON TECHNOLOGY, INFORMATION POLICY, INTERGOVERNMENTAL RELATIONS AND THE CENSUS

OF THE

COMMITTEE ON GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

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FEDERAL GRANTS MANAGEMENT: A PROGRESS REPORT ON STREAMLINING AND SIMPLIFYING THE FEDERAL GRANTS PROCESS

TUESDAY, APRIL 29, 2003

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON TECHNOLOGY, INFORMATION POLICY,
INTERGOVERNMENTAL RELATIONS AND THE CENSUS,
COMMITTEE ON GOVERNMENT REFORM,
Washington, DC.

The subcommittee met, pursuant to notice, at 10 a.m., in room 2203, Rayburn The Capitol, Hon. Adam Putnam (chairman of the subcommittee) presiding.

Present: Representatives Miller of Michigan and Watson.

Staff present: Bob Dix, staff director; John Hambel, senior counsel; Scott Klein, Chip Walker, and Lori Martin, professional staff members; Ursula Wojciechowski, clerk; David McMillen, minority professional staff member; and Jean Gosa, minority assistant clerk.

Mr. PUTNAM. A quorum being present, this hearing on the Subcommittee on Technology, Information Policy, Intergovernmental Relations and the Census will come to order.

Good morning and welcome to today's hearing examining the efficiency of the Federal grants application, disbursement and management process.

I flew up this morning, and I pulled out my material for the hearing and was reviewing some of the testimony, and the nice lady sitting next to me in a very full flight—we were very close to one another—looked over my shoulder, and she said, I notice that you're reading some material on Federal grants management. I said, "Yes, ma'am." And she said, "Well, I manage the grants for the Department of Justice for the Bureau of Judicial Assistance." And I said, "That is kind of interesting," and she proceeded to tell me some of the problems that she has experienced. And she said, "What is your role in all of this?" And I said, "Well, I'm a Member of Congress," and she said, "Well, you're mighty young, aren't you?" I said, "Yes, ma'am, I get that a lot." She said, "Republican or Democrat?" I said, "I'm a Republican." She said, "What a shame." I said, "A shame?" She said, "Yes, quite, what a shame." I said, "OK."

So that's how my morning was spent. And you can rest assured that at our next hearing, the Department of Justice will be present. But you've got to love a country where you're free to express your opinions.

The Federal Government last year provided State and local governments with grants totaling more than $350 billion, or 15 percent of our Federal outlays and 3½ percent of GDP. This compares to the less than $1 billion sent to the local and State governments in the 1940's, an amount totaling, at that time, less than 5 percent of Federal outlays and one half percent of GDP.

By 2008, State and local governments are projected to receive more than $480 billion annually from the Federal Government. The Federal Government also focuses resources on universities and nonprofits, with some 71,000 grants provided each year totaling more than $60 billion.

In my former role as a State legislator, we often spoke around the Statehouse about the role of the Federal moneys and the role that they played in our own policymaking decisions. Clearly, the role of Federal Government resources within our communities is large. Some even may say too large. But by the same token, service delivery to our citizens cannot and should not be accomplished solely through programs based in Washington, DC.

The Federal Government must continue its collaborative effort as a partner with various grant entities that deliver services to the American public. The reliance we mutually place on this partnership, functioning with limiting resources, makes it more critical than ever that we spend grant moneys wisely, that we have efficient processes in place to manage that grant money and that the grants process is transparent and accessible.

Today we will examine the processes by which States, localities, universities and not-for-profits discover, apply, secure and manage more than $410 billion this year alone. The current system for awarding and administering grants is highly decentralized, involves thousands of Federal employees, remains primarily paper-based, and each grant has different statutory, regulatory, policy and process requirements.

Although there have been many incremental attempts over the years to streamline this process, more recent grants management legislative reforms are leading us toward massive changes to the system, primarily by utilizing technology, combined with a citizen-centric attitude.

In 1999, Congress passed the Federal Financial Assistance Management Improvement Act with the intent to improve the effectiveness and performance of Federal grant programs, simplify the application and reporting requirements, improve the delivery of services to the public and facilitate greater coordination among the delivering services. Of course, the devil is in the details and the execution.

Between 1999 and 2001, our 26 Federal grantmaking agencies joined together, led by the Department of Health and Human Services, to develop the core of a plan that improved grants management as envisioned by Congress. That plan, in compliance with the new law, cut across all Federal agencies, focused on efficiency and openness for all by utilizing technology, and requires common applications in reporting by all agencies. This massive effort formed the basis of what we now know as E-Grants, a top priority E-Government initiative followed closely by the President through his President's Management Agenda. The E-government Act of 2002

further enhanced the tools available to the Federal Government to make E-Grants technology-based solutions work, including such provisions as authorizing electronic signatures and addressing internal data sharing between agencies.

Today we'll take a close look at the ways we have been conducting business, both past and present, with the goal of making sure all of our recent legislative and technology-based solutions are on the right track and meet the desired mutual goals. In that light, I hope we will be able to accomplish several things at this hearing.

We need to determine if we are on course with full compliance with the Federal Financial Assistance Management Act of 1999. We need to make sure that E-Grant solution provides a complete and amenable solution to all stakeholders. We need to assure that we are getting full cooperation across all agencies, as well as coordinating with the grantee community on all improvements, or changes—I guess improvements are in the eye of the beholder. We need to make sure adequate resources are on the table from each grantmaking agency, as well as make sure we are promoting a productive climate that rewards change-agents and a citizen-centric culture within agency leadership.

We hope to determine if further legislative action or housekeeping legislation is required to keep the process on track, and take a fresh look at the additional benefits derived from a unified grants management system with an eye on utilizing this system to improve post-award accountability, improve internal analysis capabilities, reduce duplicative Federal programs and reduce the number of required printed reports on grants that can be derived in realtime based on the resulting unified data base.

The Federal Financial Assistance Management Act has an 8-year timeline. We are at an appropriate half-way point to evaluate all of the moving pieces, make sure we are headed in the right and same direction with this effort and ensure our laws and regulations continue to allow us to succeed in this enormously valuable national State and local partnership.

[The prepared statement of Hon. Adam H. Putnam follows:]

COMMITTEE ON GOVERNMENT REFORM

SUBCOMMITTEE ON TECHNOLOGY, INFORMATION POLICY, INTERGOVERNMENTAL RELATIONS AND THE CENSUS

CONGRESSMAN ADAM PUTNAM, CHAIRMAN

OVERSIGHT HEARING
STATEMENT BY ADAM PUTNAM, CHAIRMAN

Hearing topic: ***"Federal Grants Management: A Progress Report on Streamlining and Simplifying the Federal Grants Process."***

Tuesday, April 29, 2003
10:00 a.m.
Room 2203 Rayburn House Office Building

OPENING STATEMENT

The federal government last year provided state and local governments with grants totaling more than $350 billion, about 15 percent of our federal outlays and 3.5 percent of GDP. This compares to the less than $1 billion sent to state and local governments in the 1940's, an amount totaling at that time less than 5 percent of federal outlays and one-half percent of GDP. By the year 2008, state and local governments are projected to receive more than $480 billion annually from the federal government. The federal government also focuses resources on universities and non-profits, with some 71,000 grants provided each year totaling more than $60 billion.

In my former role as a state legislator, we spoke often around the statehouse about the role of federal monies needed to help solve pressing issues in our communities. Clearly, the role of federal government resources within our communities is large, some might say too large. By the same token, service delivery to our citizens cannot (and should not) be accomplished solely though big programs based in Washington DC. The federal government must continue its collaborative effort as a partner with various grant entities that deliver services to the American public. The reliance we mutually place on this partnership, functioning with limited resources, makes it more critical than ever that we are spending grants money wisely, that we have efficient processes in place to manage that grant money, and that the grants process is transparent and accessible.

Today, we will be examining the processes by which states, localities, universities and non-profits discover, apply, secure, and manage more than $410 billion this year alone. The current system for awarding and administering grants is highly decentralized, involves thousands of federal employees, remains primarily paper-based, and each grant has different statutory, regulatory, policy and process requirements.

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- We need to determine if we are on course to full compliance with the Federal Financial Assistance Management Act of 1999
- We need to make sure the E-Grants solution provides a complete and amenable solution to all stakeholders
- We need to make sure we are getting full cooperation across all agencies as well as coordinating with the grantee community on all improvements
- We need to make sure adequate resources are on the table from each grant-making agency, as well as make sure we are promoting a productive climate that rewards change-agents and a citizen-centric culture within agency leadership
- We need to determine if further legislative action or housekeeping legislation is required to keep the process on-track; and

- We should take a fresh look at the additional benefits derived from a unified grants management system, with an eye on utilizing this new system to improve post-award accountability, improve internal analysis capabilities, reduce duplicative federal programs, and reduce the number of required printed reports on grants that can be derived in real-time based on the resulting unified database.

The Federal Financial Assistance Management Act has an eight-year timeline. We are at an appropriate half-way point today to evaluate all these moving pieces, make sure we are all headed in the right -- and same – direction with this effort, and ensure our laws and regulations continue to allow us to succeed in this enormously valuable national, state, and local partnership.

Mr. PUTNAM. We are delighted to have a distinguished panel of witnesses for each of the panels, and I'm pleased to be joined by the vice chairwoman of the subcommittee, the gentlelady from Michigan, who has some hometown folks here who are participating in this panel as well. So with that, I'll recognize Mrs. Miller for her opening remarks.

Mrs. MILLER OF MICHIGAN. Thank you, Mr. Chairman. I think this mic has a life of its own here, but I probably don't need it.

And your day started off on an airplane with some conversation from a lady. My day started off buying a $22 pair of eyeglasses at CVS this morning, so we'll see how they work.

I certainly want to thank all the witnesses, including those that are coming from Michigan to testify before the subcommittee. I certainly look forward to hearing what all of you have to say there.

The E-Grants Initiative that was outlined in the President's Agenda E-Government Component, is an example of how the Federal Government can effectively use technology to decrease costs and to improve services.

So it is certainly vital that this initiative be implemented swiftly and with a high degree of success, and with the amount of reform that presents itself within the Federal realm, successful implementation of the E-Grants Program can act as a model as this subcommittee examines measures to increase the use of and effectiveness of technology.

And with the passage of the E-Government Act of 2002, there is now a legal authority to ensure the development of E-Government Initiatives, including E-Grants, but legal authority does not guarantee success, as has been seen by many reform initiatives of the past.

So I'm pleased that there are so many distinguished individuals who are familiar with the user side of Federal grant programs that have taken the time to testify before us today. Successful reform is not possible without the input of those who are actually utilizing the programs, of course.

Currently there are 26 agencies in the Federal structure who are distributing over 210,000 awards. Needless to say, there is obviously redundancy, and some unnecessary waste as well, between the differing agencies who are administering the grants, with similar objectives, and waste within agencies who allocate grants spanning different programs.

The implementation of E-Government can be a very good thing if done correctly, but the Federal Government is currently finding itself in a situation sometimes where each agency has set up its own electronic application, its own reporting processes, and this has complicated matters for groups looking to obtain Federal grants. And though this may cause some problems, the mere fact that agencies are really trying to work together now to simplify the grantmaking process, I think, is extremely promising. So I look forward to working with the members of this subcommittee and the Government Reform Committee as a whole and certainly the groups and individuals who use these grants, including many of my constituencies, to improve the Federal grantmaking process as well.

Thank you, Mr. Chairman. I'm certainly looking forward to hearing the testimony today.

Mr. PUTNAM. Thank you. Our first panel of witnesses are experienced with congressional testimony. You understand the light system and the timing system. So we'll get right to it. Please rise, and we'll do the oath.

[Witnesses sworn.]

Mr. PUTNAM. Note for the record that the witnesses responded in the affirmative.

And we will begin with our first witness, Ms. Springer.

Linda Springer, on March 31, the Senate confirmed the President's selection of Linda M. Springer as Controller of the Office of Federal Financial Management within OMB.

Prior to her appointment, Ms. Springer served as Counselor to the Deputy Director for Management at OMB. I was most impressed by the remarks she made to our colleagues on the Government Efficiency Subcommittee several weeks ago expressing her priority to further standardize and automate financial transactions and improve our ability to manage and account for resources more wisely using IT. This will be especially important in managing Federal grants.

I believe this marks the first subcommittee hearing we've had without Mr. Foreman, and you are a welcome addition to our hearing, so please proceed.

STATEMENTS OF LINDA M. SPRINGER, CONTROLLER, OFFICE OF FEDERAL FINANCIAL MANAGEMENT, OFFICE OF MANAGEMENT AND BUDGET; DR. ED SONTAG, ASSISTANT SECRETARY FOR ADMINISTRATION AND MANAGEMENT, U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES LEAD AGENCY FOR E-GRANTS INITIATIVE AND PUBLIC LAW 106–107 COMPLIANCE; AND PAUL POSNER, MANAGING DIRECTOR, FEDERAL BUDGET AND INTERGOVERNMENTAL RELATIONS, U.S. GENERAL ACCOUNTING OFFICE

Ms. SPRINGER. Thank you, Mr. Chairman.

I am pleased to testify before the subcommittee today on the status of our efforts to implement the Federal Financial Assistant Management Improvement Act, and that act requires the Office of Management and Budget to direct, coordinate and assist Federal agencies in establishing a common application and reporting system and an interagency process for addressing the grant streamlining work.

As you noted, Mr. Chairman, the Federal grants account for nearly $400 billion in fiscal year 2003 alone, and that is over 20 percent of the overall government budgeted outlays. So it is a very significant activity.

Annually, the Federal Government makes over 218,000 awards under 600 different programs administered by the 26 Federal agencies. The grantee community ranges from sophisticated entities with state-of-the-art technology to small rural organizations that may not even have computer access. The agencies use a variety of administrative processes and requirements both governmentwide and agency-specific to support the grants life cycle and provide

foundation for agency and recipient compliance with laws, regulations, requirements including fiscal accountability.

There are significant opportunities to reduce these variations and thereby meet the purposes of the act. To shepherd the implementation of the act, we've been operating with four interagency simplification work groups: Pre-award, post-award, audit oversight and electronic processing as well as a policy and oversight team. Additionally, under the President's Management Agenda's Expanded E-Government Initiative, the E-Grants Project is underway addressing the work of the former Grants Management Council Electronic Processing Work Group, and the HHS agency is the lead for E-Grants. And you'll hear more about that today from Ed Sontag.

Interagency work is focused on various process improvements and administrative changes that will make it easier for recipients to identify, apply for and manage the programs funded by the Federal Government. In accordance with the requirements of the act, agencies have consulted with non-Federal constituencies via several actions, including a unique electronic mailbox to accept public comments on the grants streamlining effort and posting invitations to comment on several agencies' grant-related Web sites. Those have been very active and have been a tremendous resource to us as we've continued this effort.

The initial plan to implement the act was prepared jointly by the 26 Federal grantmaking agencies and submitted to OMB and the Congress in mid-May 2001. Last summer each agency submitted its update to OMB and the Congress, and we presented our annual report. This year's progress report is due to OMB and Congress no later than the end of August 2003. What I'm about to give you is a flavor of what we'll report at that time.

Every work group has access to the full set of comments that have come in, and that has been factored into the decisions about streamlining and simplification. The public and grantee community have continued to be involved via conference presentations, media news releases, information available on grants-related Web sites and the formal 60-day comment period of each of our Federal Register proposals. We've made every effort to make sure all stakeholders have the opportunity to provide substance and comments that will be taken into account before anything is made final.

In the Pre-Award Work Group, we are dealing with standard formats for announcements and funding opportunities. A standard format was proposed last August with an associative policy directive. We've received favorable public comments, and we expect to have the standard announcement finalized soon.

FedBizOpps is an initiative to establish a central Internet source for agency announcements to make it easier for potential applicants to learn about announcements of funding opportunities. OMB circulated the final data elements for this FedBizOpps synopses to agencies again this month and expects to issue data standards very soon.

Grant applications: This effort has three initiatives related to establishing governmentwide data standards, creating an electronic portal and a single assurance statement that would show compliance with the award terms. Again this month OMB published in the Federal Register a notice proposing those standard data ele-

ments for both electronic and paper applications, and that will eliminate two of the current forms. We expect comments back by June, after which we'll finalize that data standard.

Standard award terms and conditions: The pre-award group has started to work governmentwide to develop standard terms, and that would relate to the administrative requirements in the two current OMB circulars, A–102 and A–110 as well as national policy requirements. That is work that is ongoing and will be ongoing through this year.

There is a lot more that you may want to follow-up with me on, beyond the 5 minutes later on, but there is a fair amount in the post-award side as well as additional post—beyond the post-award, general audit oversight and other activities, similar to the Pre-Award. I can elaborate on those later for you, but a lot of activity on the OMB side as well as the group as a whole as far as getting announcements for reducing current procedures, reducing requirements and simplifying the overall process.

Overall, we've got good feedback on any of those that we have published, any of those through the Web site that we've had forums on, and we'd be happy to report on those in more detail to you.

Mr. PUTNAM. Thank you very much, Ms. Springer.

[The prepared statement of Ms. Springer follows:]

Testimony of
The Honorable Linda M. Springer
Controller, Office of Federal Financial Management
Office of Management and Budget
Before the
Subcommittee on Technology, Information Policy,
Intergovernmental Relations and the Census
Committee on Government Reform
United States House of Representatives
April 29, 2003

Thank you, Mr. Chairman,

I am pleased to testify before this subcommittee on the status of government-wide efforts to streamline and simplify the administration Federal grants. As you know, the Federal Financial Assistance Management Improvement Act of 1999, or Public Law 106-107 (the Act), requires the Office of Management and Budget (OMB) to direct, coordinate, and assist Federal agencies in establishing (1) a common application and reporting system, and (2) an interagency process for addressing the grants streamlining work.

To put this responsibility into perspective, Federal grants account for 20% of overall government budgeted outlays, at nearly $400 Billion in FY2003 alone. The Department of Health and Human Services (HHS) accounts for approximately 60% of all Federal awards under such programs as Medicaid, Temporary Assistance for Needy Families (TANF), Head Start, Foster Care, and Child Support Enforcement.

Annually, the Federal government makes 218,000 awards under 600 different programs administered by 26 Federal agencies. The grantee community ranges from sophisticated entities with access to state-of-the-art technologies to small, rural

organizations that may not have any computer access. Each of approximately 34,000 recipients receive more than $300,000 in Federal grant awards.

Although there are variations in the specific requirements for different types of grants or recipients, the grants life cycle generally includes:

- Legislative authorization and appropriations to establish and fund a Federal program;
- Announcement of a funding opportunity by a Federal program;
- Preparation and submission of applications by non-Federal entities to the sponsoring agency;
- Award to those entities that meet eligibility and program requirements and that are selected for funding following an evaluation of applications;
- Post-award performance and administration by the recipient in accordance with the terms and conditions of award, including general administrative requirements and cost principles;
- Reporting on financial and programmatic performance and other activities, such as inventions and/or environmental impact reporting, as applicable;
- Agency monitoring and technical assistance;
- Payment;
- Audit; and
- Closeout.

The agencies use a variety of administrative processes and requirements, both government-wide and agency-specific to support the grants life cycle, and provide the foundation for agency and recipient compliance with Federal laws, regulations, and requirements, including fiscal accountability. There are significant opportunities to reduce these variations and thereby meet the purposes of the Act, which are to:

(1) improve the effectiveness and performance of Federal financial assistance programs,
(2) simplify Federal financial assistance application and reporting requirements,
(3) improve the delivery of services to the public, and

(4) facilitate greater coordination among those responsible for delivering services.

To shepherd the implementation of Public Law 106-107, we have been operating with four interagency simplification work groups— Pre-Award, Post-Award, Audit Oversight, and Electronic Processing---as well as a policy and oversight team. Additionally, under the President's Management Agenda's Expanded Electronic Government Initiative, the E-Grants project is underway, addressing the work of the former Grants Management Council Electronic Processing work group. HHS is the lead agency for E-Grants, and you will hear more about E-Grants today from Ed Sontag.

The interagency work has focused on various process improvements and administrative changes that make it easier for recipients to identify, apply for, and manage the programs funded by the Federal government. In accordance with the requirements of the Act, the agencies consulted with non-Federal constituencies via several actions, including immediately establishing a unique electronic mailbox (PL106107@hhs.gov) to accept public comment on the grants streamlining effort, and posting invitations to comment on several agencies' grant-related web sites. The Grants Management Council held a series of five public consultation meetings with: (1) States, (2) local governments, (3) Native American tribes and tribal organizations, (4) universities and non-profit organizations that conduct research, and (5) other non-profit organizations. In addition, public comment was requested in the *Federal Register* notice published on January 17, 2001 [66 FR 4584] to solicit opinions on the grant areas that need improvement.

An Initial plan to implement the Act was prepared jointly by the 26 major Federal grant-making agencies and submitted to OMB and the Congress on May 18, 2001. This plan identified grant forms and regulations that could be simplified and committed to establishing a common way of doing grants business, including electronic processes, to make it easier for all stakeholders to administer Federal grant programs. Last summer, each agency submitted to OMB and the Congress an annual progress report on the

collaborative, as well as agency-specific, efforts to streamline and simplify the award and administration of Federal grants. This year's progress report is due to OMB and the Congress no later than August 29, 2003. I can give you a flavor of what we will report at that time.

Accomplishments 2000 – 2003

Each work group uses agency volunteers to perform the detailed analysis of current practices, determine where differences exist, explore the bases for those differences (evaluating whether differences are justified), and consider whether and how streamlining or simplification can be accomplished. Every work group has access to the full set of public comments to factor into decisions about what can be streamlined or simplified. As products have been developed, the drafts have been shared with OMB and with all grant-making agencies prior to any *Federal Register* publication to ensure acceptance and future use by those agencies. The public and grantee community have continued to be involved via conference presentations, media news releases, information available on grants-related web sites, and the formal 60-day comment period of each *Federal Register* proposal. So, as you can see, every effort is made to involve all stakeholders before streamlining changes are made final.

Pre-Award Work Group

- **Standard Format for Announcements of Funding Opportunities:** The purpose of this product is to help potential applicants for discretionary grant funds find information by making the agency announcements more uniform. Very early in the implementation process, commenters noted that Federal agencies organize the information in their announcements in many different ways, making it difficult to find basic information, such as who is eligible to apply and what types of activity the agency will support. A standard format was proposed on August 12, 2002 [67 FR 52548] with an associated OMB policy directive for its use. The public comments supported the concept of a standard announcement format, and suggested specific improvements to the proposal. OMB circulated

the final standard announcement format to agencies in early April 2003, and expects to issue this standard very soon.

- **FedBizOpps:** The purpose of the FedBizOpps initiative is to establish a central Internet source with synopses of Federal agency announcements to make it easier for potential applicants to learn about announcements of funding opportunities. The Pre-Award work group developed and recommended a set of FedBizOpps data elements to be used for discretionary grants synopses. These were proposed on August 12, 2002 [67 FR 52554] and public comments were supported. This initiative is being done in partnership with the E-Grants project, which has established a government-wide "E-FIND" function at the FedBizOpps Internet site of the General Services Administration (GSA). The GSA site is already a central source of information about Federal procurement opportunities. OMB circulated the final data elements for FedBizOpps synopses to agencies in early April 2003, and expects to issue these data standards very soon.
- **Grant Applications:** Our goal is to streamline the process for all applicants, whether they choose to submit electronic or paper applications. This effort has three initiatives: (1) establishing the government-wide data standards for discretionary grant applications, (2) creating an electronic portal under E-Grants to let applicants apply electronically, if they choose to, and (3) creating a single consolidated assurance statement that an applicant will comply with award terms and conditions if it is approved for a Federal grant. This will eliminate the need for multiple assurances of compliance at time of application that separately identify national policies and administrative requirements. On April 8, 2003, OMB published in the *Federal Register* [68 FR 17090] a notice proposing the standard data elements for both electronic and paper applications for discretionary grants, including use of the consolidated assurance statement, which will eliminate two current forms (SF424B and SF424D), thereby streamlining both paper and electronic applications. Comments on this proposal are due June 9, 2003, after which time OMB expects to move quickly in finalizing this data standard.
- **Standard Award Terms and Conditions:** The Pre-Award work group has started to develop government-wide standard award terms and conditions, and

related OMB guidance to Federal agencies, for (1) the administrative requirements in OMB Circulars A-102 (requirements for State and local governments) and A-110 (requirements for institutions of higher education, hospitals, and other non-profit organizations), and (2) national policy requirements common to multiple agencies' grants. The work involves three guiding principles. First, we want the terms and conditions to speak clearly to award recipients. Second, we want to streamline and simplify award requirements as much as is possible, while continuing to maintain responsible stewardship of Federal funds. Third, we want to eliminate unnecessary differences between the administrative requirements in the two circulars and the Federal agencies' implementation of those requirements in award terms and conditions. We expect this work will not be complete until the end of next year.

Post-Award Work Group

- **Consolidated Federal Financial Report:** OMB proposes to consolidate several existing financial reporting forms into a single financial report to be used by Federal agencies and grant recipients. The purpose of the consolidated Federal Financial Report (FFR) is to provide a standard format and consistent reporting requirements to be used when reporting financial information on formula and discretionary grants and cooperative agreements. The new FFR will replace the Financial Status Report (SF-269 and SF-269A) and the Federal Cash Transaction Report (SF-272 and SF-272A). Consolidation of these forms is intended to reduce the reporting burden placed on award recipients and to streamline the data collection process.
- **Standards for Invention Reporting:** Grantees are required to report (interim or final) on inventions conceived or first actually reduced to practice during the term of any Federal award under the Bayh-Dole Act [35 U.S.C. Section 206; 37 CFR Section 401.5(f)(1) and (3)]. OMB worked with nine agencies to develop and propose standard data elements for this purpose. The 30 proposed data elements, which will replace 90 data elements currently in use in six different forms, were proposed in a *Federal Register* notice published on October 30,

2002 [67 FR 66178]. The notice also proposed a single common web form to simplify and streamline the invention reporting process. Comments from nine entities were received, and an interagency team is carefully reviewing these in collaboration with all affected agencies. We expect the final data standard to be issued in late summer/early fall.

- **Additional Post-Award Reporting:** Interagency teams are addressing two other types of post-award reporting—performance and real property reports. Analyses have resulted in agreement that a core performance reporting data standard can be developed, particularly for grants with common purposes. The team is working to establish a baseline of performance data requirements, based on an inventory of forms used by Federal agencies. Furthermore, in the area of real property reporting, that team has completed a government-wide survey of current reporting and developed a set of real property reporting requirements under three life cycle areas: (1) initiation/start up, (2) performance/ongoing operation, and (3) closeout. These requirements, which include the associated rules and regulations, are being circulated to Federal agencies for review and comment. The team is working to structure and format specific data elements determined to be "common" government-wide.
- **Eliminating Needless Differences in the Cost Principles:** OMB issues the cost principles that define allowable costs under Federally funded programs, and the three circulars (developed at different times) apply to different types of grantees. OMB Circulars A-21 (educational institutions), A-87 (State, local, and Indian Tribal governments), and A-122 (non-profit organizations) share the same purpose, but in some cases use different language to describe similar cost items. This has resulted in different interpretations by Federal staff, grant recipients, and auditors. On August 12, 2002, OMB proposed revisions to the three cost principles circulars in a *Federal Register* notice with the objective of standardizing definitions and clarifying ambiguous language. The notice proposed (1) adopting common language across the three circulars for 46 cost items, (2) deleting 12 cost items, and (3) leaving the remaining 17 cost items unchanged. Nearly 200 comments were received, supporting the overall

objective. OMB is working with an interagency team to resolve these comments and develop the final *Federal Register* notice to be published in May. Any proposed language change that involves a substantive policy change will be re-proposed in a separate *Federal Register* notice.

- **Improving the Grant Payments Process:** Agencies have been directed to use one of three specified payment systems for their grant payments. For civilian agencies, one of two payment systems are used—the Automated Standard Applications for Payment System (ASAP) operated by the Department of the Treasury's Financial Management Service and the Federal Reserve Bank of Richmond, or the Payment Management System (PMS) operated by HHS. The third system is the payment system used by Department of Defense (DoD) components. Currently, OMB leads an interagency team working to create a common front-end to these three payment systems, which will be implemented through the E-Grants initiative.

Audit Oversight Group

- **Improving the Single Audit Process:** OMB and the Federal Audit Clearinghouse have published and distributed a plain-language pamphlet to more than 40,000 Federal agencies and grant recipients in order to ensure a better understanding of the single audit process. Furthermore, work has been completed to make audit results a more useful tool in monitoring recipients for compliance with Federal law and regulation. Several special reports, based on data available in the Federal Audit Clearinghouse data warehouse, have been developed for Federal agency use, and are available on the FAC web site or can be generated directly by individual users.
- **Maintaining the Single Audit Compliance Supplement:** On April 17, 2003, OMB published in the *Federal Register* the notice indicating availability of the 2003 OMB Circular A-133 Compliance Supplement. This annual publication provides auditors with accurate and up-to-date information for the conduct of single audits. This year's Compliance Supplement included a substantial

revision to the section that addresses indirect costs, making the information easier to understand and use.

Perhaps the most significant accomplishment that cuts across all aspects of the grants process is OMB's decision to implement a universal identifier by making it a required grant application data element. We determined there was a need for improved statistical reporting of Federal grants and cooperative agreements, and we needed a more effective means to identify discrete organizations/entities that receive those awards. A universal identifier is the key to improved oversight of Federal grantees and grant programs. OMB proposed Dun and Bradstreet's (D&B) Data Universal Numbering System (DUNS) as this universal identifier in an October 2002 *Federal Register* notice [67 FR 66177]. The DUNS number is already in use by the Federal government to identify entities receiving Federal contracts. We received comments from 37 entities and will address these in a final *Federal Register* notice, which will be published soon. This identifier will be used for tracking purposes and to validate address and point of contact information. Among existing numbering systems, the DUNS number is the only one that provides the Federal government with the ability to determine hierarchical and family-tree data for related organizations. The DUNS number will supplement other identifiers required by statute or regulation, such as tax identification numbers, and we intend to use it throughout the grants life cycle.

In closing, I want to provide you with two different comments that we received relating to the grants streamlining effort. About the current announcement process, a commenter from a non-profit organization in Roanoke, Virginia, told us that "the Federal Register is incredibly difficult to read....creates a lot of confusion and difficulty and makes application seem like a hazing ritual that one must get through, almost like a Survivor television program. Only the strong-willed need apply!" When asked to comment on our proposed standard format for grant announcements, the Council on Governmental Relations (COGR) had this to say:

We commend the creation of a standard format for federal financial assistance program announcements because we believe it will help applicants to identify

assistance opportunities for a variety of activities with greater ease and reliability. We strongly endorse the efforts by the Office of Management and Budget (OMB) to introduce clarity in the eligibility information, review criteria, and selection process. Clear standards are essential to ensure that the time and resources devoted to preparing applications are well spent.

These comments certainly embody the goals that this committee enacted with Public Law 106-107. We are closer to realizing the important objectives of this common sense law.

Mr. PUTNAM. Our next witness is Dr. Ed Sontag. Dr. Sontag has been Assistant Secretary for Administration and Management at the Department of Health and Human Services since October 2001. In that role he serves as the top adviser to Secretary Tommy Thompson on all major department management issues including grants management. With HHS managing more than a third of all Federal grant funds distributed, Dr. Sontag and his staff have been directed by the President and OMB to lead the E-Grants effort and ensure compliance with the Federal Financial Assistance Management Act.

Welcome.

Mr. SONTAG. Good morning, Mr. Chairman, members of the subcommittee. I'm pleased to be here today to testify on what I think is a good news story, on our progress in improving the Federal grant process.

The Federal Financial Assistance Management Improvement Act of 1999 is clearly watershed legislation. It not only provides the mandate but the impetus for Federal agencies to improve the efficiency and effectiveness of the Federal financial assistance process. I'm here today to share with you how we are implementing this legislation and how the E-Grants Initiative is transforming the grant environment to the benefit of the citizenry of this country in support of President Bush's Management Agenda and Public Law 106–107.

The President's Management Agenda is instrumental in achieving the reform that is citizen-centered and focused on delivering results that matter to the American public. To that end, implementation of E-Grants will revolutionize the way in which the Federal Government provides customer services to the public through improved accessibility, transparency, delivery, coordination throughout the grant life cycle.

The Department of Health and Human Services has demonstrated leadership in cross-government efforts to fulfill these mandates, including serving as the managing partner for the E-Grants Initiative.

With me today, in case there are any difficult and complex questions, is Mr. Charles Havekost, the Director of our E-Grants Initiative, and Mr. Mark Weisman, who is the Director of our Grants Program and the Cochair of our Public Law 106–107 effort.

Both of these managers report directly to me, thus ensuring a common thread of leadership and accountability throughout our efforts. The E-Grants Initiative became the vehicle for implementing many of the improvements planned under 106–107. E-Grants will create a unified electronic storefront for interactions between the grant applicants and recipients conducting business with Federal grantmaking agencies.

Grants.gov will simplify the process of finding information on Federal grant opportunities, which will produce significant benefits for, in particular, smaller applications and those that are novice grant applicants.

HHS is reaching out to all of the Federal grantmaking agencies. We have initiated pilot programs, conducted hands-on training and are making ourselves available as a resource to agencies planning for the full implementation of E-Grants.

The E-Grants Initiative has been, and continues to be, vigorous in its outreach and collaboration with groups such as the National Association of State Auditors, Controllers and Treasurers, National Association of Counties, National Council of American Indians, University Members of the Federal Demonstration Partnership, the National Council of University Research Administrators.

The first, and probably the most significant, benefit of the E-Grants Program will be the search and find function of Grants.gov, and in the past organizations and members of the public seeking Federal grant assistance were made to suffer the burden of laborious searches through dozens of Federal agencies and multiple publications. The find functions of Grants.gov will solve this problem by providing one central clearinghouse for all information on government grants, allowing the public to search by grant topic, eligibility or funding instrument.

Your constituents can also sign up for e-mail notification whenever a grant they may be interested in is posted. On October 1st of this year, applicants will be able to submit applications electronically through the Grants.gov storefront. To meet this October 1 date, we've initiated a pilot effort that will allow grantee participants to submit applications in an electronic format using standard data elements to participating agencies. Looking ahead, we are planning for phase 2 of our initiative, including an emphasis on unifying and streamlining the management and reporting processes required of grantees. This will move us further toward our ultimate vision of a one-stop point of service for the American public.

HHS has assumed a proactive role in the implementation of Public Law 106–107 and the E-Grants Initiative at the department level under Secretary Tommy Thompson's leadership.

Grant funding opportunities are the means by which and through which outstanding achievements can be realized in many areas, including but not limited to medical research, education, public safety and so on. Simplifying the ability to locate and apply for grants is critical to ensure the opportunities for future achievements are not missed. President Bush's Management Agenda requires this, and the American public deserves this. I appreciate your time and attention. Thank you for the opportunity to be here this morning.

Mr. PUTNAM. Thank you, Dr. Sontag.

[The prepared statement of Dr. Sontag follows:]

Testimony of Dr. Ed Sontag
Assistant Secretary for Administration and Management
Department of Health and Human Services
April 29, 2003
House Committee on Governmental Reform,
Subcommittee on Technology and Information Policy

Good morning Mr. Chairman and members of the Subcommittee. I am pleased to be here today to testify on our progress for improving the Federal grant process. This is an exciting time for all Americans as they participate in and bear witness to a major overhaul of the Federal grants administration process. The awarding of Federal grants results in the annual obligation of nearly $400 billion to thousands of organization and individual recipients. President Bush's Management Agenda and the Federal Financial Assistance Management Improvement Act of 1999 (P.L. 106-107) both mandate grant process streamlining, simplification and the utilization of electronic technology to affect the changes. The Department of Health and Human Services has demonstrated leadership in the cross-government efforts to achieve these goals. Serving as the Managing Partner for the E-Gov E-Grants Initiative, we are working to level the playing field for potential applicants who are trying to find grant opportunities, reduce the administrative burden on grantees, and position the Federal grant-making agencies for improvements in efficiency and effectiveness in their business processes. I will review with you how we are attacking these initiatives, what successes we have achieved thus far, and what challenges we still face.

The Federal activity to award and administer grants is highly decentralized. There are 26 grant-making agencies with one or more organizational components with authority to award grants for hundreds of separate programs, involving a myriad Federal staff. Each separate program has its own statutory, regulatory, and administrative framework that prescribes the type of projects to be supported, how to use and account for funds, what performance goals are expected and the type of information that is required to be reported. This framework is overlaid with statutory, regulatory, and policy requirements intended to achieve national goals or to ensure that recipients adhere to minimum standards for use of the grant funds. Many of these requirements are addressed in the Office of Management and Budget (OMB) Circulars and guidance; others are addressed by designated lead agencies; and still others are addressed individually by the awarding agencies.

Prior to P.L.106-107 and E-Grants, initiatives to improve the grant process were often agency-specific. Although there have been some notable efforts at interagency cooperation with constituents to reduce the burden on applicants and recipients, including the Federal Demonstration Partnership (collaboration of Federal grant-making agencies and universities) and the Interstate Advisory Group; cross-agency efforts were the exception rather than the rule. In an era of greater complexity, increased demands, and fewer resources, the non-Federal constituencies that apply for and receive Federal

financial assistance made their voices for relief heard across the Federal government with the enactment of P.L.106-107. We are working to overcome the entrenched legacy of burdensome agency-specific processes and requirements. We are bringing about a more unified, streamlined and effective array of government-wide grant processes, policies, and systems.

I am here today to describe how we are implementing that legislation and how we are using the E-Grants initiative to transform the grant environment for the benefit of the American citizens in support the goals of P.L.106-107 and the President's Management Agenda.

BACKGROUND

Public Law 106-107

The Federal Financial Assistance Management Improvement Act of 1999 is watershed legislation. It provides not only the mandate but also the impetus for Federal agencies to improve the efficiency and effectiveness of the Federal financial assistance process. The broad definition of Federal financial assistance in the Act comprises of grants, cooperative agreements, loans, loan guarantees, property interest subsidies, insurance, food commodities, and direct appropriations. As indicated in the initial plan to Congress (submitted in May 2001) and the Federal agencies' 2002 progress reports, we are initially concentrating on grants and cooperative agreements, which account for most of the dollars and transactions within scope of the Act.

While leaving to the agencies the details of what to do and how to do it, the Act provided mandates to:

- Develop and use a common application and reporting system, using a common application(s).
- Provide non-Federal entities the ability, including electronic processes, to apply for, manage, and report on use of funding.
- Establish uniform administrative rules across agencies.
- Use an interagency process to determine ways to streamline administrative procedures and reporting requirements.
- Improve interagency and intergovernmental coordination of information collection and data sharing.
- Improve the timeliness, completeness, and quality of information received by Federal Agencies from applicants.

E-Grants

The E-Grants initiative, one of the 24 E-Gov initiatives included in the President's Management Agenda, begun in October 2001, became the vehicle for implementing many of the improvements required by and already planned under P.L. 106-107. The E-Grants initiative will create a unified electronic storefront for interactions between grant

and cooperative agreement applicants and recipients conducting business with the Federal grant-making agencies. Through the Grants.gov web site, the storefront will simplify the process of finding information on Federal grant opportunities, which will produce significant benefits for, in particular, smaller organizations, and those that are novice grant applicants, as well as those entities that engage in multiple transactions with multiple Federal agencies and/or programs on a continuing basis. It also will have benefits for Federal agencies by eliminating certain process redundancies, such as minimizing use of non-standard data elements.

The E-Grants initiative will implement many of the P.L. 106-107 directives in the near-term and plans to implement several others in the longer-term. Phase I of the E-Grants initiative, which has a 2-year timetable starting in February 2002, will implement a unified Grants.gov electronic storefront, in which potential applicant organizations will be able to find Federal grant and cooperative agreement opportunities and submit their applications electronically. The Grants.gov electronic storefront is in development today, with production service being readied for October 2003.

HHS Leadership for Both P. L. 106-107 and E-Grants

Leadership of the cross-agency implementation of P.L.106-107 is a collaborative effort of HHS and OMB. The oversight of the P.L.106-107 efforts is provided by the Grants Management Committee, under the joint leadership of OMB and HHS and is comprised of senior policy officials from the 26 grant-making agencies. Reporting to the Grants Management Committee are three Work Groups (with various subgroups and teams beneath them) that follow grant process life cycle of Pre-Award, Post-Award, and Audit Oversight. The Grants Management Committee is responsible for approving the various work groups' streamlining recommendations before they are formally submitted to OMB. A General Policy and Oversight Team, co-chaired by HHS and OMB consisting of the chairpersons from the various work groups, representatives from OMB and HHS, provides working-level guidance back to the work groups as they prepare and vet their products for approval.

In response to the President's Management Agenda, the E-Grants Program Management Office (E-Grants Office) was established within HHS. HHS has provided significant start-up resources to the E-Grants initiative that include dedicated staff, office space, and funds. HHS works with 10 other partner agencies, each of which represents a significant portion of the Federal grant dollars and/or transactions awarded. The E-Grants Office has developed governance and financing strategies, received substantial financial support from the partner agencies, and staffing support in the form of full-time details from eight agencies.

While the interagency efforts under P.L. 106-107 and E-Grants have very structured and separate timelines for implementation of initiatives, the common thread of collaboration and leadership by the Department of Health and Human Services is clear, both senior managers responsible for these two efforts report directly to me. HHS enthusiastically supports both initiatives through personnel and other resources such as administrative

support, management of resources for the E-Grants initiative, and devoting of time from several of our senior level managers. We also ensure that, at a policy level, the goals, objectives, and approaches of the streamlining and E-Grants are integrated. I assure you that the partnership is strong between HHS and OMB on both P.L.106-107 and E-Grants.

HHS leadership in both P.L.106-107 and E-Grants has produced substantial synergies, particularly in light of the many common outcomes demanded of the P.L.106-107 and E-Grants teams. For example, in both areas HHS has a close leadership collaboration with OMB. The HHS representative on the E-Grants Executive Board also serves as co-chair of the P.L.106-107 Grants Management Committee. The E-Grants Program Manager is also a member of the P.L.106-107 Grants Management Committee. This cross-pollination of shared leadership helps achieve the goals of both the P.L.106-107 and E-Grants efforts.

Partnership with OMB

We have been an active partner with OMB in working to accomplish the objectives of P.L. 106-107 and the E-Grants initiative. We work closely with the various offices within OMB that are responsible for P.L. 106-107 implementation—the Office of Federal Financial Management—and the office responsible for the E-Gov initiatives—the Associate Director of Information Technology and E-Government. This includes joint decision-making and shared responsibility in a number of areas, including coordination and outreach to the other Federal grant-making agencies and to the affected constituencies. We also co-chair with OMB the Grants Management Committee and General Policy and Oversight Team.

Working with the Federal grant-making agencies

In our leadership role for P.L. 106-107 activities and E-Grants, and in addition to interfacing with those agencies that are leading the work groups or are E-Grants partners, we are reaching out to all of the Federal grant-making agencies. In order to make many of the changes currently being proposed, we need to involve not only the agency policy makers but also the staff on the front lines--those with whom applicants and recipients interact with on a regular basis—and other implementers—including those responsible for agency systems. We are involving these individuals in deciding on the changes to be made and are ensuring that they understand and support the changes. To accomplish this, we are serving as "ambassadors" who make presentations to agency groups, provide technical assistance upon request, and engage in other outreach activities.

Our most direct work with the Federal grant-making agencies has primarily been in the E-Grants arena where non-traditional activities are currently taking place. Through our direct efforts, we are initiating pilot programs, performing hands-on training, demonstrations, and making ourselves available as resources to agencies as they plan for the advent of E-Grants. As an example, the E-Grants Program Office is assisting the agencies in creating the needed interface between their existing back office systems and the E-Grants storefront; and the integration of E-Grants data with the legacy data in their

agency systems. One of our recently awarded contracts is specifically for outreach activities, involving Federal agencies as well as the non-Federal community.

Involving our constituencies

We held public consultations with affected constituencies—State governments, local governments, Native American tribes and organizations, universities and non-profit research organizations, and other non-profit organizations in the fall of 2000. Using that input, we developed a draft initial implementation plan, which was published in the *Federal Register* in January 2001. The comments we received on the initial plan, numbering close to 1,000 separate comments from more than 75 different sources, have served as our guideposts in determining our approach to streamlining and priority areas, and were used to develop the initial plan presented to this Committee in May 2001. Those comments also serve to remind us of the interests and needs of different constituencies, for example, the need to ensure that we continue a viable paper process for those not ready or able to do business with the Federal government electronically.

The E-Grants Program Office recognizes that outreach to external non-Federal communities is an essential component of a successful initiative. Guided by the citizen-centric President's Management Agenda, E-Grants is communicating with grantee organizations as well as organizations that would like to become grantees, identifying issues, challenges, requirements, and needed changes to existing processes. By identifying the needs of the external communities and by building demand among those communities for improved ways of doing business with Federal grantor agencies, E-Grants plans to use that demand to drive the Federal agencies to participate in the unified, streamlined E-Grants electronic storefront. To this end, E-Grants interacts with State, County, Local, and Tribal governments; academic institutions; not-for-profit, faith-based, and community-based organizations; public housing authorities; and other organizations within the grant recipient community. For example, the Inter-Agency Electronic Grants committee, which is supported by the E-Grants Program Office, has a working relationship with States via the Interstate Advisory Group, which allows sharing of information and input on Federal proposals while still in the concept phase. The E-Grants Initiative has been vigorous in its outreach and collaboration with groups such as the National Association of State Auditors, Comptrollers, and Treasurers; the National Association of Counties; and the university members of the Federal Demonstration Partnership and the National Council of University Research Administrators.

On a continuing basis, representatives of OMB, HHS, and our Work Groups speak to constituency organizations and provide updates on the status of our initiatives.

OBJECTIVES AND ACCOMPLISHMENTS

I want to highlight for you several major accomplishments, including those that will make the pre-award process more visible to potential applicants and easier to navigate. We believe these changes will open up the application process to entities that previously have not had the resources to find the funding opportunities for which they were eligible,

to understand the process, and submit timely and quality applications. These accomplishments also lay the foundation for future improvements in reporting and enhancing the quality of information received and used in the grant process.

Finding Grant Opportunities

A significant problem for potential grant applicants, particularly for small organizations, has been finding grant opportunities for which to apply. The Federal grant-making agencies announce opportunities in a variety of ways through a variety of venues, which has made it exceedingly difficult to find opportunities. We are solving this problem. This major accomplishment results from the combined energies of the E-Grants Program Office and the P.L. 106-107 Work Groups. We are implementing a single Web site where potential applicants can go to find summaries of all agencies' discretionary grant and cooperative agreement funding opportunities.

Using the FedBizOpps system as a model, in which the Federal procurement community announces procurement opportunities in a unified way, the Federal grant-making agencies will post grant opportunity synopses on a single searchable web site. Each opportunity synopsis will contain sufficient information to allow any member of the public, including potential applicants, to determine whether to review the entire announcement. E-Grants and the P.L.106-107 workgroups have collaborated with the General Services Administration on the system development, and E-Grants has provided funds to GSA to deploy, host, and run the system.

A potential applicant can conduct a key word search of the entire database to find opportunities, determine eligibility, view contact information, and identify the Catalog of Federal Domestic Assistance number for that opportunity. This information, all found within a single web site, will have the same look regardless of which agency posts the announcement. The posted funding synopsis will also provide direct access to the full announcement rather than requiring a search of individual agencies' or program's Web sites. In addition, potential applicants will be able to sign up for email notification, providing automatic emails whenever a new opportunity is posted that meets the potential applicants' areas of interest.

This important unification of Federal grant announcement processes results from fruitful collaboration among E-Grants, GSA, the P.L.106-107 workgroups, OMB, the grantee community, and the grant-making agencies. This is a truly impressive and unprecedented success in grants process unification and streamlining, producing tangible benefits to all organizations that need to find grant opportunities. Federal grant-making agencies are posting announcement synopses in the system, with public accessibility to the system via www.grants.gov. OMB is preparing a policy that, as of October 1, 2003, will require all agencies to post the required information at this single site. This impressive achievement sets the stage for the next steps in the Federal grant process unification and streamlining.

E-Grants Creates Grants.gov Storefront

The E-Grants Initiative is developing the unified Grants.gov Storefront, which will provide a single point of entry to find grant opportunities, apply electronically, and ultimately submit post-award reports.

As of October 1 of this year, applicants will be able to submit applications electronically through the Grants.gov Storefront. We have undertaken a number of activities in preparing for the opening of the Grants.gov Storefront. These include working with OMB to establish a standard set of data elements and definitions (currently found in the Standard Form 424 application with the addition of a few data elements) that will serve as a set of "core" elements. Over 100 grant programs today use solely this set of "core" data in their grant applications, which provides a great starting place for unifying the grant application process across agencies. These "core" data elements are also part of the American National Standards Institute's (ANSI) Transaction Set 194, a national electronic standard for the Federal grant application, which helps to standardize the data conventions and provides a foundation on which to build future applications. In addition, with the cooperation of the Office of Information and Regulatory Affairs, OMB, over time the concept of core data and the need to justify additional data elements should greatly reduce the number of differing and non-standard data elements that applicants currently find in applications.

We have initiated a pilot allowing participant applicants to submit sample applications, in an electronic format, to participating agencies, using these standard data elements. Later this summer, we will run an additional pilot test of the Grants.gov Storefront to ensure its readiness to receive applications beginning October 2003. These pilots will help ensure that the system meets the needs of grant applicants, simplifying the process of grant application.

We are truly excited about the impending availability of a unified grant application mechanism that will handle applications for agencies across the Federal government. The public will be able to avoid the burden and expense of printing and mailing applications; they will find applications at a single web site rather than having to search across Federal agency sites; applications will have a similar format no matter which agency or program is being applied to; and differences in data and requirements across agencies will be minimized. Federal agencies will be able to streamline and standardize their application requirements, identify common mechanisms for handling electronic applications, and avoid the costly process of handling paper applications.

Acceptance of electronic applications from the Grants.gov Storefront have fostered internal discussions within several agencies, such as the Department of Commerce, Department of Agriculture, and HHS, regarding the consolidation of internal grants management systems. The E-Grants initiative has been and will continue to encourage Federal agencies to participate in the Grants.gov unified electronic grant application system. This is a tremendous challenge, and we are successfully facing the challenge in order to bring the benefits of unification, transparency of business processes and administrative streamlining to grant applicant communities.

Financial Reporting

OMB recently published a notice in the *Federal Register* seeking public comment on a financial reporting form that would revise and consolidate multiple existing forms. In designing the form, the E-Grants Program Office took into account the translation of the data elements into an electronic form, which will be implemented during Phase II of the E-Grants initiative. In addition to the form, the proposal includes proposed changes in due dates for report submission, making them due on calendar quarters rather than on an award-specific basis.

This proposed streamlining is consistent with the public comments we received on our initial plan. Those comments asked for elimination of the redundancy in financial reporting, consistency in reporting periods, and the ability to submit reports electronically. At this time, we are asking for the public's comments on the details of the proposal. Following the public comment period, we expect to move quickly to make final changes and allow recipients to begin using this form in hard copy until the E-Grants programming required for electronic submission of the report can be completed.

FUTURE PLANS

Even as we continue to implement the unified Grants.gov Storefront for finding grant opportunities and applying electronically, we are planning for Phase II of the E-Grants initiative, which will include an emphasis on unifying and streamlining the management and reporting processes required of grantees. This will move us further toward our ultimate vision of "one-stop" point of service for the American public.

We are continuing our activities to simplify and standardize, to the extent appropriate, the administrative requirements and national policy requirements to which recipients are subject. The primary objective is to develop standard language in plain English for all award terms and conditions. The proposal on simplification of assurances, made in conjunction with the revising of the standard application SF-424, will adopt as a government-wide practice an approach currently used by some agencies, which is to publish the assurances as part of the program announcement; rather than have them in the application kit.

We also have begun our in-depth review of the needs of mandatory grant programs (which include certain formula grant programs, block grants, and entitlements). While these programs have general business processes and requirements similar to those for discretionary grants, we must ensure that appropriate differences between discretionary and mandatory grants and the unique characteristics of the various types of mandatory grants are considered when looking for opportunities to streamline and simplify. We are using a phased approach to ensure that we are building on our success and incorporating lessons learned.

CONCLUSION

I am pleased with our accomplishments. To reach this point, the Federal agencies have worked cooperatively with us and with each other. They have devoted considerable staff time and other resources to these initiatives. We anticipate that the changes being implemented and those recently proposed will be well received by the public.

We will continue to keep you informed of our progress, through the P.L.106-107 annual report and by other means. This year's report is being drafted at this time and will detail the accomplishments I have just summarized and our future expectations.

Thank you for this opportunity to testify. I'd be happy to answer any questions that you may have.

Mr. PUTNAM. I next recognize Paul Posner.

Paul L. Posner is Managing Director for Federal Budget and Intergovernmental Relations Issues for the U.S. General Accounting Office. He has testified many times before congressional committees on Federal budgeting and financing, performance budgeting and intergovernmental fiscal relationships. He is also an adjunct professor at Johns Hopkins and Georgetown Public Policy Graduate Programs, and I understand is the author of a book that grabbed my attention titled, The Politics of Unfunded Federal Mandates.

Mr. Posner, you're recognized. Welcome.

Mr. POSNER. Thank you, Mr. Chairman. It's a pleasure to be here.

My testimony will be somewhat different than what you've heard before. We at GAO have a mandate to evaluate the Federal Financial Assistance Act by 2005, and we will look forward to beginning that over the next year and working with a variety of people in this room. In the meantime, I thought what I would talk about is the backdrop for the whole system that we're looking at. In other words, what we've heard so far suggests some promising and important efforts to simplify and standardize a system that is inherently fragmented. I thought I would read to you from an evaluation of the grants system that I have here which says, "That the grant system: one, lacks an adequate means for disseminating grant information; two, creates a high degree of funding uncertainty; three, fosters complex and varying application and administrative processes; four, is fragmented with similar programs administered by different agencies and with programs too restrictive to meet State and local needs."

Now, this sounds very contemporary—like it just came off of the e-mail this morning. In fact, this was a 1975 report GAO issued called "Fundamental Changes Are Needed to Federal Assistance to State and Local Governments."

Now, what this says is there are and have been some heroic efforts at the Federal level and the State and local level to coordinate a very confusing and complex array of programs that we have, a myriad of overlapping and duplicative programs. The coordination that does exist often is done from below.

There is a lot of creativity out there in packaging programs, but it often takes heroic actions. Simplification and standardization can help. We need to ally ourselves at the Federal level with those seeking to try and make comprehensive program changes, but we also need to keep our focus on the root cause: This is a Federal assistance system that is inherently fragmented.

And I wanted to first point to this chart here which shows that notwithstanding some of the earlier initiatives to block grants in the early 1980's, the number of categorical grant programs has grown to roughly 660, where we stand today.

The second chart very briefly shows the composition of those programs. The top 20 programs comprise 78 percent of the funds. What is important to look at is the right-hand side of that chart, that 169 of these grants have less than $5 million per year available, in other words, less than 1 percent of all grant funds go through 169 programs.

Now, I don't challenge the creativity of people to use money in whatever amounts but I think we can all imagine a less burdensome and costly administrative system to deliver these kinds of funds.

Now, these problems come home to persistent problems in performance that GAO has identified in many different areas, whether it is reports recently on the 50 homelessness programs in eight Federal agencies, the 23 housing service programs in four Federal agencies, the 26 food and nutrition programs in six Federal agencies or the 44 job training programs in nine agencies, even after the Workforce Investment Act consolidated a number of them.

I won't go into more detail now, but with the time permitted we can talk later about some of the problems that this prompts in service delivery and accountability.

The last point I wanted to talk about was Homeland Security, because we have seen how important coordination is, particularly at the local level, to address these new threats to the Nation. We, in our very well-intentioned way, are offering a variety of assistance programs that are also fragmented, complex and difficult to manage.

We have the next chart here that shows the pattern that we see, even after the reorganization of the Department of Homeland Security. We have a number of—16 that we count—major Federal assistance programs that go down to State and local governments through a variety of conduits, some to States, some to different State agencies within States, some directly to local actors like firefighters, law enforcement personnel and hospitals. Many are very different in the way they distribute the money. Some are formula based. Some are project grants. Some have matching requirement. Some don't. Some have maintenance of effort. Some don't.

There is quite a bit of overlap in activities; 12 of the 16 grants are available, for example, for training, 7 for equipment, and 8 for exercises. And, again, this is post-DHS reorganization, and we know, for example, that several of those programs that aid State and local preparedness are, in fact, still in different directorates within the department. So we still have a substantial problem with a fragmented system for Homeland Security that remains to be addressed, and I think that is being discussed.

Now, my statement has a number of options that are available to the Congress to address this in a more fundamental way. We've blocked grants which consolidate and devolve authority and consolidated grants which don't necessarily have to devolve authority. There are models available where grants can be consolidated while retaining accountability for strong performance goals and waivers.

The point is to say that these efforts that we are going to be monitoring are important and somewhat heroic in some ways, but they take place in the context of a highly fragmented system. Thank you.

Mr. PUTNAM. Thank you very much, Mr. Posner.

[The prepared statement of Mr. Posner follows:]

United States General Accounting Office

GAO

Testimony

Before the Subcommittee on Technology, Information Policy, Intergovernmental Relations and the Census, Committee on Government Reform, House of Representatives

For Release on Delivery
Expected at 10 a.m. EDT
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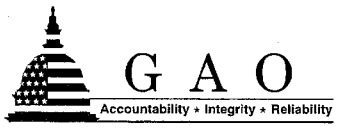
FEDERAL ASSISTANCE

Grant System Continues to Be Highly Fragmented

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



GAO-03-718T

April 29, 2003

GAO
Accountability·Integrity·Reliability

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.

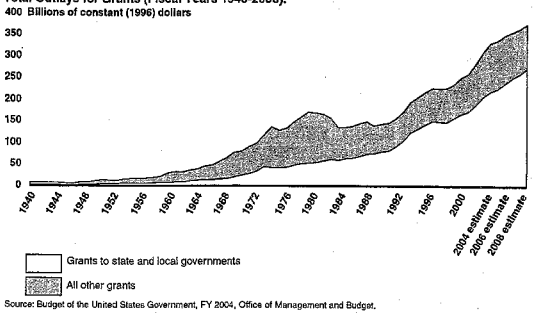
What GAO Found

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.

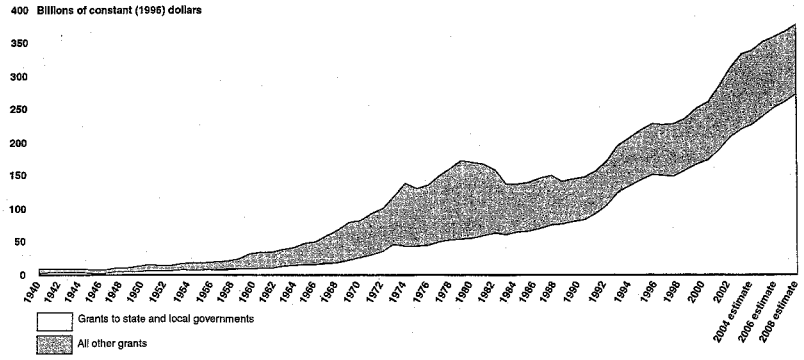
Today, I would like to provide a broader perspective on the structure of federal grants to state and local governments in general and the kinds of management and service delivery problems fostered by the proliferation of federal assistance programs and the fragmentation of responsibility among different 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.

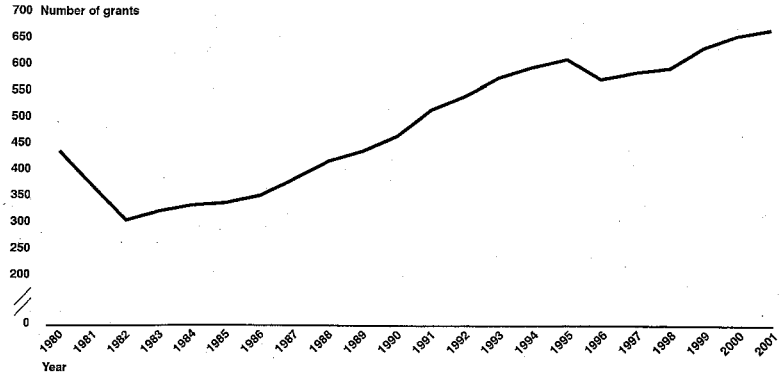
Growth in the both the numbers of new grant programs and the level of funding created greater complexity. During the 1960s and into the 1970s, various reforms were begun to address the complexity in the grant system. In 1968, Congress passed the Intergovernmental Cooperation Act of 1968 that sought to 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

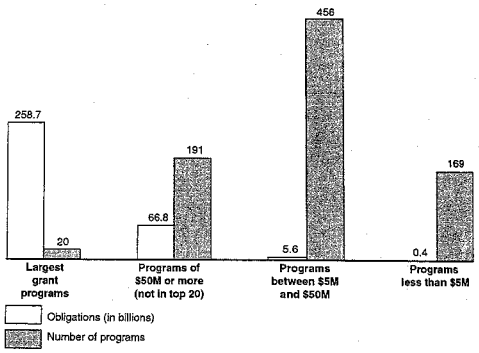


Source: OMB analysis.

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.)

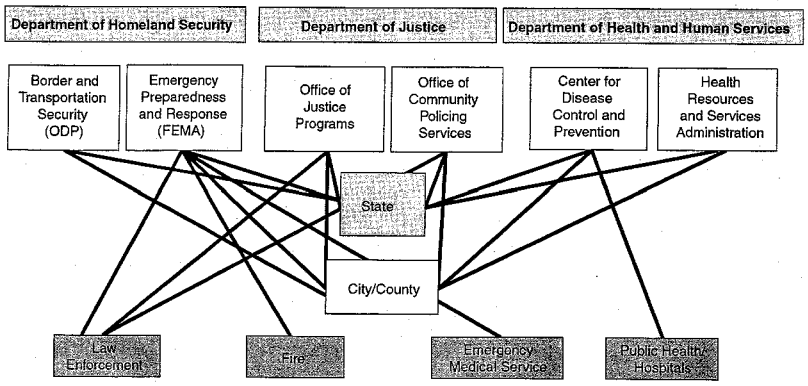
[4] U.S. General Accounting Office, *Workforce Investment Act: States and Localities Increasingly Coordinate Services for TANF Clients, but Better Information Needed on Effective Approaches*, GAO-02-696 (Washington D.C.: July 3, 2002).

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	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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Mr. PUTNAM. At this time we will move to questions, and we will begin with Mrs. Miller.

Mrs. MILLER OF MICHIGAN. Yes. I think for Ms. Springer, you were mentioning about the e-public mailbox that you have and some of the public comments that you get and also the FedBizOpps, which I wasn't quite sure what that was. Maybe you could expand on that. But as you mentioned the phrase "customer service," I'm happy to hear people talk about that. Obviously we can't have that being a novel concept for the Federal Government or any level of government. It really needs to be an operative phrase. So we think about the end users in that.

And as you are getting public comment and these kinds of things, how are you utilizing that kind of concept? I mean, they are the end users, right? They are obviously communicating with you on how they are finding the application process or perhaps whatever kind of comments they are giving you. Are you utilizing those kinds of comments in your business planning? Are you finding any particular trend lines with any of the public mailbox, the e-public mailbox that is enlightening?

Ms. SPRINGER. Yes, we are. The answer to that is yes, they are enlightening, yes, we are using them. The comments that we got are typically focused to the particular initiative. There are obviously a broad range of initiatives. So that they are very helpful beyond the general feeling of, "yeah, this is great, we need it." They are very specific to the initiative. Every work group has full access to those comments. No initiative goes out without review fully of all the comments that come in. Everybody that is involved from the government side has access to them. They are discussed. They are tested against the proposals that are coming out and both before any particular Federal Register announcements, for example, and then comments that come in on kind of the second wave that comes in once it is publicly announced in the Federal Register.

And all of those have been helpful. Generally they've been favorable as well. We find that not only helpful but favorable. So we take that we're on the right track in most cases.

Mrs. MILLER OF MICHIGAN. That is unusual. Usually you just hear the negative comments but not the positive ones.

Can you tell me what the FedBizOpps is?

Ms. SPRINGER. Yes. The FedBizOpps is a portion of the Internet site for the General Services Administration. We've established under this E-Grants Project—and Ed could elaborate further, if I go a little bit astray here—but we've established a governmentwide E-Find Function within that FedBizOpps portion. So it's Web-enabling through that GSA capability, the ability to find information about grants.

Mrs. MILLER OF MICHIGAN. Thank you, Mr. Chairman.

Mr. PUTNAM. Thank you, Mrs. Miller. Let me begin my questions with Mr. Posner.

What, if any, requirements under Public Law 106–107 are not being addressed currently?

Mr. POSNER. Well, this is something we have not yet evaluated, and as I said, we're positioning ourselves to start looking at as these changes are actually rolled out. And so we look forward to looking at the substantial activities that have taken place and at

how different agencies are working with HHS's leadership to implement the act. But we've we have not yet looked at that.

Mr. PUTNAM. Dr. Sontag, are we currently in compliance with the law?

Mr. SONTAG. I believe we are.

I can speak directly to Department of Health and Human Services. I think not only are we in compliance with the law, I think we're using it for constant self-evaluation of how we award grants, of how we can actually streamline them. I know in our department, which has a history of very independent agencies we've been using 106–107 process to bring consistency across our department.

Mr. PUTNAM. You are also the chairman of the overall task force coordinating this, aren't you?

Mr. SONTAG. No, I'm not.

Mr. PUTNAM. Ms. Springer, are we fully compliant with the law?

Ms. SPRINGER. I believe we are in compliance with the law. One of the things that was in the original report that came in 2001 is a checklist of action steps by year for each calendar year, and if you go down that list, as I have had opportunity to do, I find that with the exception primarily of the shift from the original vision for technology to the E-Grants as that has emerged under the President's Management Agenda, I was able to check off the box under every single one of those activities.

Mr. PUTNAM. Are all grantmaking entities required to use the E-Grants process?

Ms. SPRINGER. They are. There are some that are still moving toward it. So, for example, there is a requirement to use certain payment systems for making the grants payments and disbursements. There is one for the Defense Department and two others that are systems that are specified. Of the 24 main agencies, all of them have designated which system. Fourteen have already migrated to it. The other 10 are already in the process of waiting for changes or in the process of migrating.

So that is an example of compliance, and I would say activities are in line with the expectations in all those.

Mr. PUTNAM. What agencies predominantly make up the smallest 169 grants, those under $5 million? Are they concentrated in any one particular area?

Mr. POSNER. I don't think they are concentrated in any one particular agency. We could provide you with a list of all those for the record. A number of them, I believe, are in HHS.

This is something, by the way, that has been a persistent, perennial issue. Fifteen years ago we reported much the same finding, so that there are a number of programs that are very small.

Mr. PUTNAM. In your review, and I understand that y'all have a more comprehensive review underway, have you made observations or come to any conclusions on the proper channel for these grants? In other words, there are some thoughts of only distributing Federal moneys to the States and then letting the States make that next leap? And I'm sure we'll have some input from the counties later. Or is there any evidence that shows that it's better directed directly from the Federal Government to the end user?

Mr. POSNER. That is a good question, and it is obviously one that's very important for the Homeland Security debate.

I think there's a couple of things to consider, and we are in the process of looking at this.

One is that giving money directly to the State at least ensures some coordination throughout the State and that there's some possibility of promoting the kind of collaboration among local governments within regions. One of the emerging challenges within Homeland Security is the need to have governments within a region work together to realize the economy of scale that the problem requires.

On the other hand, many local governments, let's say, do not have a completely harmonious relationship with their States, and the extent to which the problem is concentrated at the local level, may cause Congress to mandate direct pass-throughs, like in the education area. Some of those Homeland Security Grants mandate an 80 percent pass-through to the local governments. Some there's a variety of things that you can do to both realize some of the broader State planning advantages while nonetheless being fairly sure that the money, in fact, is going to get down to the places where the needs are greatest.

Mr. PUTNAM. Ms. Springer, do you know how much money the Federal Government spends in managing the grants process and what that would be as a percentage of people who contribute to charity? People, they like to know that 85 percent or 95 percent of what they give to Good Will or the United Way is spent on providing services. How much does it cost for us to actually administer 169 different grant programs that are less than $5 million each?

Ms. SPRINGER. That is a good question. I don't know the answer, but I will find that out for you. It makes sense to find that out. I think certain agencies are structured differently. So, for example, in one agency there may actually be a grants management function separate and apart for example, from the CFO's office, and some of the other agencies that are less grant-intensive, it might all be done out of a CFO shop.

So we could certainly find that out.

Mr. PUTNAM. I think it's an important thing to know. In testimony that we'll have from the second panel that I read—I believe it's from the University of Michigan—they single out NSF and NIH as being tremendous examples of how things can work and perhaps others as not being so.

But I think it's important for us to know what it's costing us to administer these, and at the end of the day, who actually holds the grantees accountability for those funds being spent? Is it your job? Is it the agency's job? Is that delegated to State and local governments? Who actually does that?

Ms. SPRINGER. Well, it's a combination. The agencies are responsible from an audit standpoint for the awards that are granted by their agencies. We have the provisions of the Single Audit Act, for example, that reinforces the effort to make sure that the money is spent as it is expected to, there is no fraud, waste or abuse.

Additionally, one of the things we are looking at very carefully as a result of the Erroneous or Improper Payments Act of 2002 passed late last year, is grants programs. That is a portion of that. So that would include grants that are distributed directly from the Federal Government as well as those that go to the States and any

of those are within the purview of review from an Erroneous Payments standpoint. So that would be the responsibility that we would work with the agencies on.

Additionally, from an overall effectiveness as opposed to just the fraud or the efficiency of the spending, there's also analysis of the purpose, are the dollars going to the purpose that we expect and the program results? One of the things that the administration is doing—it started with this last budget cycle—is the program assessment process through the tool called the PART. And there were a third of the PARTS that are done this year related to grants programs. So there are several initiatives, a combination of the agency level, the Single Audit Act work, as well as the Erroneous Payments and the PART process that are meant to evaluate effectiveness of the programs.

Mr. PUTNAM. I was home doing town hall meetings for the past 2 weeks over the district work period, and one of the things that came up very frequently with law enforcement officials is the amount of time that it takes to receive the money after having been notified that they've been awarded the grant, and I suspect that may not be limited to law enforcement.

What is the average time that transpires between the awarding of the grant and receiving the money?

Ms. SPRINGER. I don't know the answer to that question, but, again, I could find that one out. I don't know if anyone else does.

Mr. PUTNAM. Mr. Posner, do you know?

Mr. POSNER. No. I think it depends on the type of grant and whether you have a continuous relationship, for example, if you get the grant annually renewed versus a one-time kind of thing. There is a lot of variables that enter into that. But I don't know of a particular number, actually.

Mr. PUTNAM. Dr. Sontag, one of the concerns that will come up in the second panel involves the differences between agencies who deliver grants to a specific institution or entity versus to a particular individual. Does HHS have a policy on who the actual grant recipient is, and if so, could you elaborate on that?

Mr. SONTAG. Generally 99 percent of the time our grants go to agencies. With research grants, there's usually a principal investigator designated, and in rare cases if that principal investigator would move locations, the grant sometimes could go along. But very, very few of our grants are awarded to individuals.

Now, the exception of that would be training grants, scholarships and the like.

Mr. PUTNAM. And, again, we'll get into this deeper in the second panel, but I wanted you to have an opportunity to comment on it.

For example, the difference between administering a grant to a specific university or even university system versus to a specific researcher who then has the flexibility to adjust the grant application or adjust the commitments or timelines without running it through some clearinghouse at the State university system or within that research facility.

Department of Education, as an example administering grants to a school district versus an individual teacher or an individual principal, just as examples.

I understand that a methodology has been developed to determine the level of resources that each agency can bring to the table. Can you name some of the agencies that have been particularly helpful in providing resources and leadership who have been key players in that process?

Mr. SONTAG. In the E-Grant process?

Mr. PUTNAM. Yes.

Mr. SONTAG. Well, certainly within the Department of Health and Human Services the National Institute of Health is essentially going to be the major player of consolidating our E-Grants efforts. The grants dissemination, application process, etc., will be through essentially a filter at NIH. We have smaller agencies within the department that have very small grant programs, and we're working very closely with them to bring them into the fold.

Mr. PUTNAM. Now, earlier I asked you if you chaired the task force, and I may not have been particularly clear. Is it correct that HHS is taking a lead role in implementing the E-Grants Program with OMB?

Mr. SONTAG. Yes, sir. I'm sorry. I thought you asked me if I was Chief Financial Officer.

Mr. PUTNAM. I apologize. I probably did. But I just wanted to clarify that. So I apologize, for both of our sakes.

One of the key things that runs through these hearings on a variety of issues but particularly the E-Government Initiatives is that the obstacles aren't particularly technological in nature but cultural.

Could the three of you please comment on the cultural or the human capital personnel management-type challenges that we face in reforming grants management, beginning with Ms. Springer.

Ms. SPRINGER. I think that one of the things I have noticed is that across all of these grantmaking agencies, you have some initiatives that have started at the agency level. Some agencies have been slower to respond on their own. So prior to a governmentwide approach that tries to harmonize and simplify down to just one approach, you have some agencies that have just on their own moved ahead.

So you'll have a particular department—I'll mention the Department of Education, for example—that has advanced its own initiative. One of the things that we need to do is to harmonize them back in with other agencies that maybe haven't done a whole lot. So that is one cultural variation that we need, and in one case you're trying to move them up to a state-of-the-art activity and responsiveness. In the other case, they might view it as a step back. In fact, it isn't. Often we can leverage off of what they've done, but you do have a very wide variety, spectrum of existing approaches that we need to harmonize.

Mr. PUTNAM. Dr. Sontag.

Mr. SONTAG. I'd like to speak to it from two vantage points.

First from the HHS grant consolidation effort. HHS has had a history of a very decentralized agency, very independent, very productive agencies, the National Institute of Health, the Center for Disease Control, FDA and so on. Their quality and their independence have made it more difficult to consolidate grants.

At the same time, we think we can achieve considerable cost saving to the American public by consolidating essentially the grant management process at the department level and even at the agency-head level. We have many more grants offices than we need. The policies sometimes contradict each other, and we're working very hard to issue consistent policies across the department. We've initiated a review of all grant announcements that come out of the department. To that end, we're looking for length. We're looking for ease of application. We're looking for simplicity of language, and we've made I think great strides.

The same issue, Mr. Charles Havekost administers our E-Grant Initiative across government. We're finding similar problems, where agencies have had a history of being very independent and doing things the correct way according to their sense to give up data points, give up data cells, information, is going to be a very complex challenge.

But speaking particularly to 106–107 in the Department of Health and Human Services, we think we can improve quality of grants administration and save the American public considerable dollars.

Mr. PUTNAM. Mr. Posner.

Mr. POSNER. Well, it's always been difficult for agencies carrying out related programs in different agencies to address and coordinate. They have different constituencies and different congressional focuses.

One of the things I would comment on is, there's a phenomenon that is called "picket fence federalism" which talks about how specialists at each level of government form alignments with other specialists. Highly specialized and trained and expert people sometimes get used to dealing with their counterparts at State and local governments without looking at the collateral relations they have, either with related programs or even with their nominal superiors. Very often mayors are in some ways dealt out of this process, and that has been a classic problem with the grant system that we have, which I think it falls in the cultural realm.

The other is the different Federal roles across different Federal programs. Programs have all different sorts of positions vis-a-vis the Federal Government's relationships with nonFederal parties. Sometimes it's devolutionary; sometimes it's partnerial; sometimes it's highly centralized. The administrative processes can be standardized, but coordinating the fundamentals of oversight are going to be different.

Mr. PUTNAM. What are the penalties for agencies who are not compliant, whether with the E-Grants portion or 106–107?

Ms. Springer.

Ms. SPRINGER. I'm not aware that the law itself actually specifies any particular penalties. We expect that the agencies are going to be compliant. We don't have any reason to think that they won't be. From the standpoint of penalties, frankly I haven't considered it to any great degree, because we have gotten cooperation across the board, and as I mentioned earlier, we are on track on everything.

In my 4 weeks since I've been confirmed, I haven't come across penalties I guess is the fair answer.

Mr. PUTNAM. Maybe that is one way to look at it. But if I have a blank piece of paper here with Homeland Security, essentially. We just created it. It's already a mess. We know that it's going to be heavily driven by a grants process, because the nature of Homeland Security is that it's not just here in Washington, DC. It's in EMSs and fire departments and sheriff's offices.

So you've got a clean slate basically. There's still a little bit of time to start that one, with the lessons of 100, 200 years of picket fences. So how should we clean that chart up, now that we have the opportunity to at least make one department a model without having to deal with the cultural resistance that's built up over time?

Ms. SPRINGER. I think that what our effort is going to focus on is the administration. There are two pieces here. I think there's the administration effort that the act is asking us to work on. There's also the substance of consolidating programs, and it strikes me that there are almosts of both here.

One is just the construction of the programs themselves, to the extent that you have six or eight different entities serving similar purposes, that needs to be brought together from market standpoint. But the administration aspect, which is within the scope of the act, I think works alongside of that. So certainly with the administration of it, we can harmonize that so that there is one way to get to all of those, but the fact that there remains six different offerings or programs is something that, I think, is outside the scope of the act but that we should try and influence.

Mr. PUTNAM. Hope County, FL, in considering material help to better prepare my Health Department to deal with a bioterror attack, do I call HHS for grant money or the Department of Homeland Security?

Ms. SPRINGER. What we're trying to do with this act is to have one place that will have all of those listed. At this point, it looks like it's constructed in a way that you have all of those, and, I agree with you that it's set up in a way that's not customer service oriented, if you will. But, again, the program construction is something that I think we can help influence. If that's within the scope of this, then that would be an expansion I think of what we're doing currently.

Mr. PUTNAM. Mr. Posner, you're an adjunct professor. Get a little academic on us and tell us how it ought to be.

Mr. POSNER. This is where the rubber meets the road. I think you put your finger on the most important issue here, and we have urged some kind of consolidation. Just take the first two boxes on the left. The ODP which was imported from Justice and FEMA really substantially fund the same things: sometimes different recipients, but they fund training, exercises, equipment and the like. They have different rules, different formulas. Now, they are also in the same department but in different directorates. At the very least one could look at the model of consolidating funding streams. It doesn't necessarily mean you have to go all the way to block grants.

In my statement, I talk about the spectrum. I mean, block grants have traditionally been a way to consolidate and devolve authority. You can separate those two things out. You can consolidate grants

like EPA has done with the performance partnerships and still hold the States or local governments accountable for results, assuming you can measure and agree on the goals that you're trying to achieve. Now, we may not be there yet in Homeland Security. We may not have consensus about how you measure preparedness, but we know some of the fundamentals. We know something about training, mutual-aid agreements, the need for exercises, so we have some sense of what we want these locals to do, and we have possibly the foundations to form what EPA calls a performance partnership.

Then the other side of the spectrum is where you accept the existing system and deal with the pain points on an as-needed basis, which can be, you know, an expedient certainly better than nothing in some sense but not the fundamental change I think that you're pointing to.

Mr. PUTNAM. Mrs. Miller, I have vastly exceeded my time allowance. You're recognized for as long as you need.

Mrs. MILLER OF MICHIGAN. Thanks. Just a couple of quick questions, Mr. Chairman. I appreciate that.

I'm going to get back to this whole concept of E-Government and customer service in particular with E-Government. Ms. Springer was saying it's been 4 weeks since she has been confirmed. I'm a new Member. I've been here for 4 months, and I'm not the biggest technology person in the world. In Congress, we're trying to use our individual Web sites to assist our constituents. And it's one of the things, particularly in my district office, my district directors are saying you cannot believe all these different grants and the kinds of questions that people are asking in order to access these different grants and the information.

First point, as you mentioned, is there some way that you will then be assisting the individual Members of Congress? We're trying to get our Web site up and going now where we're interacting at length with CRS for all the different grants. We sort of are just cannibalizing their site. Do you have a plan for assisting the individual members in using all this grant applications as we get organized here?

Mr. SONTAG. We have no plan at this point to assist Members of Congress.

Mrs. MILLER OF MICHIGAN. Yes. But you can't be doing this in a vacuum.

Mr. SONTAG. The ease of E-Gov is going to allow for the citizenry of this country to access information. Persons calling from Polk County or Ann Arbor, MI, looking for information right now would find it is not just the Federal agencies dealing with that problem. If it is within HHS, there would probably be a dozen. If we are successful—and I am confident that we will be—people will be able to access accurate, very detailed information on where they should go for grant information, the application process, etc. That is going to be the service. Congresswoman Miller, we have made no effort to strategize this for Congress, but I would be happy to entertain such a request.

Mrs. MILLER OF MICHIGAN. We should certainly at a minimum be able to drive people to a link to these kinds of things. The ques-

tions that we're all getting are what kinds of grants are available and what is the process.

Perhaps this is not the right question for those of you, but, just from an infrastructure standpoint, what kind of challenges are you facing with 26 different agencies as your architecture, to make the data bases interoperable? I'm sure you're facing all kinds of challenges with that. It is interesting listening to Dr. Posner say you are citing these material weaknesses from 1975 and here we are now trying to get these agencies to talk to one another.

Mr. SONTAG. Speaking for HHS, it gives us enough data base to work from where we have multiple different servers, delivery systems, etc. But the process that we outlined on E-grants is one of the 26 Federal agencies coming together not under HHS's rubric but under a cooperative venture where we are looking at every grant program to see how it could fit. I think people going into this process had been willing to give up, and that's the only way that it is going to work.

The process we have worked out with OMB to fund the E-grants initiative is that these 26 agencies are pledged to contribute X amount of dollars depending on the size of their grant program. So they are all, in a sense, partners with us. That has helped us deal with many of the complexities. But I think many of the technical issues are still ahead of us.

Mrs. MILLER OF MICHIGAN. Thank you, Mr. Chairman.

Mr. PUTNAM. Thank you, Mrs. Miller.

A followup question for this panel: Ms. Springer, will all agencies be required to use the E-Grant system?

Ms. SPRINGER. Yes, they will.

Mr. PUTNAM. By when?

Ms. SPRINGER. We're looking to—I'm going to defer maybe to Dr. Sontag on the exact date. The first group is in 2003, end of 2003 pilot group, and then the final date for the rest is when?

Mr. SONTAG. Is 2004 and 2005.

Ms. SPRINGER. 2004 and 2005.

Mr. PUTNAM. So they're divided into three groups?

Ms. SPRINGER. I'm not sure if it's three actual dates. I know it starts in the fall, October 2003. Do you have a schedule there?

Mr. SONTAG. OMB is going to put a policy in place that will essentially require posting of all announcements through the E-Gov process that I talked about by October of this year.

Mr. PUTNAM. All posting will be on-line?

Mr. SONTAG. Posting as a grant announcement.

Mr. PUTNAM. By October 2003?

Ms. SPRINGER. The grant announcement piece of it.

Mr. PUTNAM. Just an awareness portion. They won't be able to apply on-line by October, will they?

Ms. SPRINGER. The E-Apply part is the part that will come second. Over the course of the 2003 to 2005 timeframe, by the end of 2005, we will have not only the announcements but also the apply.

Mr. PUTNAM. Thank you very much.

Any other last comments that this panel would like to make before we move to panel two? Dr. Sontag.

Mr. SONTAG. Just one question, Mr. Putnam. I want to be a voice for the small grantee. I know in the age of consolidation large

grants are considered to drive much in our country, but some of the best grants I've ever seen funded have been $30,000, $40,000, what I call storefront grants to start local early childhood programs. Whatever we do in consolidation, I think we should still allow room for what I call the small grantee.

Mr. PUTNAM. Any other comments?

Thank you very much, panelists. We appreciate your support. We will take a 5-minute recess while we set up the second panel.

[Recess.]

Mr. PUTNAM. If the second panelists would please take their seats and then immediately rise again to be sworn in.

I would also ask if there is anyone attending with the witnesses who will be providing information to the subcommittee, backup information, ancillary information, to please rise and also be sworn in.

[Witnesses sworn.]

Mr. PUTNAM. I would note for the record that the witnesses responded in the affirmative.

We will get right to our second panel.

We will begin with Karen Miller.

In addition to representing the citizens of Boone County, MO, as a county commissioner for more than a decade now, Karen M. Miller joins us as president-elect of the National Association of Counties. She will take over the presidency in a few months, where I understand she has already exhibited an interest in making sure localities across America, including Boone County, are fully utilizing the Internet to improve services for citizens and improve intergovernmental alliances.

Allow me also to extend my condolences on behalf of the entire subcommittee, as I understand your grandmother passed away last week. Your being here today under these circumstances exhibits a true commitment to your organization's membership and goals.

We are delighted to have you here. If you have friends or family who would like to take a picture of you testifying before Congress, as humble a congressional gathering as this is, you are certainly welcome to come around here and do that. I know that is a pretty neat thing.

Welcome. You are recognized.

STATEMENTS OF KAREN M. MILLER, PRESIDENT-ELECT, NATIONAL ASSOCIATION OF COUNTIES, COMMISSIONER, BOONE COUNTY, MO; MARVIN G. PARNES, EXECUTIVE DIRECTOR OF RESEARCH ADMINISTRATION, UNIVERSITY OF MICHIGAN; AND KATHY CROSBY, DIRECTOR OF WORKFORCE DEVELOPMENT, GOODWILL INDUSTRIES INTERNATIONAL, INC.

Ms. MILLER. Thank you very much, Mr. Chairman.

Good morning, Mr. Chairman and members of the subcommittee. My name is Karen Miller, and I am a county commissioner in Boone County, MO. I currently serve as the president-elect of the National Association of Counties.

NACo, the National Association of Counties, was established in 1935 and is the only national organization representing county governments in Washington, DC. Over 2,000 of the 3,066 counties in

the United States are members of the National Association of Counties, and we represent 85 percent of the population. Federal grants are vitally important to county budgets, especially in these difficult economic times, so we thank you for the invitation to appear before you today.

I would like to make three key points on the state of the Federal grants management system and the progress that was outlined in the Federal Financial Assistance Management Improvement Act of 1999: First, local governments, particularly in rural America, must overcome several obstacles to find and apply for Federal financial assistance. Second, NACo supports the streamlining and simplification of financial assistance programs that has occurred since the passage of the Federal Financial Assistance Management Improvement Act of 1999. Third, by using technology, the Federal Government through E-Government initiatives such as E-Grants could remove the barriers that local governments experience.

Of those 3,066 counties across the United States, over two-thirds are considered nonmetropolitan, or rural. Local elected officials from these counties are at a disadvantage in the current Federal grants disbursement system for several reasons. First, many of those counties lack the professional staff capacity to identify the myriad of Federal grants available. A 2001 NACo study found that only 28 percent of rural counties have a grant writer on staff. The percent of the rural counties that employ an economic development professional is only marginally better at 38 percent. As a result, these local elected officials are forced to try to become experts in the Federal grants process themselves. However, county elected officials are predominantly part-time public servants who must balance their civic duties with professional responsibilities.

To illustrate this point, NACo quickly surveyed the 47 State associations of counties across the Nation. States with 100 percent part-time county commissioners include Florida, South Carolina and North Carolina. Additionally, in States that did have full-time officials, these commissioners were primarily from the large urban counties.

Small metropolitan and rural county officials can also turn to their local regional development organization, known locally as councils of government or regional planning commissions. These organizations are governed by the local governments they serve and provide technical assistance in grants management.

According to a survey by the National Association of Development Organizations, the typical regional development organization served six counties and 30 municipalities and administers 11 programs. However, their limited staff capacity, increasing responsibility and budget cuts have pushed these organizations to their limits.

Another emerging alternative are various private vendors that aggregate grant announcements and information into sophisticated but expensive on-line data bases. However, due to declining tax bases and difficult budget constraints, these fee-for-service products remain out of the reach for our rural counties.

The Federal Financial Assistance Management Improvement Act of 1999 was passed to ease the burdens of local governments and other grant seekers while also capitalizing on recent technological advances. NACo supports the streamlining and simplification of the

Federal grants process and is excited about the potential of the E-Grants initiative.

I have met with Charlie Havekost, the project manager for the Department of Health and Human Services, about the initiative and have been impressed with his willingness to work with county governments through NACo. Specifically, we would like to conduct a pilot project with NACo's rural action caucus which represents about 1,000 rural elected officials nationwide. The caucus would serve as a sounding board on the successes and impediments to the E-Grants initiative and would be able to provide feedback on future improvements.

Additionally, NACo will educate its members on the value of E-Grants and encourage them to file grants electronically. We would like to see a universal application for all Federal grants whereby each Federal agency requires similar information.

Further, NACo believes that the Federal Government should develop a Web site and an electronic mailing list for grant announcements. I feel that there would be a greater awareness among the local elected officials if such a site list were available.

In addition, it would be helpful if the Web site and mailing list could be tailored based on the user's interests and needs.

In addition, once a grant is identified and the elected official would like to apply, the E-Grants platform must recognize the wide disparity of Internet access in urban and rural America. Unlike urban cities and counties, much of rural America lacks access to high-speed Internet service. Consequently, Internet access for many rural communities is sluggish, dial-up service that may be subject to long distance telephone rates. Therefore, NACo supports a system that does not require periods of Internet connectivity.

In conclusion, I believe that the Federal Government can build on the success of the Federal Financial Assistance Management Improvement Act and mitigate the challenges currently facing rural elected officials.

Mr. Posner stated that he thought that grants should go through the States to be able to do a more regional look and some continuity, and I concur with that as long as the language requires money intended for local governments to be spent that way. As an example, the Federal elections reform that the Congress so graciously supported, the funds for local elected officials to support equipment, in our State, our State has decided that there will be no grants, it will be loans with interest if we need it, money to replace that equipment. That was not the intention of the Congress, and so I think that the language that was in the homeland security bill was much needed, especially in the times that we are in right now with all the State problems.

Again, I want to thank you, Mr. Chairman and members of the committee, for allowing me to appear today and would welcome any questions you might have. Thank you.

Mr. PUTNAM. Thank you, Commissioner Miller.

[The prepared statement of Ms. Miller follows:]

Statement of

The Honorable Karen M. Miller

Commissioner

Boone County, Missouri

and

President-Elect, National Association of Counties

Before the

Government Reform Committee Subcommittee on
Technology, Information Policy, Intergovernmental Relations and the Census

United States House of Representatives

On behalf of

National Association of Counties

on Federal Grants Management

April 29, 2003

NACo Statement Before Government Reform Subcommittee on Technology, Information Policy, Intergovernmental Relations and the Census

Thank you Mr. Chairman and Members of the Subcommittee. My name is Karen Miller and I am a county commissioner from Boone County, Missouri. I currently serve as the President-Elect of the National Association of Counties.

About the National Association of Counties

Established in 1935, the National Association of Counties (NACo) is the only national organization representing county governments in Washington, DC. Over 2,000 of the 3,066 counties in the United States are members of NACo, representing over 85 percent of the population. NACo provides an extensive line of services including legislative, research, technical, and public affairs assistance, as well as enterprise services to its members. The association acts as a liaison with other levels of government, works to improve public understanding of counties, serves as a national advocate for counties and provides them with resources to help them find innovative methods to meet the challenges they face. In addition, NACo is involved in a number of special projects that deal with such issues as the environment, sustainable communities, volunteerism and intergenerational studies.

NACo's membership drives the policymaking process in the association through 11 policy steering committees that focus on a variety of issues including agriculture, human services, health and transportation. Complementing these committees are two bi-partisan caucuses—the Large Urban County Caucus and the Rural Action Caucus—to articulate the positions of the association. The Large Urban County Caucus represents the 100 largest populated counties across the nation, which is approximately 49 percent of the nation's population. Similarly, the Rural Action Caucus (RAC) represents rural county commissioners from any of the 2,187 non-metropolitan or rural counties. Since its inception in 1997, RAC has grown substantially and now includes approximately 1,000 rural county officials.

Progress of Federal Grant Delivery

We thank you for the invitation to appear before you today and testify on this important subject. I would like to make three key points in regards to the current landscape of federal financial assistance programs and the steps the federal government has taken to improve the process through the Federal Financial Assistance Management Improvement Act of 1999 (PL 106-107).

- **First, local governments, particularly in rural America, must overcome several obstacles to find and apply for federal financial assistance.**
- **Second, NACo supports the streamlining and simplification of financial assistance programs that has occurred since the passage of the Federal Financial Assistance Management Improvement Act of 1999.**
- **Third, by using technology the federal government—through E-government initiatives such as E-grants—could remove the barriers that local governments experience.**

First, local governments, particularly in rural America, must overcome several obstacles to find and apply for federal financial assistance.

Of the 3,066 counties across the nation, 2,187, or 71 percent, are considered non-metropolitan or rural. While these counties face many of the same challenges of their urban and suburban counterparts, there are additional barriers that rural counties must overcome. For example, many of these counties lack the professional expertise that is necessary to identify and apply for federal grants and loans. A July 2001 NACo research study with Ohio State University and the Rural Policy Research Institute illustrated this point, finding that only 28 percent of rural counties surveyed had a grant writer on staff and 31 percent employed professional economic development staff. In contrast, 51 percent of metropolitan counties surveyed employed a grant writer and 61 percent have economic development staff.

Without professional staff to seek out potential grant funding and conduct long-term strategic planning to assess the needs of the community, rural local elected officials are forced to this task upon themselves. However, county local elected officials, especially in rural areas, are predominantly part-time officials. These public servants must balance personal professional responsibilities with their county civic duties. An anecdotal survey of the 47 state associations' of counties on the percentage of full-time officials versus part-time officials demonstrated this point. It found that states with 100 percent part-time officials included Florida, South Carolina, South Dakota and North Carolina. In addition, the vast majority of county officials are part-time in Alabama, Georgia, Michigan and Minnesota.

Therefore, county officials have little time to become familiar with the hundreds of grant opportunities the federal government provides. For example, a part-time county commissioner with Internet access could search for a grant on the Catalog of Federal Domestic Assistance (CFDA) website. Users of the site can search on a variety of functional categories, eligibility, agency and program deadline. However, the elusive and time-consuming next step is the arduous process of matching the needs of their county with the appropriate federal grant.

In addition, the complexity of grant applications and information required differs from agency to agency. Similarly, eligibility requirements can vary by program. For example, grant programs within the US Department of Agriculture define rural communities differently. Some are jurisdictions below 50,000 population, while others for areas under 10,000 population. While some of these differences are required to target assistance to areas of distress, the end result requires local governments to untangle the complicated web of grant programs.

As a result, rural local elected officials rely on the network of regional entities, known generically as regional development organizations. Each organization is governed by a policy board of local elected officials, business leaders and citizen representatives and is charged with serving the local units of governments. These organizations—known locally as councils of government, economic development districts, local development districts, regional planning commissions and regional councils—identify possible federal and state financial assistance, prepare an application and administer the grant or loan if the application is successful.

However, due to limited staff capacity, increasing responsibilities, and reductions in the already few technical assistance grant programs, these organizations have been spread thin. Additionally, the regional development organizations serve multiple counties and municipalities and must try to meet all of their needs. Based on a 2002 survey by the National Association of Development

Organizations, the typical regional development organization serves six counties and 30 municipalities and administers 11 programs. The regional development organization serving my home county—Boone County, Missouri—is the Mid-Missouri Regional Planning Commission (MMRPC) located in Ashland, Missouri. Serving six counties and 34 municipalities, MMRPC is of average size demographically.

In addition, to the regional development organizations, counties and municipalities can turn to a variety of private vendors that aggregate grant announcements. Several of these companies have developed sophisticated and expensive databases that allow local governments to quickly identify federal state and philanthropic funding sources. Yet, with declining tax bases and difficult budgetary constraints, fee-for-service programs such as these remain out of reach for many rural counties.

Second, NACo supports the streamlining and simplification of financial assistance programs that has occurred since the passage of the Federal Financial Assistance Management Improvement Act of 1999.

The Federal Financial Assistance Management Improvement Act of 1999 (PL 106-107) established requirements for the various federal agencies that disburse the over 600 financial assistance programs, totaling $360 billion to state and local governments, universities and non-profit organizations. The Act mandated that these agencies develop a plan to streamline and simplify the application, administration and reporting procedures for their grant and loan programs. Additionally, the plan should include ways for local governments and non-profits organizations to electronically apply for, and report on the use of federal funds.

NACo believes that proper implementation of the Act, would greatly benefit local governments pursuit of federal grants. Establishing a universal application would reduce the amount of disparate information needed by multiple agencies and would increase the likelihood for all county officials applying for federal assistance.

The Act has led to the development of the E-grants initiative, which is being spearheaded by the Department of Health and Human Services (HHS). I, along with other representatives of NACo, have met several times with the HHS project team manager for E-grants, Charles Havekost, to discuss the initiative and ways that NACo could partner with HHS. During the meetings, I have been impressed with the department's willingness to listen to NACo's feedback and look for ways to collaborate together. To that end, we have agreed to conduct a pilot program with members of NACo's Rural Action Caucus, whereby grant applications for particular programs would be submitted both electronically and in paper. We hope that the pilot will identify impediments and successes of the E-grants process and RAC can serve as a sounding board for future improvements. Additionally, NACo will educate its members on the advantages of E-grants and encourage them to register with the Central Contractor Registry.

Third, by using technology the federal government—through E-government initiatives such as E-grants—could remove the barriers that local governments experience.

NACo feels that for the long-term success of the E-grants and other financial assistance disbursement programs, several refinements must be incorporated. First, to assist local governments and other grant seeking institutions to identify possible grant funding, the federal government should develop a centralized website for grant announcements. Modeled after the current CFDA web portal, a categorical listing of the grants announced in the current week and month would allow grant seekers ample time to determine if the grant was appropriate for their needs and apply. Similar to the CFDA website, the system should allow users to search by various fields, such as functional category, eligibility, maximum funding amount and match requirements.

Additionally, the federal government could develop a daily or weekly E-mail list to announce grants, similar to the current *Federal Register* notice that the Government Printing Office sends out daily. However, this mailing list could also be tailored depending on the users' interest area and eligibility. Therefore, individuals would be able to receive notices on potential funding for specific subjects by E-mail.

Once the grant is identified and an individual wishes to submit an application electronically, the E-grants platform must recognize the wide disparity of Internet access in urban and rural America. Unlike urban cities and counties, many parts of rural America lack access to high-speed Internet service. NACo and the National League of Cities have partnered with IBM to provide wireless broadband service to curb the "digital divide", but the reality is that the majority of local governments still are without these services. The US Department of Agriculture estimates that more than 65 percent of all cities with populations over 250,000 have cable modem service, while less than 5 percent of cities with populations less than 10,000 had such service. For cable modems, 72 percent of communities over 250,000 have some type of cable-based broadband, but less than one-fifth of 1 percent of communities under 1,000 have cable modems deployed.

Additionally, a September 2000 NACo research study on rural technology showed that 53 percent of respondents said that they used their home computer and web access for county-related business. Many of these local officials must deal with sluggish dial up connections and long-distance per minute fees.

Therefore, NACo supports a system that does not rely on long periods of Internet connectivity, such as fillable forms. This type of platform would mirror the existing workflow in many counties and allow individuals to work on their own time rather than feel the need to complete the entire application in one work session.

Conclusion

In conclusion, I would urge the subcommittee to stay vigilant and ensure that the principles of the Federal Financial Assistance Management Improvement Act of 1999 are being implemented. The federal government can develop a system to mitigate the challenges facing rural communities by streamlining and simplifying grant applications and using the latest technological advances. In addition, NACo urges the Congress to adopt tax incentives for broadband telecommunications companies that provide services in rural America to reduce the current digital divide. Again, we thank the Chairman and members of the subcommittee for the opportunity to submit testimony on the current landscape of the federal grants management process.

Mr. PUTNAM. Mr. Parnes is our next witness. He is associate vice president for research and executive director of research administration for the University of Michigan, a university that is particularly good at getting research money. He has served in that office in some leadership capacity for the past 15 years. As vice president, Mr. Parnes is responsible for infrastructure, research administration, technology transfer, liaison with industry and day-to-day oversight of Michigan's university research units.

I know our vice chair is especially pleased when she has an opportunity to share the knowledge of wisdom of her fellow Michigan residents with the subcommittee. Mrs. Miller, would you like to make any further comments about the distinguished gentleman?

Mrs. MILLER OF MICHIGAN. I will just tell you, my father graduated from U of M. My husband graduated from Michigan State University. I hope you won't hold that against him, but we have a constant thing in our family about the two universities.

But I'm so proud of the University of Michigan and the staff that they have and the kind of product that you've been churning out for literally generations. It is a national treasure, quite frankly. I am very pleased to have you here today.

Mr. PUTNAM. Welcome.

Mr. PARNES. Thank you, Mr. Chairman and Members. I am delighted to be able to be here representing universities.

The University of Michigan has done well in the grants process. Of our $700 million a year in research expenditures, about $500 million of that is from Federal sources. We talk about fragmentation. We receive funds, I would say, from virtually every Federal agency.

On the one hand, it speaks to a rich partnership in which universities and the Federal Government serve our citizens, but there is certainly a lot of potential for administrative complexity, redundancy and waste both for us and the granting agencies.

We really believe the Federal Financial Assistance Management Act is certainly outlining what's required. We applaud the act and the efforts to implement it. We believe, however, that from our perspective in the universities the pace has been slow and to date the progress made by most government agencies for fulfilling the intent appears to us to be minimal given the aggressive timeframe that has been established. That's a concern that we have.

We heard about a single product that is really emerging, which is a pilot standard format for funding opportunity announcements. That's valuable, and we know there is other progress being made, but we're concerned about making sure it gets implemented.

I will focus on one area that is of concern to us and many other universities where there has been promise but we have great concerns and that is electronic grant submissions, the application process. We find that there is a lot of labor involved in learning to use all of the many systems that are still operating, so we have many faculty staff and administrators who have to learn to use a great host of systems.

I would like to make a few points as this program moves forward that I think are important to us. We really value a single system for Federal grant contact. We want this common face to be established. However, in the interim, agencies continue to develop what

we call rogue systems. We call them rogue systems because they are developed outside of the E-Grants initiative and require us to fulfill a lot of the business requirements of those programs and agencies at our expense.

We're managing more than a dozen different systems in trying to process our grant applications so we really hope that there will be some effort to discontinue the development of these competing programs and really come under a very clear mandate. We like the vision of a single Federal system.

We think the E-Grants program under Charles Havekost is moving in the right direction. We applaud his efforts.

We would like to see more muscle behind the corralling of other systems. Part of this, we need standardization. We're interested in reviewing the standards that are currently coming out for us to work toward. Part of this is that we then have to develop the systems for meeting these standards. We have to develop internal mechanisms, our own process for how to get data to the portals; and in the past, it has been very hard. Other initiatives have failed to get a common standard. So we really are hoping that OMB will put some muscle behind getting a common standard that the agencies will all use.

We want systems that involve administrators as the point of contact for filling out grants. I know this varies in different areas, but for universities we don't want our expensive research scientists filling out forms. We want that done through administration. We want the process to involve central grants offices.

We think NSF and NIH have gotten this right. They work with the university in doing this. We don't want to have individual faculty members modifying conditions of a grant for which we have fiduciary responsibility. We need a system that works directly with the universities.

Training. We need to make sure we have a lot of good training. A lot of the systems that are in operation now are cumbersome, difficult to use and take a lot of effort to get people up to speed.

User involvement. We think there needs to be more. There has been some. NIH has been wonderful. They have had an advisory committee representing a broad spectrum of their grant recipients that has met frequently, a lot of e-mail contact. That's a model. I think just the commentary may not be sufficient. This is a partnership. The universities, through the Federal demonstration project, NCURA, AAU, other organizations, are willing to pull together and work in a unified way. We need to have a partnership if the systems are going to work.

We do understand the complexity of massive data transmission. We recognize the efforts that are being made, and we want to be partners in ensuring that we are efficient and make sure our resources get devoted to the needs of our citizens and not to administration.

Thank you.

Mr. PUTNAM. Thank you very much.

[The prepared statement of Mr. Parnes follows:]

SUBCOMMITTEE ON TECHNOLOGY, INFORMATION POLICY, INTERGOVERNMENTAL RELATIONS AND THE CENSUS
Oversight Hearing

Hearing topic: "Federal Grants Management: A Progress Report on Streamlining and Simplifying the Federal Grants Process."

Tuesday, April 29, 2003
10:00 a.m.
Room 2203 Rayburn House Office Building

Testimony of:
Marvin G. Parnes
Associate Vice President for Research &
Executive Director of Research Administration
University of Michigan

Introduction

Mr. Chairman, and Members of the Subcommittee:

I am Marvin G. Parnes, the Associate Vice President for Research and Executive Director of Research Administration at the University of Michigan. In that capacity, I oversee many of the processes associated with the administration and management of approximately $700 million annually in grants and contracts for research and other sponsored projects with seventy percent, or nearly $500 million, of that total from Federal sources. Like many major research universities, the University of Michigan receives funds from virtually ALL Federal agencies, which speaks to the rich and fruitful partnership between universities and the Federal Government on behalf of the nation's citizens, but also to the potential for a great deal of administrative complexity, redundancy, and waste in both granting agencies and recipient institutions.

Through the University of Michigan's membership in the Federal Demonstration Partnership (FDP), a coalition of ninety research institutions and ten federal granting agencies, as well as my participation on the Board of the Council on Government Relations (COGR), a membership organization of over 100 research universities, I have developed a keen understanding of the common issues that impact our research institutions. I am grateful for the opportunity to speak to the concerns of the Subcommittee as they relate to the key reforms intended to simplify and streamline the federal grants process.

Overview

The Federal Financial Assistance Management Act (P.L. 106-107) was enacted in 1999, As you know, it directed each Federal agency to develop and implement a plan that, among other things, streamlines and simplifies the application, administrative, and reporting procedures for Federal financial assistance programs. This includes, of course, government grants.

I am here today to report that from the perspective of our nation's universities, to date, the progress made by most government agencies in fulfilling the intent of P.L. 106-107 appears to us to be minimal at best. The single product to emerge from several years of fairly intensive inter-agency deliberations is a pilot standard format for funding opportunity announcements. Other outcomes surely exist, but are less visible to the university community because the inter-agency working groups have had inadequate on-going contact with our community. Indeed, the key groups involved in implementing P.L. 106-107—the Grants Management Committee of the agency Chief Financial Officers Council, the E-grants Program Management Office, and OMB's Office of Information and Regulatory Affairs—may not be as well coordinated with each other as one could hope. Some in our community believe that this may be the result of a lack of funding for these efforts.

The proliferation of inter-agency and intra-agency efforts may add to the difficulties in meeting the universities greatest need—true uniformity, simplicity, and utility in an electronic grants process. While universities account for only 1/6th of the grant funds awarded, we represent 1/3rd of the number of awards; thus, the administrative impact of these systems on our institutions is both broad and deep.

Concerns and Hopes

I will focus my remarks today on the areas of greatest concern to the University of Michigan, and I believe those of other universities as well. Much of my time will be spent on one area, in particular, where while we saw much promise from the enactment of P.L. 106-107, we have yet to see any fulfillment -- Electronic Grants Submissions.

One of our senior grants administrators carries a sign that he places on the table at all computer related meetings he attends. It reads: "First Do No Harm." Consider that as a motto for all work in the electronic arena. It is our opinion that much harm has been, and is being done, in the current research environment. Many agencies have jumped on the proverbial bandwagon of electronic grants systems. Each agency touts its system as the easiest to use, the most comprehensive, the best and foremost, and the most in tune with the users' needs. Indeed, taken alone, each might be. Taken en mass, they become a cacophony.

At a recent national meeting, a Federal agency staffer thought he was doing a good deed by asking potential university users to review his new grants application system. To his surprise, there was great consternation among the group, such that they did not even want to look at the draft. Why? Their collective comment was it had to be a bad system because it was *different*, and would require yet another set of requirements to be understood and mastered at each institution.

University grants offices, and often individual faculty and laboratory staff, must learn all of the new systems introduced, often with less than ideal instruction or documentation available, resulting in much wasted effort. Without efficient and effective communication between the granting agency, the researcher, and the university administrators charged with fiduciary and administrative oversight, the introduction of new systems might do more harm than good.

I would like to highlight six crucial points that we believe must be attended to in order to advance the Congressional vision represented in P.L. 106-107 and realize the potential benefits to grant recipients as well as to the grant makers.

1) SINGLE SYSTEM FOR FEDERAL GRANT CONTACT:
The ambitious goal of presenting a government-wide "common face" to the recipient community seems as remote now as it was three years ago. Agencies continue to develop "rogue systems" that simplify their business processes by transferring the burden to the recipient. We call these systems "rogue" because they are developed outside of the E-grants initiative, and because they ignore the fundamental principles of electronic commerce. Since the Law was enacted, our faculty and sponsored programs offices have had to learn and manage a dozen or more different agency systems for what are essentially the same business process. Many of these systems are fault-ridden and cumbersome. It appears to us that some agencies—notably the Department of Education and the Department of Energy—have funds for developing these systems, but not enough funding to contribute to a government-wide solution. There are simply too many systems among agencies, and even within single agencies. The numbers are increasing, even as the E-grants E-government initiative seeks uniformity. While some agencies, like NASA and Agriculture thoughtfully deferred their own systems development to the E-grants process, others continue separate efforts. The Department of Education has at least three systems we must learn to use. The Department of Energy is using a very cumbersome system developed for contracts with the for-profit sector to attempt to handle grants with universities—leaving many faculty and administrators chagrined.

The President's management agenda calls for streamlining interactions with the recipient community by means of electronic processes for such things as receiving proposals, making, and managing awards. Electronic processes that "pave the cow path" and allow agencies to continue to use dozens of different systems with each recipient should be discontinued immediately, and any resulting savings devoted to developing a small range

of solutions that meet the needs of sponsors and recipients. Recipient organizations cannot build or obtain electronic research administration systems that will conform to the idiosyncrasies of 40 different agency systems. The funding agencies need to commit to a set of core data elements for such things as proposals, awards, financial reports, and technical reports. OMB needs to use its authority to regulate data collection and manage the IT budgets of agencies so that funds for non-standard systems are captured for the government-wide effort.

We strongly endorse the vision of a single Federal system with no others required. The new E-Grants/grants.gov initiative under Charles Havekost seems to be making some progress in this arena and we offer several suggestions to ensure its success.

2) STANDARDIZATION: Universities have been working for as long as ten years to develop internal systems to help faculty and staff prepare grant proposals and route them for institutional approvals. It has been difficult to proceed with these efforts because the Federal agencies have never standardized their needs, making universities reluctant to invest in systems that might be limited in their applicability to some Federal agencies. In the last major cross-cutting initiative "Transaction set 194'' was a put forward as a standard, but almost no agency accepted it. We hope that E-grants may overcome the barriers of past efforts to compel cross agency cooperation and thus allow universities to standardize. Agencies should be mindful that these efforts are underway and be planning such that their infrastructure can connect to this larger architecture rather than developing their systems in a vacuum. We hope that OMB, rather than promoting plans of its own, can provide stronger oversight and approval mechanisms to ensure agency cooperation with E-grant/E-government.

We are already witnessing that while the E-grant initiative has a fixed set of data fields based on the Federal Form 424, it is permitting each agency to add other data fields, which may blunt the standardization impact. In any event, whatever the program initially includes, we must trust that it remains fixed for a number of years. Since the E-grant system requires universities to develop the internal capacity and infrastructure to launch the appropriate data stream to the proposed E-grants portal, we want some stable period to ensure our investment in this effort is worthwhile. Due to caps on recovering indirect costs associated with administration, and the increasing burden associated with many new regulatory expenses, we are concerned with where the resources for continuing to adapt to system changes will come from, let alone the funds to create the necessary internal system. As long as we must create or buy our own internal system to link to the E-grants portal, we hope for as much standardization as possible. We also hope to be informed of those standards soon.

3) APPROPRIATNESS OF SYSTEM USER: Whatever systems universities and Federal agencies develop, it is important that they not require a great deal of time and effort on the part of university researchers/scientists. Researchers are expensive resources who should be devoting their time to substantive research activity, not learning and using a variety of administrative systems to prepare their grant applications. Prior to

electronic submissions, the faculty did not personally type their applications—it would be ironic that new "more efficient" systems would now require that they be personally responsible for data entry. Systems must be engineered so that the researchers do the research and the administrators do the administration.

4) AGENCY TO UNIVERSITY SYSTEMS, NOT AGENCY TO INDIVIDUAL: In keeping with point #3, Federal systems need to be centered at each university in the "grants office" and not designed to deal directly with the faculty. NSF and NIH have correctly understood this principle and have established their systems to reflect the role of the universities' Sponsored Research Offices in managing the administration of grants. These agencies establish an initial link with the central Sponsored Research Office. None of the other agencies go to the grants office first to implement their systems, but instead deal directly with the faculty scientist or researcher. Sometimes the faculty is asked to identify someone to "authorize" the proposal. The agencies expect the university to maintain fiduciary oversight for research grants and we believe they should accept the grant application from the university central office designated to manage that oversight. At universities, grants are made to the institution, not the individual faculty member—if NIH and NSF can get this right, we don't understand why other agencies cannot. One of the Department of Education's systems now allows the faculty to make changes, such as time extensions or budget changes, without approval by the grants office. Thus, the university is forced to accept the fiduciary duties associated with these changes without notice or approval. The role that institutions play in the grant-making process cannot be disregarded.

Also, if the GAO expects certain data to be collected and maintained at the institutional level, each institution must be able to monitor its own data to satisfy audit requirements. If institutions are to be held administratively and fiscally responsible for federally issued awards, then an integral component of the application system should include institutional review and approval, preferably at final application submission but, at least, prior to final award (with the opportunity for negotiation).

A Federal common access portal (such as proposed by the e-Grants Initiative), should allow an applicant, whether individual or institutional, to work with not only a single, common application, but also encompass a single administrative and reporting system for the many programs administered by Federal agencies. Any agency-specific variations should be very obvious and subject to prior scrutiny and approval by a designated government monitor that has some power for enforcement.

5) TRAINING: Whatever system is adopted, it must have adequate training materials, help links, practice options, support desks, regional workshops and other services to make its use simple for all levels of people using it, clerical support, research assistants, university administrators, faculty and even rocket scientists. The present state of training and help materials is woefully inadequate.

6) USER INVOLVEMENT: The E-grants project and others, for the most part, have not had sufficient input from universities and other users. NIH is an exception. They have had an advisory group of 14 users organizations (universities, hospitals and others) meeting 3-4 times a year for 3 years, with on-line contact in between meetings to provide them with advice on the process. That group tests all new processes. Most other agencies have taken the position that they know what's best for the users and will make those users live with whatever they come up with. Will E-grants be let loose upon us with no input from us, no testing by select users, no systematic feedback? I would like to strongly urge that you encourage Federal agencies to involve and interact with the university user community early in the process through work with groups like FDP, COGR, and professional societies like NCURA and SRA.

Concluding Remarks

May I end with a request, a plea, that you help us stop the proliferation of new systems and persuade agencies to defer to E-grants when it is in operation. Once again, I thank you for this opportunity. Universities well understand the complications and complexity inherent in designing and developing large systems for massive data transmission. We hope that the partnership inherent in the relationship between our nation's needs and our researchers' efforts will be reflected in our shared efforts to build an administrative infrastructure to ensure that this partnership is well managed.

Mr. PUTNAM. At this time I would like to recognize Ms. Crosby. Ms. Crosby is Director of Workforce Development for Goodwill Industries International where she has been managing Department of Commerce technology opportunity grants and $20 million of welfare to work grants. Prior to this role, Ms. Crosby spent 19 years at Goodwill Industries for the greater Detroit area where she managed some $8.3 million in grants involving 120 employees at 11 sites.

We welcome you to the subcommittee, and you are recognized for your testimony.

Ms. CROSBY. Thank you very much. I really appreciate the opportunity to speak on behalf of nonprofits to an issue that's so important to us and that is maintaining funding to meet the needs of the communities where we reside.

Goodwill Industries International, where I work, supports 176 local Goodwills in the United States that serve 98 percent of all the counties in the United States. One of the interesting things about my role as Director of Workforce Development is that I represent the mission and, therefore, am always looking for funding opportunities for grants at the Federal level that we can use to support the mission at the local level and reach out to put people back to work.

I have heard so much today that rings true with what Goodwill is concerned about: the issue of common application process, the need for training; the need to have a voice in developing a system that not only meets the administrative needs of the government but the end user needs, I share many of the same concerns with the panel that's here.

But I would like to use my time to address three things that I think are particularly challenging for nonprofits of all sizes, whether the larger nonprofits in some of our bigger cities or whether our small rural nonprofits taking the $30,000 grants that Mr. Sontag referenced. They are important issues for all of us to address.

The first issue for us is the idea of common definitions in grant proposals and the department vernaculars that creep into the process. I was taken by just hearing the term "one-stop" used in relation to E-Grants here. One-stop in the employment and training world already has a capital letter connotation. We're now going to create a one-stop E-Grant center. It will make the search engine real interesting, just finding one stop on the dot-gov Web site, because we're creating yet another vernacular and another use of a very familiar term.

From our point of view, searching and mining for Federal funds to extend the effectiveness of our mission is increasingly challenging. We can create these sites, but without the notices that were referenced earlier or another way to identify funding related to mission-specific work having links to various agencies is not going to be incredibly beneficial.

I certainly am here, too, to advocate on behalf of that idea of a common standard for proposals, the time lines, not 2 weeks to 6 months but something that is reasonable and that we know we can count on for the application process, the format, so that there are standard elements truly in the application process.

And scoring. Every RFP that is issued has a different weight, methodology, thinking behind the scoring and how that proposal will be judged. Only experience from writing, winning and failing proposals teaches the grant personnel how to accurately read the combination of implied expectation, regulatory compliance and funding authorization requirements contained in every published grant announcement. The style and process can vary drastically, and it requires that one knows as much as possible about the authoring source in the agency. Deciding to respond to an RFP creates a daunting collection of challenges.

I also think that it is important to categorize grant opportunities by common services and populations in need rather than by the originating agency. Organizations that look for funding attempt to leverage that funding across the source agencies, and being able to identify all of the funding related to a prospective mission is important. I noted in the GAO testimony that they had referenced that very topic, and in fact that there were 44 different grants available. It said 44 programs administered by nine different Federal agencies to provide employment and training services. That would be exactly the type of challenge that we're trying to overcome when we're mining for grants and looking for opportunities to meet local needs.

I thank all of you for the chance to be here today. I welcome any questions about nonprofits that I might be able to address and hope that Goodwill can be part of this ongoing discussion.

Mr. PUTNAM. Thank you, Ms. Crosby.

[The prepared statement of Ms. Crosby follows:]

"Federal Grants Management: A Progress Report on Streamlining and Simplifying the Federal Grants Process"

Testimony by Kathy Crosby
Workforce Development Director, Goodwill Industries International, Inc.
Before the House Government Reform Subcommittee on
Technology, Information Policy,
Intergovernmental Relations and the Census

April 29, 2003

Mr. Chairman and Members of the Subcommittee:

I appreciate this opportunity to submit testimony on the reforms that sought to simplify the management of federal grants. I am Kathy Crosby, currently the Director of Workforce Development for Goodwill Industries International based in Bethesda, Maryland. I bring to today's hearing over 20 years of experience and knowledge of nonprofit, federal grant management.

I commend this subcommittee's commitment to streamlining and simplifying the federal grant management process and for holding this hearing to assess the efficacy of federal initiatives to accomplish this goal—initiatives such as The Federal Financial Assistance Management Act of 1999 and the Electronic Grants E-Government Initiative.

In my capacity at the national Goodwill Member Services Center (GII), I was responsible for the administration of a $20 million Welfare to Work/Census Project from the Department of Labor, as well as an on-going $1.9 million Technology Opportunity Grant from the Department of Commerce, and a $500,000 Disability Employment Grant from the Department of Labor. I am also administering the third grant year of a Community Technology Center grant from the Department of Education.

In my previous capacity as the Vice President of Employment and Training at the Goodwill Industries of Greater Detroit, I managed over $8.3 million in private and government grants. The government grants I managed included funding from the Departments of Health and Human Services, Education, and Labor.

I have been asked to testify today based on my professional experience with the federal grant management system and articulate the experiences and challenges I have witnessed of nonprofits navigating the federal grant process. To provide a clearer picture of the nonprofit experience, I would like to illustrate the complete "life cycle"—from locating and identifying federal grant funding, to closing out the grant. In this vein, I would like to describe the pre- and post- award phases.

Pre-Award Phase

Non-profits, like Goodwill, are finding the search and mining for federal funds to support and extend their mission increasingly challenging on several fronts. This mining process is complex in that the grant announcements are often difficult to decipher, and the requests for proposal language may be vague or conversely leading.

Many times, nonprofits, especially smaller nonprofits, are not adequately staffed to deal with the myriad of requirements needed to provide necessary information during the Request for Proposal (RFP) stage—the point at which many nonprofits are dissuaded from applying. Often a nonprofit's grant search team and grant writer(s) also have other responsibilities and wear multiple "hats" in the organization and do not have the time or resources to fulfill initial application expectations.

Scanning various publications and websites, electronic bulletins and listserv messages often become shared tasks among staff. This is generally the case unless the nonprofit is positioned to devote full-time staff to the search task, which requires:

- matching mission goals with that of grant goals,
- gauging organizational capacity to administer the grant,
- assessing collaboration potential with other organizations and nonprofits; and
- calculating financial resources with potential funding announcements.

These tasks are extremely time consuming and require a skill set to correctly understand the different definitions, vernaculars, and priorities of many federal agencies.

For example, what does the term "on the job training" mean to you? Well, the average person would think this is self-explanatory—training provided while one is on the job. However, this is hardly the case in the federal grant world. Various departments and agencies would define this term based on their interpretations and their departmental vernacular. For example, depending on the department, one of the following may be used as a definition of "on the job training"— 1) a subsidized work experience in the private sector; 2) a voluntary work experience at any job, or 3) a vocationally specific training opportunity.

That takes us to the challenge of reading grant announcements. Only experience from writing winning and failing proposals truly teaches grant personnel how to accurately read the combination of implied expectation, regulatory compliance, and funding authorization requirements contained in every published grant announcement. The style and process can vary drastically and requires that one knows as much as possible about the authoring, source agency.

Deciding to respond to a RFP leads to additional challenges. Scoring weights, length of proposals, time line for response, virtually all aspects of the RFP are filled with variables. All of the variables are likely driven by well-meaning attempts to: provide information, to lessen the volume of written documents for review, and to expedite the distribution of funds. To the nonprofit worker turned grant applicant, these variables are daunting. Standardized forms are scarce, and even delivery methods, deadlines, and acceptable formats remain variables that add stresses to the process.

And finally, support during the pre-award phase is limited. Concerns over possible 'unleveling' of the playing field results in limited communication between the department and grant seekers. This leaves nonprofits frustrated and in a state of confusion. Pre-award activity remains a mystery to some, daunting to others, and challenging to all.

Post-Award

Regardless of some recent efforts at federal agencies to create a guided post-award phase, post-award activity remains a challenge. Regardless of a nonprofit's experience with grant dollars, sorting out the details of the funding authorization, ensuing program regulations, and cross-cutting laws such as the Drug Free Workplace Act and the Americans with Disabilities Act, continues to be a challenge.

Nonprofit agencies search for grant dollars to support their mission and attract employees who share a passion for the organizational mission. They deploy resources as efficiently as possible in order to realize the maximum mission service—less on administration, and more for the targeted population the grant was designed to assist. For those nonprofits seeking to utilize federal funds, this passion may take the greatest toll during the post-award phase. Here, tight timelines, unexpected assurances attached to contracts, and the demands of diverse reporting dates and systems begin to take a toll.

Even as the nonprofit organization works to collect different data for each agency, which it will then need to report at different times with narratives in different formats, along with ancillary reports of differing demands, it is confronted by the challenge of building unique start-up timelines for each project and meeting varying technology demands.

Additionally, if the grant represents an opportunity to collaborate, other administrative challenges may arise. For instance, a collaboration to support persons with adaptive technology may connect a non-profit, a local college, and one-stop workforce agency. Three different Office of Management and Budget (OMB) circulars must be imposed, and the designated lead agency needs to understand them all. All of those rules will be subject to the interpretation of the granting agency, program monitors, and auditors. And likewise, an assortment of cross-cutting laws will likely affect each of the organizations in some way as they move to comply with the new contract.

At the National Grants Management Association (NGMA) conference held in May 2002, the Acting Director at the HHS Office of Grants Management explained the E-Grant initiative and vision to attendees as both a storefront for all customers of federal grants in finding opportunities for applying and managing grants, and as a facilitator for quality, coordination, effectiveness and efficiency of operations for grant makers and recipients. The storefront concept will be the easier of the two to implement. Clearly, in the post-award phase, it is the second part of this vision that will bring the greatest challenge to E-Grant implementation. The idea of quality measures and service coordination aligned across all agencies will be a Herculean feat to accomplish.

Challenges and Responsibilities

In my experiences, the challenges for the nonprofit community are many, but not unique, in their quest for federal funds. Staying current on evolving grant management processes is an ongoing challenge. To stay on top of changes, I maintain related memberships and subscriptions, as well as attending an annual update provided by a local training entity. In August 2002, that entity, Management Concepts, highlighted the new FirstGov.gov website during the annual Federal Grants Update. In doing so, they suggested more than twenty other links to use and monitor in order to stay current in the practice of grant management.

During Goodwill's Consensus to Build the 21st Century Workforce initiative, grassroots meetings were held nationwide to identify problems in the delivery of human services. Private, nonprofit, and public entities gathered in 13 cities to discuss the complex web of public funding structures related to employment, training and essential human services. The resulting document entitled, "Improving the Future for Low-Wage Workers", which I have provided to committee staff for your review, offers positive suggestions for improvement, but also reflects the concern among the participants on the grant funding system.

Operating grants for multiple federal agencies challenges Goodwill Industries International (GII) to plan and execute programs with very diverse expectations for performance and reporting. When those funds are subawarded to local Goodwills, it additionally challenges us to train, inform, support, monitor, and improve performance at that local level. It is there, at the local level, where the intent of the funding authorization is ultimately realized. And, it is there, where resources are lean and few, that the confusion regarding documentation, compliance, rules and reporting ultimately take the greatest toll—as front-line staff are distracted from providing essential services to clients due to ever-changing demands for data and documentation.

Nonprofits, like Goodwill Industries, are working to efficiently connect the resources of government with their communities. I hope the E-Grant initiative makes that increasingly possible.

Although the initiatives under review today have brought the complexities of identifying and securing federal grant funds for nonprofits onto center stage, I hope other ideas would be considered as this committee seeks to continue its efforts to reform federal grant management. I offer these following suggestions:

1. Use common definitions in grant proposals across all federal department and agencies and avoid differences and departmental vernaculars;
2. Implement common standards for RFP in timelines, formats, and scoring; and
3. Categorize grant opportunities by common services or service populations rather than by agency.

I thank you for accepting this testimony and look forward to future opportunities to be of assistance. I welcome any questions from the committee.

Mr. PUTNAM. The committee notes for the record the arrival of the gentlelady from California, Ms. Watson. Without objection, the record is certainly open for your written testimony, but if you would like to be recognized for a few opening remarks, we will also do that at this time if you so desire.

Ms. WATSON. I had been asked by Lacy Clay to deliver his opening remarks. I understand he is on his way, so I'll defer to him. Thank you so very much, Mr. Chair.

Mr. PUTNAM. Yes, ma'am. We are delighted to have you.

I will look to the gentlelady on my left, Mrs. Miller of Michigan, to open with her round of questions for 5 minutes.

Mrs. MILLER OF MICHIGAN. I will start with Karen Miller. That's a great last name.

I was actually a former county treasurer, along with some of the other jobs I had. After I was county treasurer, then I was a Secretary of State.

I was particularly interested to hear you talk about what is happened with the HAVP, the Help America Vote Plan, in Missouri where they are loaning the money with interest. That was not the intention of the Federal Government for that matter. I don't know if I'm asking you a question, but I picked up on you talking about that. We're going to get, I think, $50 million in Michigan. I'm not sure what you're getting in Missouri.

Ms. MILLER. I don't know what we're getting in Missouri either, but when I left home yesterday my county clerk came to me and said, I know you're going to D.C., can you stop by the Senate offices and legislator's office?

Here's what's going on. The State has decided they want to loan the counties money for equipment with interest instead of doing any grants. They will keep all the funds themselves. I know that was not the intention because we were very active in that, in getting that funding so that local governments could change out that equipment so that we could have consistent elections across the country. So I don't know where to go from there, but I wanted you to understand that when you give grants to the States without some requirement that so much of it goes to the locals as you intended when you passed the legislation, that can happen.

Mrs. MILLER OF MICHIGAN. One of the things we're doing in Michigan is our now Secretary of State has put together an advisory committee which is inclusive of most of the county clerks actually in Michigan. Because the county clerks were very instrumental throughout the Nation in getting that legislation passed. I'll be interested to see how you do there. Could you expand a little bit? You talked about the pilot program through NACo that you're contemplating with your rural action caucus; and most of the States, of course, have similar experiences with a lot of rural areas. As you mentioned, they don't have the money to have staff on hand to do the grants and to do the grant mining and these kinds of things. What is the intention of NACo to do this rural action caucus?

Ms. MILLER. We talked to Mr. Havekost, and one of the things he is real interested in is he wants to know if you apply for a grant in the hard copy, written way and you apply for a grant on-line, how they track. I mean, does it move along quicker when it is on-line or is it slower? So he has asked us to identify some counties

that would be willing to apply both ways. That's one way. And to also let them know then the problems they had in applying on-line versus what they are used to as far as the hard copy. So that is the kind of pilot that we were looking at doing, was helping get information more for the process than anything.

Mrs. MILLER OF MICHIGAN. I think that's an interesting concept. That has been sort of a constant theme through this testimony this morning, that big is not always better sometimes. In some of the smaller grant processes in the rural communities and that, we do have to be ever vigilant to make sure that they are able to access. They are taxpayers like anybody else, wherever they live in America, and that they should be able to access these kinds of things. Hopefully, we can use the technology properly to allow them to access it that way.

Ms. MILLER. I think if it is customizable where you can identify what you're looking for, searchable, that it will eliminate a lot of the time that it takes to, as Ms. Crosby identified, that's so overwhelming just finding where the possibilities are. I think that would help rural counties across America as much as anything, if they're able to have one data base to go to, put in their search, what they're looking for and identify where the funds are available.

Mrs. MILLER OF MICHIGAN. Then I would question the University of Michigan's perspective and I think for all the universities perhaps as we talk about some of the people who are not so cognizant of the grants that are available and don't have grant writers on staff.

The University of Michigan, of course, has to have some of the best expertise in the Nation on accessing your kinds of grants. You mentioned earlier about the training, perhaps lack of training that you sometimes get. I guess I'm going to ask you to expand on that, help materials that are available to your staff? You don't want to use, as you mentioned, the research individuals to be filling out all the administrative kinds of things. What has been the experience of the University with asking the Federal Government for assistance, and then what has been your experience with the different agencies in responding to your needs to assist you?

Mr. PARNES. I think there is a lot of variability in how well the agencies tune in to what the user needs are. I'm sure it is related to their mission. NSF, for example, is so tied to universities, their fast lane system is very well designed to meet their needs. They got a green light on their administrative procedure. They have an understanding of the training we need to do for staff.

Some of the other systems, DOE is using basically an industry contract system and applying it to a university setting.

You really have a lot of difficulties getting people to learn new terminology approaches. Sometimes the materials developed to provide training are limited. It's a lot of labor to bring everyone to the point where they can successfully launch and submit these applications. So there is a wide range.

Part of it is that there has been a proliferation of systems. So we're in a situation now where we may have a dozen different systems that we have to learn to use. There is a limited amount of capacity for people to keep relearning those. We are concerned as this goes forward that whatever is developed tries to eliminate that

redundancy so we can concentrate on training those people who need to be expert in those areas.

Mrs. MILLER OF MICHIGAN. Perhaps just an open-ended question to the panel here. In fact, we were talking during the break, one of the things that I found in my constituency there, just as an example, Community Development Block Grant funds, because of the census tracking requirement that the Federal Government has—and we're not particularly an affluent area—but most of my townships cannot use the money—and these are explosive growth areas. They can't use it for roads or sidewalks. All they can use it for now is senior citizens projects. Of course, those are good projects, but I think there should be some more flexibility on some of these grants to allow you to really utilize the money as you need.

We're all interested, of course, in waste, fraud and abuse and performance evaluations on how the Federal granting process is working. Could any of you give me a little feedback on your experience on how the Federal agencies benchmark your utilization of the Federal grants? Do you have any specific area of concern that we should be looking at as well and how perhaps the E-Granting process may accommodate some more efficiencies in that area?

Ms. MILLER. Just as I was walking in here today, the staff was telling me in Senator Baucus' State there are three counties that can get Community Development Block Grants. It leaves the rest of the State not eligible. That's what we find.

In my county, we're not eligible for the most part for Community Development Block Grants. So it really limits where those funds are being serviced.

I would be opposed to having that as the only criteria, as having Community Development Block Grants. I think there are other ways to do funding formulas that can be equitable and get the funds down to the areas that really need them.

Ms. CROSBY. When there are uniform outcome measurements associated with the authorization of funds, I think it helps us all to know what the expectation is at the Federal level. Certainly recently there were employment and training outcomes outlined that crosscut many of the agencies and make it clear that the intent of that funding authorization goes to job placement, job retention, improved earning capability, regardless of who the authorizing agency is on the funds. There is flexibility inherent in knowing that the ultimate outcome is to achieve those goals.

I think that the E-Grants initiative, taken to its continuing phases, has the opportunity to do that uniform type of data gathering that will allow us all to focus on what the intent of the authorization of dollars was versus meeting all of the little nuances and compliance detractors along the way that have us measuring instead, did we serve 13 percent of XYZ with only 18 percent of dollars instead of did you put more people to work? Did you find more people able to take independent care of their lives? Did you improve the economic situation of your community? If those are the intent of the dollars, then common measurables will be really, really empowering.

Mr. PARNES. I think universities are very adapted to being accountable to agencies for fulfilling obligations of grants. I think the efficiency here is in the administrative reporting and postaward

process and auditing. In other words, the more concurrence, the more similarity.

Again, we're all saving dollars that should be better spent on substantive needs rather than a lot of different systems that all have at the heart the same business process and the same accountability necessities. So it's more the uniformity, and we're very willing to be accountable. We just want it to be an efficient process.

Mrs. MILLER OF MICHIGAN. Thank you, Mr. Chairman.

Mr. PUTNAM. Thank you, Mrs. Miller.

Ms. Watson, you're recognized.

Ms. WATSON. Yes. In listening to the current presenters and reading over some of your statements, I have some concerns. Mrs. Miller and Mr. Parnes, first, NACo. Do they provide you with grantsmanship? It is an art. I have sent my staff in the past to the University of Southern California to take grantmanship so that we could help community-based associations write those grants. I have a concern as to what kind of help, and is there a format?

I was very concerned and interested in what Dr. Parnes was saying, because at the university level I know that poorer universities have less speedy Internet equipment and so on, and to do the E-applications might present a problem. I do know trying to put the high and the new technology in our State-funded universities and colleges has been a real challenge for the State of California and so I want to know what impact that will have if we go to these E-applications, which is maybe a smart way to go. I don't know.

Also, is there assistance for you through your organizations?

Either one that would like to speak first, fine.

Ms. MILLER. As far as the National Association of Counties, we have regular nationwide conferences that we do workshops and trainings on specific issues that have been working through the Congress. Like when the election reform passed, we had workshops on that, as to what it meant, what you needed to be looking for, how it could apply to your county. And so, yes, I think we do that.

We also have a research department that helps counties in identifying how to do things if they don't know how. I believe that we have the capacity to do more, probably. We have already said that we were committed to trying to get our counties to use the E-Grants application process because we believe that's the best way to go for the future is one stop or one place to find the grants for sure, as long as they are not required to be fill-in-the-blank, on-line all the time because that would really hurt rural America. We couldn't do that. I agree with your point there, Congresswoman.

Mr. PARNES. I think that's an excellent point, that there needs to be default systems that allow institutions with different levels of resources or technology to still participate actively in the process. I would certainly support that.

Universities have many resources available to do some of the searching and grant writing, although there is a lot of variability. National professional associations like the National Council of University Administrators or Society of Research Administrators have a lot of training programs and do a lot of inter-university sharing on approaches to effective and efficient grants acquisition, but there is no doubt that there are haves and have-nots in terms of the capacity to go after those funds.

Ms. WATSON. Thank you.

Ms. Crosby, you are at Goodwill Industries. You have been over the centuries, I should say, very successful with this. Can you give us some idea how you have achieved that level of success? We in our communities depend on Goodwill Industries to fill in where we cannot as government. So can you tell us how you do it and how you have done it throughout history?

Ms. CROSBY. I think that Goodwill does bring a couple of very unique things to the table when it comes to the grant management topic. One is that we are a business. Our roots are in the retail business. We have income from those stores where we train people and learn about customer service. But what it gives our organization as a nonprofit is a true appreciation that we are a business and we will operate in a business fashion. That isn't to say that other nonprofits don't, but it makes it perhaps a little easier to build the systems that are relied upon to manage other types of businesses like grants.

The second thing is we have a strong national organization. I was very interested in your comment that grant management is an art. I have spent over 20 years learning this. I have taken a lot of teasing beacause I'm one of those people who actually likes reading OMB circulars.

Ms. WATSON. A rare breed.

Ms. CROSBY. I'm telling you. Then to go and earn a certificate in grant management. I go back every year for a refresher course. I belong to two professional associations. It takes all of that to stay abreast of the art of grant management. But what it does for our members is give them a national office to go to where we have always housed that expertise and maintained a training and an outreach for them so that they have resources to learn the art themselves. I think it helps us be successful.

Ms. WATSON. It is intriguing to hear you say you're a business and in the business of. Being in the business of gives you, I think, an extra dimension; and maybe that is what we ought to kind of try to get our other organizations to look at, the business end of it.

Paperwork. That has been a huge stumbling block in all sectors. It would be interesting—and this is to the committee—if we could have you from your end suggest to us how the paperwork could be reduced. Maybe this E-application and response might be the way to go.

But I am concerned about the capability and capacity in other counties, in universities, colleges. I'm an educator. That comes out time and time again. Educators complain about the paperwork when they go after these grants. There are so many varieties and so many contingencies that they have to consider. It just becomes a lot of work.

It would be interesting to me if you could suggest to us how to get to what you need to know and to respond to with less paperwork and less writing. Can we use a checkoff? A check box system with a few comments?

I just throw that out. I'm thinking as I'm talking. How can we come up with a way to expedite these grant applications and re-

quire less time of those of you that are responding and kind of guarantee greater success? I just throw that out.

Ms. MILLER. Congresswoman, I would say that if the format was the same for every kind of grant you applied for and the requirements as far as the financial requirements of the entity that's applying and stuff, the information could stay consistent, then your grant writers within your community or within your organization wouldn't have to continually redo that and it would be a standard format where they would just change then the focus on that particular grant and could leave the rest of it as the template that they would always use. I think that would help everyone across the country.

Ms. CROSBY. It's so amazing that today one of the first places to start in my mind as we dissect the request for proposal is, can it be stapled? Can it be bound? Will it have to be in a plastic spline or how are we going to have to get it there? Will it be 7 copies, 10, 15 or 2? Is it 40 pages? Is it 75? Do those pages include the resumes and bios or do they exclude the resumes and bios? The uniformity of just presentation alone could take us a big step. I think E-Grants has that potential.

Mr. PARNES. I would endorse my colleagues here. Even though we give up our competitive advantage in Michigan because knowing how to do all this really does help, we would sacrifice that competitive advantage for simplicity.

Ms. WATSON. I just want to comment on what Ms. Crosby said. I was writing my dissertation, and it has to be specific to even the borders. It drives you crazy. There are only certain people who even type those things up.

As Dr. Parnes said, some of you can't even compete because you have to be so specific. I have always wondered, does government really need to do this and all of our different agencies and departments and all? So I think you could help us by kind of responding to this inquiry, by writing us some of your thoughts on how we could streamline it. And maybe the E system is the answer. But I'm concerned about the capacity, too. We don't have any perfect resolutions to these problems, but you could certainly help us as we deliberate.

Thank you very much.

Mr. PUTNAM. Thank you, Ms. Watson.

I want to share some of those same thoughts. I am glad that OMB is still here to listen to a number of these issues.

Mr. Parnes, you mentioned rogue systems. They are still being developed even as, and I presume now, even as OMB is attempting to get their hands around a common E-Grant system, even as the law mandates that we move toward a standardization, that there are still agencies out there developing their own specific stovepipe. Is that correct?

Mr. PARNES. I don't know if I have exact information on the start dates for all those systems. Because I think there are legacy systems and, as was commented in the first panel, some agencies to their credit may have gone out front in developing systems at a time where they thought that would be helpful. I'm not sure how much development is going on now, although I think there is still

some. I would need to verify if there are new initiatives currently under way or if these are just continuations of those systems.

I think there was a comment about culture when you asked the question earlier. I think it gets to the heart of this. And we have issues at the universities as well. How do you meld a lot of different cultures, each of whom believe their system is serving the needs of their agency?

I think that to me is the most critical element here, is having enough strength and will to actually bring those systems into alignment. We know there is going to be an interim period where some of these older systems are going to run, but we really want to see real significant progress toward reducing those numbers and making sure there aren't new ones introduced. I don't have exact dates on whether those have been initiated within this short time period.

Mr. PUTNAM. Conversely, is it realistic to expect that there would be a universal application that would be specific and appropriate to the needs of NIH, work force development and local law enforcement grants? Is that really what we want to shoot for?

Ms. MILLER. I believe there could be. That there could be the template that is the standardization and then a specific section that identifies the specific agency you're working with. But, for the most part, all the information should be standard. As Ms. Crosby said, the same amount of copies, the same way it is submitted. All that standardization is going to help everybody. It's required on every grant. It's just required in different formats. So if it could be all put in the same format, I believe it would be beneficial.

Mr. PUTNAM. You mentioned, Commissioner Miller, about the need for some universal approach to it. Mr. Parnes did as well; and you did as well, Ms. Crosby. So everybody agrees that there ought to be common definitions, common standards. But you also made reference to the success of the University of Michigan and that some people have grant writers on staff and some don't. Have we reached a point where we're not necessarily rewarding the most innovative programs or the most efficient programs but we're rewarding the folks who have mastered the nuance of the grant language?

Ms. MILLER. I think that easily is what happens. I believe that the needs are as great in those counties that don't have the grant writers or whatever. They just don't know where to go to even try to apply for a grant. Once they find that there is grant money available, it scares them to death looking at the proposal and trying to figure out how to do it.

I just had a fire district working on homeland security grants. It's a volunteer fire department. I sent them to the regional planning commission because at least there they know how to do that. They can guide them. I believe that you're right, if you have money and you can afford to hire these people, you have a better shot at getting more money. So those that don't have money that probably need it worse are the ones that are being left out; and that is rural America, from my perspective.

Mr. PUTNAM. Mr. Parnes, you advocated OMB putting muscle behind the common standard. How do you sanction or disincent rogue systems or failure to comply? How do you do that without punishing the people at the end?

You said OMB should put muscle behind the common standard. What about those agencies who don't comply? What do you do about that?

Mr. PARNES. I don't know if I have an answer to that in terms of what pressure could be brought to bear, so I really am not sure I'm kind of capable of speaking to that point in particular.

We do believe, in reference to the last question, in peer review in terms of substantive content of grants. In that respect, we recognize a lot of difference. But it is the administrative shell, the common business elements where I think pressure should be brought on those agencies.

I do recognize the dilemma, is that there are limited means to do that. One is funding. We don't want to impact the grant recipients down the line by reducing funding in areas of need because the administrative compliance with this act isn't present, but I don't know what other tools are available other than looking at the funding for the administrative component perhaps separately from the substantive granting component in some of these agencies.

The question asked earlier of what is the cost of grants management and is there some way of looking at how much is being expended on unique systems that might better be used in developing some of these common systems would be an approach.

Mr. PUTNAM. You have $500 million a year in Federal money. Are the obstacles to getting that money appropriate for $500 million, and is the oversight of that $500 million throughout the life of that grant appropriate?

Mr. PARNES. I think there is a lot of appropriate oversight of the funds universities receive. I think many of the agencies are very active and have developed mechanisms for really tracking how those funds are being used and, as I said, holding us accountable. I think there are probably administrative efficiencies in how that is done that would save both the agencies and the Federal Government as well as universities time and money. A lot of this goes back again to having simpler, single systems. I think the act envisions that. I support the act and the effort to implement it.

In terms of obstacles to getting those funds, it's hard for me to understand the question entirely. Obviously, the obstacles are worth overcoming. Whether we want to put our energy into overcoming obstacles instead of doing better and more research that can be put to use for public good, I think it is ensuring that is where our effort goes, is into research, training, public service and not into kind of administrative hurdles that are more than necessary for purposes of equitability and accountability.

Mr. PUTNAM. You're satisfied with the amount of oversight, though, on the back end?

Mr. PARNES. Yes.

Mr. PUTNAM. We have representatives from for-profit, not-for-profit, public, private here. In your viewpoint, are grants appropriately distributed among public, private, for-profit, not-for-profit, faith-based? Do we have an even distribution, an appropriately even distribution? What are your thoughts if there are differences on who best manages or best handles those human-services-type Federal grants?

Ms. Crosby mentioned the business approach. They are particularly good at getting these things because they have an ability, they have a history, they have a tradition of being able to draw down those grants. What are your thoughts on the balance there between the larger organizations and the smaller or more rural groups and the different attitudes they bring to the table based on either faith-based, profit, nonprofit, public, private?

Ms. KAREN MILLER. All I have is the experience of my own county, but I know that as a local elected official, we don't have enough money in our budget to be able to meet that need, and it takes the combination of the churches, the not-for-profits, the Salvation Armies, the whole works to be able to serve the needs of the most needy in our community through those human service grants.

So, I mean, I believe that from my perspective it's working fairly well. I mean, we're all getting a piece of it, and we're meeting the need by partnering. I believe that any time we can encourage partnerships with the local governments and the not-for-profits, it's encouraging. I wish grants would require, or give preference to those that partner with other agencies to better do a job instead of compete against each other, as cities and counties do all the time.

If the legislation was written in such a way to incentivize partnerships, I think we would serve our citizens much better than we do today.

Mr. PUTNAM. Ms. Crosby.

Ms. CROSBY. I think that there are probably a couple of interesting things in what you said. Who is the best might not be the point system I'd want to enter into. Nonprofits generally operate on a human services mission that does not include infrastructure building that we would expect our municipalities to address, nor the academic research and intense training levels of the university. In other words, we each have our niche.

Having said that, you're looking at three different OMB circulars that we operate under, too, and those cost principles mean, every time you want to enter into a collaboration, somebody is going to have to be very savvy and love to read all three of them, because in taking the fiscal responsibility for that collaboration and sharing the responsibility, there's going to be three different sets of rules to match.

So if we're going to gain at the local level, small communities as well as large, some efficiency, it probably is another important piece to address in improving the grant system that there's a greater uniformity in those systems.

Mr. PUTNAM. Very good.

Ms. Watson, any final comments?

Ms. WATSON. Mr. Chairman, apparently Representative Clay has been delayed further, and he would like to have his statement be included in the record.

Mr. PUTNAM. Certainly. Without objection, we will enter that in the appropriate place in the record.

[The prepared statement of Hon. Wm. Lacy Clay follows:]

**STATEMENT OF THE HONORABLE WM. LACY CLAY
AT THE HEARING ON
STREAMLINING THE FEDERAL GRANTS PROCESS**

APRIL 29, 2003

Thank you Mr. Chairman for holding this hearing, and I would like to thank all of the witnesses who have taken the time to be with us to day to evaluate the implementation of the Federal Financial Assistance Management Improvement Act.

I would like to take this opportunity to recognize one of the witnesses who is a fellow Missourian. Karen Miller is the incoming President of the National Association of Counties and is from Boone County Missouri. Boone County is a part of the Columbia Missouri Metropolitan area, and one of the faster growing areas in the state. Between 1990 and 2000, Boone County population grew over 20%. That was nearly twice the growth rate for the state.

Ms. Miller is in her ninth year as a district commissioner for Boone County, and is responsible for Boone County public works and information technology. We look forward to her input for today's hearing both from her own experience in Boone County, and as the spokesperson for the National Association of Counties.

At the end of the first session of the 106th Congress, we passed the Federal Financial Assistance Management Improvement Act. We are now in the fourth year of the implementation of that Act, and part of our task today is to assess the progress on the implementation of the Act.

The current administration has chosen to focus the implementation of this act within its electronic governments projects. This seems appropriate since the goal of both the Financial Assistance Improvement Act and the electronic government initiative is to make government more efficient. However, the lack of funds for these electronic government initiatives is a serious concern. Without sufficient investment these projects will not achieve the intended goals.

Federal grants offer a maze of opportunities for state and local governments, for nonprofit groups, and for individuals. The system also offers an application system that is so complicated that is often discourages those who should apply. There are dozens of agencies offering grants on an single topic, and you may qualify for one and not the next without a clear understanding of why. Information critical to one application may be irrelevant to the next. Simply finding out what is available is one hurdle, filling out the applications is the next, and then the local government has to keep track of what money came from where and what it can be spent on. It is no wonder that both local and federal officials call for simplification.

Today we are going to examine just what simple means. For some it means block grants. Block grants bundle grants for a particular project in to a single fund, and give state and local governments more control over how the money is spent. For others, simplicity lies in the realm of accountability. The Federal government needs to know that the taxpayer dollars are being spent as directed, and not used for other purposes. For still others, simplicity lies in a single form for all grants. And some will tell us that simplicity is leaving things alone. They know how the system works, and too many changes will slow things down, not speed them up.

As we will learn today, the process for federal assistance has many dimensions, and what is important is often a function of where you sit. We will hear from a variety of experts today, and from those responsible for making the 1999 Act a reality. I look forward to a better understanding of a very complex subject by the end of this hearing.

Again, Mr. Chairman, thank you for holding this hearing, and I thank those who are testifying before us today.

Mr. PUTNAM. And we thank you for being here, and we thank Mrs. Miller, and we thank our panelists as well as our first panel. Obviously, we have much work to do in terms of grants management. We will continue to monitor the progress of OMB in bringing forward an effective E-Grants approach and a simplified and streamlined approach that is successful for both the grantees and the citizens who benefit from the funds that are expended on their behalf.

So, with that, the hearing stands adjourned.

[Whereupon, at 12:01 p.m., the subcommittee was adjourned.]