IMPROVING ACCESS TO FEDERAL GRANTS FOR UNDERSERVED COMMUNITIES

HEARING

BEFORE THE

COMMITTEE ON
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS
UNITED STATES SENATE
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IMPROVING ACCESS TO FEDERAL GRANTS
FOR UNDERSERVED COMMUNITIES

Tuesday, May 2, 2023

U.S. Senate,
Committee on Homeland Security
and Governmental Affairs,
Washington, DC.

Present: Senators Peters [presiding], Hassan, Rosen, Ossoff, Blumenthal, Lankford, Scott, and Hawley.

OPENING STATEMENT OF SENATOR PETERS¹

Chairman Peters. The Committee will come to order.

Today’s hearing will examine how government can update the Federal grants process to help improve communities’ access to critical resources, increase transparency, reduce duplication, and streamline the Federal grants process. Each year, Federal agencies distribute grants to help communities fund everything from workforce training programs and disaster mitigation efforts to local fire stations and first responders.

Last year, the Federal Government awarded over $1 trillion dollars in Federal grant money.

Communities in Michigan, and across the country, rely on this funding for essential services and personnel to keep the public safe. Communities also count on Federal grants to implement and advance groundbreaking initiatives from the American Rescue Plan Act (ARPA), the Inflation Reduction Act (IRA), and the Infrastructure Investment and Jobs Act (IIJA) that have helped communities recover from the pandemic, upgrade their infrastructure, and address climate change.

For example, in my home State of Michigan, the city of Detroit will use Federal grant funds to help restore the I–375 highway to a boulevard, knitting a divided community back together, and creating new opportunities for economic development in the process. The funding the city received through a grant from the Bipartisan Infrastructure Law (BIL) will help them complete this project nearly two years earlier than expected.

These types of grants can go a long way toward helping communities invest in significant projects and provide critical services to their residents. However, many communities, especially small and rural communities, face barriers to accessing these vital resources.

Today we will be examining some of those barriers and discussing what more the Federal Government can do to ensure that

¹The prepared statement of Senator Peters appears in the Appendix on page 23.
every community has the opportunity to apply for and receive grant funding.
Smaller communities often lack the resources to hire grant writers or ensure compliance with complicated Federal guidelines, missing out on important opportunities that could help them better serve the public.

By ensuring communities have access to funding, we can also encourage the fair and efficient distribution of grants to States, cities, localities, and organizations with the greatest need, not just to those with the greatest capacity.

While some agencies have successfully implemented recommendations to expand access, many stages of the Federal grant process remain both fragmented and duplicative.

For example, more than 50 different Federal agencies distribute grants to more than 131,000 recipient organizations for more than 1,900 grant programs, each with its own application and award process that can be difficult to navigate.

I am working on legislation to increase accessibility to Federal grants by simplifying grant announcements, and requiring announcements to use plain, easy-to-understand language. Other challenges, such as technical setbacks, a lack of leadership and coordination, and the burdensome nature of the grants application process have prevented communities, from accessing Federal grants.

Information technology (IT) and technical barriers have also prevented communities and organizations from accessing grants. Many agencies use different grants management software systems, leading to confusion, frustration, and wasted time for many applicants.

Recently, the System for Award Management (SAM), the governmentwide registration system for Federal funding awards, experienced technical issues that adversely affected businesses and nonprofits applying for grants.

Irregular funding cycles also prevent smaller cities and local governments from hiring permanent staff, and shortages of temporary staff have exacerbated an already insufficient workforce, especially in the areas of greatest need.

These challenges affect organizations and governments across the country. In planning for this hearing today, I have heard from States, cities, nonprofits and Tribes about the importance of having access to Federal grants. Without objection, I would like to enter several statements that I have here into the record that will reflect the challenges all of these organizations face.

While it is critical that we streamline the Federal grants process to promote better access for smaller communities, we must do so in a way that ensures the Federal Government receives the information it needs to fairly distribute awards, and to conduct appropriate oversight.

As Chairman, I will continue working to address these needs and conduct oversight to help eliminate waste, fraud, and abuse within the Federal Government.

Today, I am pleased to welcome our panel of expert witnesses who can speak to the challenges and barriers facing their commu-
nities, and help share some ideas for how we can improve this Federal programs.

It is the practice of the Homeland Security and Government Affairs Committee (HSGAC) to swear in witnesses, so if each of you will please stand and raise your right hand.

Do you swear the testimony you will give before this Committee will be the truth, the whole truth, and nothing but the truth, so help you, God?

Mr. ARKIN. I do.
Ms. ELLIOTT. I do.
Mr. HANSON. I do.
Chairman PETERS. Thank you. You may be seated.

Today our first witness is Jeff Arkin, Director of Strategic Issues at the Government Accountability Office (GAO). Mr. Arkin’s expertise includes work on the Federal Government and State and local fiscal issues, specifically the congressional budget process, Federal agency budget formulation, fees for Federal services, and grants between the Federal Government and State and local governments.

Mr. Arkin, welcome. Welcome to the Committee. You may proceed with your opening remarks.

TESTIMONY OF JEFF ARKIN,1 DIRECTOR, STRATEGIC ISSUES, U.S. GOVERNMENT ACCOUNTABILITY OFFICE

Mr. ARKIN. Chairman Peters, Members of the Committee, thank you for having me here today to talk about grants management.

Federal grants play an important role in funding our national priorities, most recently including the Coronavirus Disease 2019 (COVID–19) pandemic and the Federal Government’s response to it. At the same time, Federal grants represent a substantial financial commitment. In fiscal year (FY) 2022, the Federal Government provided about $1.2 trillion in assistance to State, local, Tribal, and territorial (SLTT) governments, and most of this was for grants. To put that amount in perspective, that assistance accounted for about one out of every five Federal dollars spent that year.

GAO has an extensive body of work on Federal grants, and today I am going to talk about some of the broad challenges that we have found in that work for grant recipients and grant applicants. These include capacity challenges, challenges with coordinating grant programs across the Federal Government, and challenges with the accuracy and completeness of information about grant programs available to Congress and to the public.

In terms of capacity, there are various challenges that grant applicants and recipients can encounter. Some grant programs require a local financial commitment, and that can be a challenge for communities or local governments with limited financial resources. Human capital capacity can be another challenge. Some smaller entities that do not often receive Federal funding may have less institutional knowledge or experience with the Federal grant process, and this could limit smaller entities’ ability to fulfill the various requirements associated with grants such as fulfilling all the legal requirements and reporting requirement.

1The prepared statement of Mr. Arkin appears in the Appendix on page 25.
Another type of challenge involves fragmented or overlapping grant programs. GAO’s work has identified areas where there are numerous Federal grants that may not be well coordinated, and this fragmentation and overlap can limit cost effectiveness and increase burden for grant recipients.

One example that we found in our work is within the area of broadband access. In reviewing the range of Federal broadband programs we identified at least 133 programs, including some grant programs that can be used to support broadband access in some way, and those programs were spread across 15 different Federal agencies. This patchwork of fragmented and overlapping programs creates complexity and barriers for potential grant applicants and could lead to wasteful duplication of funding and effort. We recommended that the Administration create a National Broadband Strategy to better synchronize these various programs.

Finally, we have also seen challenges with the transparency of grant spending. A key source of information on Federal spending, including on grants, is USAspending.gov, which is the Federal Government’s public website that displays information about descriptions and data on Federal spending, and this information can help with policymaking and could also help demonstrate to Congress and to the public how and where Federal grant funds are spent.

The Federal Government has made significant strides in implementing USAspending over the years. However, through various reviews we have found some issues with the accuracy and completeness of the data and other information on USAspending.

One example is the completeness of information on subrecipients. When a Federal grant recipient passes through funds to other entities to perform a portion of the work associated with the grant award, that information is supposed to be reported in most cases. However, we found gaps and errors with the subaward data on USAspending.

One example is our recent review of U.S. funds provided to entities in China. We were unable to provide a complete accounting of the full extent of all grant and other funding to these entities because of limitations with the completeness and accuracy of that subaward data on USAspending. Given these and other known challenges, we are currently reviewing subaward data at USAspending and hope to have a report on that later this year.

Chairman Peters, Members of the Committee, that concludes my prepared statement, and I look forward to answering any questions that you may have.

Chairman Peters. Thank you, Mr. Arkin. Thank you for that.

Our next witness is Dr. Meagan Elliott, Deputy Chief Financial Officer (CFO) at the city of Detroit. Dr. Elliott oversees all public grant and private philanthropic dollars for Detroit. Previously, Dr. Elliott served as the Chief Parks Planner for the city of Detroit, and focused on equitable access to public space city-wide and special projects.

I would also like to recognize Terri Daniels, the Director of Grants for the city of Detroit, who has traveled with Dr. Elliott to be here today. Welcome.
We are excited to have both of you here as well as other representatives from the city of Detroit, and look forward to working with all of you on this important issue.

Dr. Elliott, you may proceed with your opening remarks.

TESTIMONY OF MEAGAN ELLIOTT, PH.D., DEPUTY CHIEF FINANCIAL OFFICER AND DIRECTOR, OFFICE OF DEVELOPMENT AND GRANTS, CITY OF DETROIT

Ms. Elliott, Chairman Peters and distinguished Members of this Committee, I appreciate the opportunity to appear before you today, representing the city of Detroit and our approach to securing and responsibly stewarding Federal grants. As the Deputy Chief Financial Officer for Detroit, I oversee the Office of Development and Grants. Typically, in municipal government, grant writers and managers are seated within departments and focused on specific subject matter portfolios, for example, in parks, public safety, or workforce.

In 2017, the city of Detroit decided to take a different approach. We reorganized into one centralized one department serving the entire city. We have a team of grant writers who work on seeking funds for multiple departments and manage key relationships with Federal, State, and local funders, which includes our philanthropic and corporate partners. We also have a team of grants managers divided into workflows of planning, implementation, compliance, and audit support. This restructuring strengthened our grants management systems, yielding a much higher success rate for applications, the ability to manage over double the fund portfolio with the same size staff, and a proportionately significant reduction in our findings over time. It also inadvertently prepared Detroit for the overlapping crises of the COVID–19 pandemic and the devastating flooding that happened across our city in 2021.

Given these experiences, I was asked to share recommendations for how the Federal Government can better support municipalities, working hard to secure and spend grant dollars. My recommendations can best be summarized as the following three requests: greater flexibility, clarity, and consistency.

First, flexibility. The American Rescue Plan Act State and Local Fiscal Recovery Funds (SLFRF) exemplifies what cities need most: flexibility within guardrails. ARPA SLFRF enabled Detroit to respond to the specific ways in which our city was impacted by the pandemic. In the summer of 2021, we carried out extensive community engagement throughout 65 community meetings and hundreds of resident survey responses to prioritize where and how to respond to the continuing effects of the pandemic and support our long-term economic recovery as a city. The flexibility provided by ARPA SLFRF regulations allowed us to develop a deliberative portfolio of programs, all of which are in various stages of implementation today.

Greater flexibility is also needed in the way local dollars are counted toward Federal match. The City contributes significant resources toward projects that we submit for major grant applications, but these dollars often do not count toward match because

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1The prepared statement of Dr. Elliott appears in the Appendix on page 43.
the grant period is defined too narrowly, and turnover of our fiscal year or the timing of a philanthropic board meeting can make all the difference. Allowing for costs incurred on a project 12 or even six months prior to a grant period would significantly increase our ability to participate.

Our second request of this Committee is greater regulatory clarity. My team has spent a great deal of time determining whether to procure contracts, issue subrecipient agreements, or select beneficiaries. Even our auditors have trouble interpreting the uniform guidance when it comes to these determinations. Partner Federal agencies do offer supplemental workshops and training, but there is no free training or standardized checklists offered directly by the Office of Management and Budget (OMB) on this subject. With the revisions of the Uniform Guidance current underway, we believe greater clarity on this issue would dramatically reduce audit findings, as Uniform Guidance trainings can often be cost prohibitive and time intensive.

Cities also seek greater clarity when it comes to performance management of our grants. Tracking outputs and outcomes are essential to understanding the impact of our programs. However, recently a consultant partner recommended that to follow the Office of Management and Budget best practices we would need to conduct full program evaluations for 107 of our programs. Doing so would mean significant dollars directed toward performance measurement, often for interventions already supported by evidence, in lieu of actual direct services to Detroiter. This is a tradeoff we are not willing to make. While it is important to establish best practices, when cities look to Federal guidance and are focused on having both a spotless track record and the greatest impact, it is also critical to clarify minimum requirements.

Last, we ask for greater consistency across platforms for how we communicate with our Federal agency partners. As one example, in our office alone we work 13 different Federal portals, three of which are the Federal Emergency Management Agency (FEMA), as well as 10 State portals that serve as a pass-through. Each portal has different authorization and user requirements, different regulations for document retention, and different staff to contact when a system crashes, as they consistently do, even up to a full week before reporting and application deadlines. Consolidation of these portals would allow for one platform with robust cybersecurity and bandwidth and a significant decrease in the work load of our grants managers.

Thank you for allowing the time for these humble recommendations. It has been a privilege to speak before you today, and I look forward to any questions you may have.

Chairman Peters. Thank you, Dr. Elliott.

Today’s final witness is Matthew Hanson, Associate Managing Director at Witt O’Brien’s, a management consulting firm that specializes in crisis and emergency management. In his role, he supports State and local governments as they apply for and manage Federal grants. Previously he served as Arizona’s statewide Grants Administrator, and is the Director of the Grants Policy Council (GPC) at the Department of Justice (DOJ).
Mr. Hanson, welcome to our Committee. You may proceed with your opening remarks.

TESTIMONY OF MATTHEW HANSON,1 ASSOCIATE MANAGING DIRECTOR, WITT O'BRIEN'S LLC

Mr. Hanson, Chairman Peters and distinguished Members of this Committee, during my almost 30-year career I have had the honor of supporting lifecycle grants management activities for Federal, Tribal, State, local, and non-governmental organizations.

Over my career, I have heard the terms “once in a generation” and “historic amounts of Federal funding” at least five times. The first was during the early 1990s with the Crime Bill, and most recently with the COVID–19 and infrastructure funding. Despite the vast differences in these events, there is at least one commonality—Federal funding deployment was slow due to a lack of public sector capacity.

Recent efforts to distribute critical funding more equitably have unfortunately spotlighted this lack of basic grants management capacity. That was especially the case with the Treasury’s distribution of ARPA Fiscal Recovery Funds. In Senator Marshall’s State of Kansas, more than 600 non-entitlement units of local government have been the direct recipients of Federal funds, most for the very first time.

Some of these jurisdictions only have a few dozen residents and a single employee. This is not a criticism of the distribution to Non-Entitlement Units of local government (NEUs), but an opportunity to underscore the point that we collectively need to do a better job of building grants management capacity across our country, while redoubling our efforts to streamline and simplify the process.

For the past several years, I have had countless conversations with local and Tribal governments about seemingly mundane projects like replenishing gravel roads, culvert restoration, Americans with Disabilities Act (ADA) sidewalks, wastewater lagoons, and any number of similar types of basic infrastructure. These same jurisdictions are the communities that lack the resources and capacity to tap into Federal funding, either directly or as pass-through recipients from their States.

The annual State of Grants Management Survey found that 70 percent of organizations said that qualified staff is the most significant success factor for grants management, and 54 percent said recruiting, training, and retaining them is the biggest challenge. The survey further found that both grant makers and grant recipients want more standardization and simplification. What is so interesting about these results is that the survey participants are those who actually have grants staff, so these are the jurisdictions who, in theory, have the tools and capacity to be successful, and yet they are still struggling.

The current obstacles to accessing Federal funding begin with the very first step: registering in the System for Award Management. It is likely that your own offices have received numerous complaints and requests for assistance with SAM.gov. When things like copies of the State’s constitution are being requested to prove

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1The prepared statement of Mr. Hanson appears in the Appendix on page 49.
when the State was established, you can imagine what an under-
resourced community must overcome.

Other Federal efforts to simplify and streamline the Federal
grants process—the Uniform Guidance, Grants.gov, Federal Fund-
ing Accountability and Transparency Act (FFATA) reporting, the
Digital Accountability and Transparency Act of 2014 (DATA) and
Grant Reporting Efficiency and Agreements Transparency (GREAT)
Acts—are all well intentioned and have the potential to help.

The issue remains that Federal agencies have implemented these
items in very different ways, and that these efforts do not address
the underlying barriers to entry to participate in the Federal
grants ecosystem.

Now for some good news. There are organizations out there doing
incredible work trying to build grants capacity to ensure no juris-
diction is left behind. Much of this work is being done by member-
ship associations such as the National Association of Counties
(NACo) and the National League of Cities (NLC), among other or-
ganizations. Much of this effort is being supported by philanthropic
organizations who have seen these same issues and have felt comp-
pelled to help communities overcome barriers to entry and partici-
pation.

In recent years, resources like Bloomberg Federal Assistance
e311 and Local Infrastructure Hub have provided critical technical
support to over 1,000 municipalities nationwide. What these orga-
nizations, and the Federal grants community as a whole, need is
partnership and a commitment to bring lasting, systemic change to
Federal grants by simplifying the process and creating an inten-
tional and sustained effort to build capacity at all levels.

Some areas of consideration are address the ongoing issues with
SAM.gov, renew the focus on Federal plain English standards and
reestablish a Federal grants coordinating organization.

Finally, we have seen numerous examples of waste, fraud, and
abuse which as stewards of taxpayer resources is completely unac-
ceptable. Solving these issues will take the ongoing efforts of the
compliance and oversight communities on the post-award side, but
my ask of this Committee is to also address these issues on the
pre-award side by investing in streamlining, coordination, commu-
nication, and fundamental grants management capacity.

Thank you again for this opportunity to address the Committee.

Chairman Peters. Thank you, Mr. Hanson.

My first question will go to Dr. Elliott and then Mr. Hanson, and
after Dr. Elliott has given her response if you would like to add
your thoughts we would appreciate that as well. Both of you, in
your testimony, mentioned how duplication and lack of consistency
in administering the Federal Government’s 1,900 grant programs
causes issues. We know that notices of funding opportunities and
rules for managing grants can vary, sometimes substantially, from
program to program.

I would like you to tell this Committee, kind of dive in a little
bit deeper, and tell this Committee why that provides some real
challenges to your office or the folks that you work with.

Dr. Elliott, if you want to take the first crack at that I would ap-
preciate it.
Ms. Elliott, Thank you, Senator. Certainly any inconsistencies can be a tremendous challenge for our office. I would say that one of the best examples I could give would be in relation to how different agencies interpret Uniform Guidance and make exceptions or amendments to the Uniform Guidance, and the differences that can happen across agencies when that happens, especially if you are blending and braiding funds together to make a more transformational impact.

One example I think of all the time is in relation to our Affordable Housing Program in Detroit. We have used funds from Department of Housing and Urban Development (HUD), which allow for an exemption to the competitive award process for subrecipients, and that is allowable under HUD. However, we have the exact same Affordable Housing Program where we are using SLFRF dollars, where that direct award to subrecipients is not allowable. We have gone through a competitive process for those.

But the general confusion that that created for our staff and team on the front end, to clarify, to make sure that we were interpreting correctly, and to go back and forth between the housing and grants management teams took a significant amount of time and effort and then in deploying those funds.

I think, to my colleagues’ comments, if it is difficult to interpret for a professional grants management organization in a major American city, I can only imagine how challenging that would be to smaller municipalities or subrecipient counterparts.

Chairman Peters. Thank you. Mr. Hanson.

Mr. Hanson. The current ARPA funding, the State and Local Fiscal Recovery Funding at last count had over 90 individual guidance documents issued. As you can imagine, trying to keep track of what the current set of rules are, what you can fund, what you cannot fund is a herculean task.

I will take a step back, though, and talk about the notices of funding availability or funding opportunity. Grants.gov is a wonderful solution. It is the front door for the Federal grants process. The problem is when you pull up a funding opportunity in Grants.gov and you are faced with a 70-page Notice of Funding Availability, and it takes you three and a half hours to even figure out if you are eligible for the program or not. That is really where some of the improvements need to start, is breaking those Notices of Funding Availability down into plain English, things that people can truly understand, and not spend hours of staff time only to figure out that you are ineligible from applying.

Yes, there are a lot of areas for improvement, post-award, on the compliance and guidance documents, but it really starts with the very first step, which is figuring out if you can even apply for a grant or not.

Chairman Peters. Mr. Hanson, this is something that drives me crazy, especially given what you are saying about how complicated this is and how it is difficult for particularly rural areas or smaller communities to do it. But we have heard that agencies like to give grants to applicants that have successfully received a grant. Unless you have already received a grant, it is really hard to get a grant, which makes no sense because those communities that have not re-
ceived a grant are probably oftentimes in the greatest need for those grants.

My question for you, Mr. Hanson, is how would your prioritize? What should the Federal Government be doing right now to make sure that we are reaching high-need communities, even if those communities have not had the experience of getting a grant because of the complexity of getting the grant in the first place? How would you prioritize some action items that this Committee should be considering in that area?

Mr. Hanson. Thank you for the question, Senator, and it really is fundamental grants management capacity development. There are not only the philanthropic organizations I mentioned who are out there doing wonderful work, but even organizations like the Appalachian Regional Commission and others who are really committed to building grants management capacity.

Historically, Federal agencies do a wonderful job of training and technical assistance of their grantees. They have wonderful relationships, wraparound services. But what is really missing is the future applicant, the city out there, the nonprofit out there who needs the funding, has the critical resources, and there is nobody out there really providing generic grants management capacity development. I really think if the Federal agencies, many of the programs receive technical assistance funding with their programs, if part of that training and technical assistance money was invested in just generic Grants 101, building grants management capacity, would really help.

We see, especially with the non-entitlement units, the local government, they do not know where to start. They do not know the terminology. You talk about the Federal Uniform Guidance or 2 Code of Federal Regulation (CFR) 200, and you are speaking another language, and it should not be that way.

We really need to take a step back and invest in fundamental training and grants management development to make sure that our underserved communities, our under-resourced communities, both rural and urban, are not left behind with all the funding that is out there right now.

Chairman Peters. Great. Thank you.

Mr. Arkin, in your testimony you highlighted the importance of collaboration, coordination, and information sharing across all these agencies that are awarding these grants. Would you discuss for the Committee the current state of coordination efforts as you see it, across the Federal Government, and what can we do to improve that coordination, as you say that there are some shortfalls?

Mr. Arkin. Sure. Thank you for the question. Coordination is a challenge. There are a lot of different grant programs in any given area, and sometimes it can be hard to know, do those programs really overlap or are they just fragmented? Do they have distinct purposes? That is really a first step, just figuring that out, making sure agencies are talking to one another, to coordinating, to meeting regularly, and to sharing information, to understand what they can do to remove any burdens that are there for recipients when you do have that overlap or possible fragmentation, which can be difficult to manage.

Chairman Peters. Is there a mechanism to do that now?
Mr. ARKIN. There is not a set structure, necessarily. I think it is dependent on the particular area. For the broadband example I mentioned, there is discussion among some of the agencies, but there is no overarching structure or strategy that the Federal Government, that the Administration has to try to synchronize all of those programs.

Chairman PETERS. What would that look like, if we were going to do that?

Mr. ARKIN. We recommend that the Administration develop a national strategy. What we have heard in the response is that they are considering it. There have been some discussions and working groups, but we have not seen an actual strategy that lays out how these 15 different Federal agencies should be coordinating to make sure that there is not potential waste of funds, that there is not duplication of effort, and that these different programs are synchronized to the extent that they can be.

Chairman PETERS. Great. Thank you.

Senator Lankford, you are recognized for your questions.

OPENING STATEMENT OF SENATOR LANKFORD

Senator LANKFORD. Mr. Chairman, thank you. Thanks for holding this hearing, as well as it is incredibly important.

Let me just set context for this to be able to walk through. We have 51 Federal agencies that distribute grants, 131,000 recipient organizations, 1,900 grant programs in the Federal Government, and in fiscal year 2022 (FY22), the Federal Government spent over $1 trillion in taxpayer dollars in grants. This is an incredibly large, incredibly complicated issue, and as Mr. Hanson just mentioned before, if you are small town and you know that big towns get grants for water systems and for roads and whatever it may be, they think I have no idea where to even go to get it. I do appreciate us having the hearing and be able to walk through this and where the issues are.

Mr. Arkin, let me start with 2019. Let us go back to ancient history, pre-COVID, if we have memory of that time period. A bill called the Grant Reporting Efficiency and Agreements Transparency Act (GREAT Act) had passed. I carried that through the Senate. Virginia Foxx carried that through the House. It was supposed to synchronize some of the data systems. How is OMB doing at this point in actually implementing the GREAT Act? What is the status of a bill that was done four years ago?

Mr. ARKIN. Sure. Thank you for the question. We actually have work underway looking at the GREAT Act, and we are looking at just that question, what is the status of OMB and also the Department of Health and Human Services (HHS)—this is the largest grant-making agency—to implement the program, how does that align with the law and what the requirements are, and also how are both OMB and HHS engaging stakeholders, engaging other agencies, local communities, States as it develops the standards.

Senator LANKFORD. What are you seeing so far? Obviously, this was passed four years ago. What are you seeing as far as implementation and creating the standards?

Mr. ARKIN. Right. The final deadline for when all this is supposed to be in place is at the end of 2023, this fiscal year, so it is
getting close. We continue to have conversations with OMB about the steps that they have taken. There are an initial set of I believe over 500 different data standards that they have developed. We are going to be looking at those. We are going to be seeing how those align with the intent of the GREAT Act and also talking with others about their reaction to those standards that have been developed.

Senator LANKFORD. Thanks for the oversight on that. We will look forward to walking through that to make that clear.

There has been a lot of conversation about faith-based entities as well, if they are equal partners with every other entity. What are you seeing as far as oversight right now on faith-based entities requesting an application for a grant, not to increase their faith but for social services, other things that are actually happening out there? This seems to have had a rise and fall over the last several years of whether faith-based institutions are full participants with everyone else in this. Are you seeing anything rise on this, because the Biden administration has noted they are going to relook at this issue again.

Mr. ARKIN. That is not something that we have looked at in our work. It is certainly something that we would be happy to talk to you or your staff about to understand your interests a little bit better and see if there are ways we can support and look into that.

Senator LANKFORD. That would be great. Thank you.

Let me bounce a couple of things off of you, just on grants.gov. Mr. Hanson had mentioned before the complexity of actually reading through the language. Sometimes it is 70 pages of government legalese to be able to go through, and the difficulty to finding if you are even eligible for this. Obviously that is something that can be done, can be standardized. Every single agency can have just simple, plain text language at the beginning of it, saying here is who eligible and here is who is not eligible, here is when it is available and here is when it closes. They are trying to get some of those elements in there, but it is certainly not clear at this point to be able to say the least. There are still some issues. While grants.gov is a very helpful site and the search features all work well, anyone who spends a little bit of time playing with grants.gov and just typing in different search words will find some gaps in the system.

I would encourage anyone to be able to go in. For instance, I was playing with different words on it this morning, and typed in the word “watermelon.” I wanted to see if there were watermelon grants out there. What pops up when you type in “watermelon” into the search in grants.gov is a grant opportunity for the U.S.-Egypt education program to help Egyptian children increase their math skills. How this is connected to watermelon I could not discover on it, but we still have issues with the system and the way that it is actually broken out.

I would encourage, just in the oversight on this, to continue to be able to work toward getting consistent language, common-sense language, the way that is actually to be able to be listed in there that makes sense to people, and if anyone can find the word “watermelon” in the Egypt grant for children learning math in Egypt, that would be helpful. The second question would be, why are we
giving a grant to help Egyptian children learn math? We have a few math problems here as well.

The second thing on this is just a fragmentation that continues to be able to come up. This is an issue that we worked through just in Oklahoma. In a grant opportunity—and I need to make sure I get the language right—we had a challenge in actually listing out for a grant that they could not find us in the process because we appeared in the system as “State Department of Education” rather than the “education,” comma, “Oklahoma Department of.” Our folks spent days trying to be able to unwind that one thing to be able to get into the system. That is an area that we would appreciate any kind of insight.

Mr. Arkin, do you have any comments on that?

Mr. ARKIN. Yes. In general that is the big challenge, consistent language that gets used in the grant landscape. That is something that we have found in our work before with things, talking about the type of award. It affects both upfront, in terms of recipients looking for funding, and it affects the transparency aspect as well, in terms of getting a handle on where did the money go, what type of program, what location. When you have inconsistent terms that gets much harder to do.

We have made recommendations to OMB to improve guidance to agencies so they can help, and we continue to monitor the status of that and OMB’s efforts to implement those recommendations.

Senator LANKFORD. OK. We will follow up on that. That would be helpful.

The one last question is one I do not know if you can really offer but it is one that I will lay before this Committee as an issue that we need to have ongoing oversight, and it is the question of what grants do we fund? We have $31 trillion in total debt. I think everyone on this dais is very aware of that. The challenge is we are still having problems in the grant funding going out.

As we are just pulling the thread on grant funding that is out there, we recently found a grant for a study for medieval renaissance studies that is going to be conducting a conference in San Antonio, and it is a Federal grant to recreate the works of Shakespeare in a new cultural practice in decolonizing the U.S.-Mexico borderlands. That is a Federal grant.

If we have not had enough Shakespeare on that, we have a different grant that is actually out there that is a Federal grant to create a virtual reality (VR) for Shakespeare so that you could put on the VR glasses and then you would think that you are in a Shakespearean theater, interacting with other individuals. Now again, Meta is doing this on a large scale while we have a Federal grant to be able to create this system. I do not know.

We have another grant that is out there that has given to do a study of the cultural meaning of sound in colonial Mexico.

I could go on and on, with just a quick pull of the thread on some of the grant issues. We do have a larger issue on grants, and with $1 trillion in grant spending we need to determine what is a water system in a community that desperately needs help for a water system and what is a grant that is going to do a study of sound in colonial Mexico, and how do we figure out how to be able to
prioritize those two. That is a larger conversation we can have in the days ahead.

Thank you.

Chairman PETERS. Thank you, Senator Lankford.

Senator Rosen, you are recognized for your questions.

OPENING STATEMENT OF SENATOR ROSEN

Senator ROSEN. Thank you for holding this hearing. Thank you to the witnesses for being here. I want to agree with Senator Lankford on the complexity of applying for grants and IT modernization. What he is talking about in these search strings and all of this, we need systems that are nimble, that are able to do this, and good, common front ends. They are so complex. We have to make it more user friendly. We can make it more searchable to access the programs that we need to and find the ones that maybe are not being utilized because people cannot actually find it or apply for it.

That is what I am going to talk about because these barriers, for Nevada as well, accessing our Federal grants. Despite making significant improvements over the past half of a decade, the State of Nevada continues to underperform in total dollars of Federal grants per capita. We are ranked 45th in the Nation.

The Nevada Advisory Council on Federal Assistance (NACFA) has published priorities for addressing these perennial barriers, some of which Senator Lankford alluded to. We want to obtain and maximize our Federal grants, including streamlining the review and authorization process for grant work plans by the State’s Interim Finance Committee. We want to expand our technical assistance training and coordination related to receiving these Federal grants, and increasing statewide reporting.

To address these recommendations and increase the amount of grant dollars coming to Nevada, last year our State created the Governor’s Office of Federal Assistance (OFA).

Mr. Hanson, what steps should Nevada’s newly launched OFA—and I am sure other States could probably use this advice as well—what should we take to be an effective resource so that grant applicants, particularly in our rural areas, they have smaller infrastructure for them to apply for these grants, that they are aware of the services that it provides and they can access it easily, nimbly, that “watermelon” would only show up where it is actually there, and utilize it to secure the Federal funding that we do work so hard to provide for public projects.

Mr. HANSON. Thank you, Senator, and I want to mention they have some wonderful staff standing up that office. I had the pleasure of working with many of them when I was with the State of Arizona.

Too often State agencies in a similar capacity are inward looking. They are focused on how the State agencies can more effectively apply for and receive funding. While that is important, the larger issue, and the issue you just discussed, is the outward facing. How do you help the local governments, the nonprofits, the K–12 institutions in your State? It starts with grants training. It starts with meaningful, not one-hour webinars, here is what a program is
about, but really digging deep, how do you build internal controls? How do you put together a capital stack?

A concept of a capital stack is how do you take general fund, bond proceeds, grant funds, Inflation Reduction Act tax credits and bundle them together so that you can actually accomplish a project. For a smaller municipality with limited capacity, that is a very foreign concept, but the reality is they are not going to be successful going forward unless they understand concepts like that.

One-on-one training, capacity development, and when you are doing training it is homework, and I hate to make it sound like school, but it is homework. Your homework today is to go register with grants.gov.

Senator ROSEN. You recently helped Arizona do this. Can you talk about what you did to boost up Arizona, so we could take some of those lessons back to our State?

Mr. HANSON. One of the first things we did with the State of Arizona was tried to solve our own State problem. Previously, if you were a local government and you were trying to find the funding opportunities available from the State, you had to go to 23 separate State agency websites to see who had what funding available. The first step we did was we put it all in one spot, sort of State version of grants.gov, so our local governments only had to go to one website.

We took the notices of funding availability and we distilled them down with a partner into a four-page, readable, plain English.

Senator ROSEN. I should have my Nevada folks talk to the Arizona folks.

Mr. HANSON. There are some real leaders across the country, in Rhode Island, Indiana, Maryland, Ohio, Arizona. Certainly there are some people who are really doing some wonderful work in this space and could certainly be resources.

Senator ROSEN. We will have them reach out.

I want to move on and talk to Mr. Arkin a little bit, because in fiscal year 2020, the project grants per capital in Nevada amounted to $342 per capita, for a ranking of 43rd in the Nation. It was 36 percent lower than the United States average of $493 per person, and over a quarter lower than the median State, which happens to be Mississippi, which has a population size that is very similar to Nevada.

Mr. Arkin, what can Congress do to support our States? Again, we have to find ways to ease these barriers that are keeping some of us at the back of the pack. We have just spoken a little bit about that. There have been significant issues with SAM.gov system, how we compete competitively. Do you have some thoughts on this?

Mr. ARKIN. Yes. One way that Congress has already taken at least one step that could help in this area is with the GREAT Act, that we discussed earlier, and really help standardize some of the language to actually make it easier for applicants, for particular applicants who may be applying for multiple grants to use the same language, to potentially use pre-populated information to reduce some of that burden.

Part of it also comes down to awareness. As a person whose name is on the GAO website and works on grant issues, I get phone calls from people who work in city government, with small
cities, who just want to know, how do I find out about grants? Even, just anecdotally, it is clear to me, at least, that there are challenges there, and so that is not something that we have done a lot of work on before. We usually have been looking at what is the process for managing grants that are already in the system. So it is a challenge.

Senator Rosen. I have a person specifically on my team that that is their portfolio, to manage grants in Nevada. I will submit this next question for the record, but it is about Tribal communities and their access. I think there might be some other folks coming, so that is fine. I will ask the last question, and thank you.

The grants for Tribal communities, we have 28 Tribes in Nevada, and I have heard from all of them about the challenges they face again, the capacity that they have in order to apply for these, the complexity oftentimes. Tribes have been historically underserved through Federal grant programs. Thankfully, with the enactment of the Bipartisan Infrastructure Law and the Inflation Reduction Act we have made historic investments in Indian Country. We are going to improve the internet access, some of the ways that will help them get through to these things.

But the funding opportunities are only going to make a difference if the Federal agencies are engaged. Mr. Arkin, at GAO you have issued several reports outlining the actions that the Federal Government must take to improve how they share information with grants for Federal grants with Tribes. How can you improve the communication there? Again, some of our Tribes are still waiting to get good internet access, so how are you doing the outreach to be sure that they get the funding that they deserve to improve whatever it is that is right for them?

Mr. Arkin. Sure. I am happy to talk about that. As you mentioned we have a couple of reports that we have issued on that particular area. One example we found was in the economic development area, where we found over 20 different grant programs that were either targeted or——

Senator Rosen. You issue the reports, but then what is the action item that you are taking after the outreach, because having a stack of reports is not helping Indian Country. It is not helping our Tribal communities. They can go through your stack and say, oh, we have not done good enough. What are you going to do about it? What are the action items you are taking?

Mr. Arkin. What we found is that the agencies were not making available the information so that the Tribal communities would know about the grants. We made recommendations for the agencies, and this is the U.S. Department of Agriculture (USDA) and the Small Business Administration (SBA), to maintain a list of this information so they could communicate it to the Tribal entities so they are even aware of the grants and can apply for them. We continue to follow up on the progress in implementing that recommendation.

Senator Rosen. We do ask for a lot of reports but they do not do anyone any good if the action items are not followed up on. You are going to tell SBA or USDA. We want to be sure that then they follow up on what they are doing, because it just gets lost in a long
chain of reports. We pass something wonderful, like the Bipartisan Infrastructure Law, the Inflation Reduction Act, to invest in our communities, and those reports of action items that are not followed up on and are not taken seriously hurt our communities. Thank you.

Chairman Peters. Thank you, Senator Rosen.

Senator Ossoff, you are recognized for your questions.

OPENING STATEMENT OF SENATOR OSSOFF

Senator Ossoff. Thank you, Mr. Chairman, and thank you for holding this hearing. Thank you to our panelists.

Mr. Arkin, I would like to begin with a discussion of the particular needs of rural communities in Georgia. I hear so frequently from county chairs, commissioners, mayors of small, rural localities that they have such difficulty applying for and securing Federal grants. They, in many cases, do not have the financial resources or the full-time staff power to have the situational awareness about funds that are available, and the capacity to write these grant proposals and compete for the funds.

Of course, my office, we do everything that we can to ensure they are aware of these opportunities and help guide them through the process. But there are also steps that the Administration could take to ease the path to success, to meet unmet needs in water infrastructure, broadband access, public safety, health care, first responders.

From your position at GAO, and recognizing you are a legislative branch actor, what recommendations do you have for steps the Biden administration could take right now to ensure that rural communities can access their fair share of these opportunities through infrastructure law and other Federal grant programs?

Mr. Arkin. One recent initiative that the Administration has taken is known as the Rural Partners Network (RPN). It is relatively new. It is a group of Federal agencies. There are a number of States that participate. One of the key goals of that is to highlight grants, to highlight opportunities within rural communities. It is not something that we have really looked into, again, because it is quite new, but it is something we are following, and I would be happy to discuss with you.

There is also the technical assistance aspect to it. Most of what we have done on technical assistance involves assistance that agencies provide to entities or governments who have already received grants, in terms of implementing the grant, following the various requirements, especially the reporting requirements, the audit requirements. We have not really looked at the upfront part of that, what can be done with technical assistance to help entities, to help small governments even understand what grants are available to them that could help their communities.

Senator Ossoff. I think that could be a very fruitful area for additional analysis, and I will follow up with you and your team about trying to get some more recommendations that the Federal Government can take but also best practices and advice for these rural communities who want to be aware of the opportunities available to them and effectively compete for this funding.
Let us talk about some of the unique challenges faced by predominantly Black communities in Georgia and across the country. A concern that I hear frequently from elected leaders, faith leaders, business leaders, civic leaders, whether in DeKalb County, Clayton County, Chatham County, is a sense that in these predominantly Black communities there is not sufficient outreach by Federal agencies, not sufficient efforts to ensure that grant programs that can address the particular needs of these communities. For example, in Georgia there is a maternal health crisis that, in particular, impacts Black women. Those opportunities are not communicated effectively enough.

What steps could the Administration or Congress take in order to ensure that there is equitable awareness and access of these grant opportunities that would be of particular interest to predominantly Black communities?

Mr. ARKIN. I think to some extent the answer to that is similar to the one that we just discussed in terms of what can agencies do on the technical assistance side up front. My understanding is the Administration put out guidance, in particular, with funding under the American Rescue Plan Act, to look at equity or to encourage agencies to provide funding in a way that, at the least, considers equity. That is another area as we conduct a lot of work on the American Rescue Plan Act and other COVID-related funding that we are planning on looking into.

Senator OSSOFF. What I would suggest you might look into is how could an administration assess what the likely, most urgent needs are for a given constituency or community, if it is known that a particular part of Georgia has a maternal health crisis, or that small businesses in a particular part of Georgia lack access to capital. How can an administration be proactive about making local leaders aware of opportunities to address those specific issues?

Let us talk a little bit about language access. Through the appropriations process I recently helped to fund an extraordinary organization called Ser Familia in Georgia, which serves Latino families. They are standing up a new family resource center in Clayton County.

What steps are currently being taken that you are aware of, either by us in Congress, that you have tracked, by the Administration at present, and what opportunities are there to expand opportunities for predominantly Latino-serving nonprofits to compete for Federal grants, where there may be language access barriers to awareness of the grant opportunities and pursuit of the funds?

Mr. ARKIN. Offhand I am not aware of anything there, but we can get back to you and take a look and see what we can find on that.

Senator OSSOFF. Yes, I would like you to take a look at this, because there are, in some cases, urgent public health, public safety, small business-related needs in Latino communities, and these are Americans who may be denied their fair share of Federal grant funding because the nonprofits that serve these communities may operate predominantly in Spanish. Language access for competitive Federal grant programs is something that I think warrants some more attention from GAO.
Finally, I want to discuss the challenges that many communities in Georgia are facing with respect to railroad crossing grants, in particular smaller communities, whether it is Garden City in coastal Georgia, Griffin, McDonough, Juliette. Georgians are increasingly finding themselves stuck at railroad crossings for outrageous periods of time. This is not just a matter of convenience. It can be a matter of life or death. You have a delivering mother in labor who needs to get to the hospital, and an hour and a half delay at a railroad crossing impairs that, and that can be a matter of life or death, or the health of the baby.

Through the Bipartisan Infrastructure Law we in Congress established a Railroad Crossing Elimination (RCE) Program, which is a grant program to help localities, for example, pursue track relocation, improvement or installation of protective devices, signals, and signs. What steps can we take, Mr. Arkin, to ensure that smaller communities like Griffin, Juliette, Garden City, McDonough in Georgia are set up to succeed when they apply for these funds?

Mr. ARKIN. That is another program I am not familiar with the specifics of that one, but we could get back to you and take a look and see what we can find.

Senator OSSOFF. Why don’t you take a stab at it. Consider other programs like this one, opportunities for local jurisdictions to make improvements to their transportation infrastructure to address urgent matters, not just of convenience but of public health and public safety. What advice do you have for small localities who seek opportunities such as this one?

Mr. ARKIN. I think it comes down to, to some extent, outreach from the agencies, to ensure that the communities are aware that these grants are out there. It is hard to apply for a grant if you do not know it is there. As I mentioned before, I hear these calls or emails from people who want to know, and the Infrastructure Act is an example of that. How do I apply for grant funding in the transportation area that my small community can take advantage of or apply for? I think outreach and communication from the agencies is a big part of that.

Senator OSSOFF. I appreciate your answers. I always appreciate GAO’s work, and my office works hard to make these localities aware of these opportunities. What is coming out of this discussion, that maybe we can pursue together, is I think there are ripe opportunities for GAO to study successes and failures. You can look at communities in Georgia that have tried to compete for Federal funds but not had the wherewithal, resources, or forward guidance to do so successfully, and others that have won these Federal funds, and we can work together to improve guidance for local communities, for congressional offices who have a role to play, and Federal agencies to improve outreach and accessibility for these programs. Let us work together on that.

Thank you, Mr. Chairman.

Chairman PETERS. Thank you, Senator Ossoff.

Dr. Elliott, this question is for you. We know that the Federal Government uses over 190 different grants management software systems. That is a lot of software systems. Could you tell this Committee about some of the problems that your office faces when you
have so many different software portals that you have to keep track of and have some degree of expertise on?

Ms. ELLIOTT. Thank you, Senator, for the question. Yes, we have a robust system of tracking. The authorization requirements are significant for each of these systems. So myself and Ms. Daniels, who is here with me today, we are typically the only, or one of a small number of authorized users. That can sometimes be a bottleneck for some of the processes that we need to upload for reports or applications.

I mentioned previously the crashing of those systems and how significant that has been. I think that is something I would not bring up in front of this Committee unless it was very important to us. It happens all the time, and it is something that is pretty demoralizing for the team when you can spend an entire workday trying to submit something and then the whole thing falls apart in the last minute. Again, our team has established a process of submitting for reports and applications a week prior to the deadline, to try and avoid that, and it still happens.

All of those kinds of inconsistency has been challenging to us. I would say we have a significant amount of grants managers and folks that are very familiar with these portals, that have relationships with our Federal agency partners, that can call them directly, and we still have these challenges. For other communities that do not have that same kind of access it can be even more challenging.

Chairman PETERS. Thank you. Also, Dr. Elliott, in your testimony you told us that the city of Detroit took special care to give subawards to organizations that had never received grant money before. Can you tell the Committee about how the city does that? What are some of the barriers that you are attempting to overcome to allow this to move forward, and how we may learn from that example in terms of our thinking about how we improve the system?

Ms. ELLIOTT. Thank you, Chairman, for that question. This is something that we are very passionate about. We have heard feedback from small nonprofits and small businesses across the city that basically it is hard enough for them to work with city government in the first place. They do not want anything to do with Federal grants, which is really disheartening because there are so many opportunities to work together on these programs, and either be the vendor that delivers the roof repair or the nonprofit that helps support our local kind of workforce programs.

What we have done specifically is we have partnered with third-party entities that basically serve as trusted local navigators. They seek out the folks that might be interested in applying for these opportunities, whether it is through, again, a contract that is out to bid or through a subrecipient opportunity that we issue. What those third-party entities do—and I should say we have no financial relationship with them whatsoever. They are funded philanthropically. But what they do is they serve as that central navigator. They take in folks and they truly hand-hold with them every step of the process, so how do I register for the system to even submit a bid to the city? What does that look like? All the way through what is good documentation retention policies? How do I submit invoices that are going to be compliant for a lot of these Federal funds?
That is something that we have developed both, again, for the small business sector locally but then also for the nonprofit sector. We work with a couple of different groups, and it is something we are really passionate about and would love to share with others who are looking to develop the same type of program.

Chairman PETERS. Wonderful.

My last question is going to be to all three of you. I will probably start with Mr. Arkin and we will work down to Mr. Hanson here. We have heard a lot here today, and there is a lot more that we need to hear in the days, weeks, and months ahead. But I always like to leave with a takeaway as to what you think should be the biggest takeaway that my Committee gets from this hearing. I would like each of you to tell me what you think is the most important thing that this Committee should learn from the testimony that you gave today? What are some of the action steps that we should take to help this process? It is similar to the question I earlier to Mr. Hanson about how do we prioritize.

What should be our major takeaway? If you were sitting on this Committee and you had to prioritize something to really focus on, what would that be? Mr. Arkin.

Mr. ARKIN. I think one thing to think about, and we talked a lot about, is sort of the upfront knowledge on the availability of grants. It is not something, again, where we have done a lot of work, and we are happy to continue our discussions with the Committee to look into what we can do to support it. But that, for me, is a big takeaway.

Chairman PETERS. Great. Dr. Elliott.

Ms. ELLIOTT. Thank you, Senator. For me I think centrally coordinating grants management is really critical to every team that we work with in the city, and I could see that being a big challenge across the country. Greater clarity and simplicity around how to deploy these dollars, strong definitions for beneficiaries and how we define quasi-governmental entities would make a massive time difference in how we are able to get these dollars quicker to our communities, and it would create that more robust network of small businesses and nonprofits that we can work with.

Chairman PETERS. Thank you. Mr. Hanson.

Mr. HANSON. Leverage and learn from the projects that are going on right now outside of the Federal Government. The Senator asked about how we can support Native American communities. The Native American Finance Officers Association (NAFOA) has a grants training program at the University of New Mexico, doing wonderful work.

The other Senator asked about the railway crossing program. The National League of Cities, U.S. Conference of Mayors, Results for America, Bloomberg, and other philanthropic organizations have their local infrastructure hub where they are actually taking those small communities through an eight-module course to get them prepared to go after that program. There are States standing up their own grant capacity development activities, local infrastructure hubs.

There are some really wonderful things going on outside the Federal space that the Federal agencies could really support and lean
on and leverage to really improve the grants management ecosystem right now.

Chairman Peters. Thank you, and I would like to take this opportunity to thank each of our witnesses for joining us here today, and I am certainly grateful to your contribution to this discussion. We will look forward to continuing to have this discussion, perhaps not in a formalized way, as we are here in the hearing, but clearly something that we are very focused on as a Committee.

Federal grants help communities in Michigan and across the country deliver key services like strengthening infrastructure, supporting first responders, building broadband systems, mitigating natural disasters. I think today’s hearing has made clear that the Federal Government can do more to help all of our communities to access as well as to manage the Federal grants that they receive. Too often the burdens created by the Federal Government’s lack of coordination and consistency fall on smaller and less-resourced communities. These are communities that oftentimes can benefit the most from grants.

Reducing the complexity of the Federal grants process will increase access to these important resources as well as promote the responsible use of taxpayer money. As Chairman of this Committee I will work with my colleagues to streamline the grants process across the Federal Government. Your testimony today will help inform the Committee’s future legislative activities and oversight action on these issues, and we look forward to having a continuing dialog with the three of you.

The record for this hearing will remain open for 15 days, until 5 p.m. on May 17, 2023, for the submission of statements and questions for the record.

This hearing is now adjourned.

[Whereupon, at 11:05 a.m., the hearing was adjourned.]
APPENDIX

Chairman Peters Opening Statement As Prepared for Delivery
Full Committee Hearing: Improving Access to Federal Grants for Underserved Communities
May 2, 2023

Today’s hearing will examine how government can update the federal grants process to help improve communities’ access to critical resources, increase transparency, reduce duplication, and streamline the federal grants process.

Each year, federal agencies distribute grants to help communities fund everything from workforce training programs and disaster mitigation efforts to local fire stations and first responders.

Last year, the federal government awarded over $1 trillion dollars in federal grant money.

Communities in Michigan, and across the country, rely on this funding for essential services and personnel to keep the public safe. Communities also count on federal grants to implement and advance groundbreaking initiatives from the American Rescue Plan Act, the Inflation Reduction Act, and the Infrastructure Investment and Jobs Act that have helped communities recover from the pandemic, upgrade their infrastructure, and address climate change.

For example, in my home state of Michigan, the City of Detroit will use federal grant funds to help restore the I-375 highway to a boulevard, knitting a divided community back together – and creating new opportunities for economic development. The funding the City received through a grant from the bipartisan infrastructure law will help them complete this project nearly two years earlier than expected.

These types of grants can go a long way towards helping communities invest in significant projects and provide critical services to their residents. However, many communities, especially small and rural communities, face barriers to accessing these vital resources. Today, we’ll be examining some of those barriers, and discussing what more the federal government can do to ensure that every community has the opportunity to apply for and receive grant funding.

Smaller communities often lack the resources to hire grant writers or ensure compliance with complicated federal guidelines, missing out on important opportunities that could help them better serve the public.

By ensuring communities have access to funding, we can also encourage the fair and efficient distribution of grants to states, cities, localities, and organizations with the greatest need, not just to those with the greatest capacity.

While some agencies have successfully implemented recommendations to expand access, many stages of the federal grant process remain fragmented or duplicative.
For example, more than 50 different federal agencies distribute grants to more than 131,000 recipient organizations for more than 1,900 grant programs, each with its own application and award process that can be difficult to navigate.

I am working on legislation to increase accessibility to federal grants by simplifying grant announcements, and requiring announcements to use plain, easy to understand language. Other challenges, such as technical setbacks, a lack of leadership and coordination, and the burdensome nature of the grants application process, have prevented communities, from accessing federal grants.

IT and technical barriers have also prevented communities and organizations from accessing grants.

Many agencies use different grants management software systems, leading to confusion, frustration, and wasted time for many applicants.

Recently, the System for Award Management or SAM.gov, the government-wide registration system for federal funding awards, experienced technical issues that adversely affected businesses and non-profits applying for grants.

Irregular funding cycles also prevent smaller cities and local governments from hiring permanent staff, and shortages of temporary staff have exacerbated an already insufficient workforce, especially in the areas of greatest need.

These challenges affect organizations and governments across the country. In planning for this hearing today, I’ve heard from states, cities, non-profits and Tribes about the importance of accessing federal grants. Without objection, I would like to enter several statements into the record that reflect the challenges these organizations face.

And while it’s critical that we streamline the federal grants process to promote better access for smaller communities, we must do so in a way that ensures the federal government receives the information it needs to fairly distribute awards, and conduct appropriate oversight.

As Chairman, I will continue working to address these needs and conduct oversight to help eliminate waste, fraud, and abuse within the federal government.

Today, I am pleased to welcome our panel of expert witnesses who can speak to the challenges and barriers facing their communities, and help share ideas for how we can improve the access to federal grant programs.
GRANTS MANAGEMENT

Observations on Challenges with Access, Use, and Oversight

Statement of Jeff Arkin, Director, Strategic Issues
GRANTS MANAGEMENT
Observations on Challenges with Access, Use, and Oversight

What GAO Found

Federal grants play an important role in funding national priorities. Some examples include increasing student access to higher education and helping to care for the economically disadvantaged by funding nutrition programs and housing assistance. Recently, grants have also provided a key role for responding to the health and economic crisis caused by the COVID-19 pandemic and rebuilding the country’s infrastructure.

Federal grants represent a substantial financial commitment. In fiscal year 2022, federal aid to tribal, state, local, and territorial governments—primarily through grants—was $1.2 trillion.

GAO has reviewed numerous aspects of federal grants management spanning several decades. A number of common themes have arisen from GAO’s work and contribute to observations on long-standing challenges.

This statement is based on GAO’s prior reports and testimony related to its body of work on federal grant management and focuses on long-standing challenges in the areas of capacity, streamlining, transparency, and internal control and oversight.

What GAO Recommends

GAO has made recommendations to improve the management and oversight of federal grants. Agencies have generally agreed with GAO, but work remains to fully implement several recommendations. GAO maintains that implementing the remaining recommendations will help to address grant management challenges.

What GAO Found

GAO has identified challenges on federal grants management in its work spanning several decades, including in the following areas:

• Capacity. A lack of capacity for grant recipients can adversely affect their ability to successfully access, manage, and implement grant programs. For example, GAO’s previous work on municipalities in fiscal crisis reported that the City of Flint, Michigan struggled to generate the local resources needed to make the city competitive for some federal grants. Federal agencies can help organizations mitigate capacity limitations through technical assistance and by making available federal or other revenue dedicated to covering the cost of grant administration and oversight.

• Streamlining. GAO’s work has shown that when grants management requirements are duplicative or overly burdensome, agencies must direct resources toward meeting them. This can make an agency’s programs and services less cost effective and increase burden for grant recipients. Addressing these challenges may achieve cost savings and result in greater efficiencies in grant programs. The federal government has continued efforts to examine and implement methods to streamline grants management and reduce recipient burden. For example, GAO recommended that OMB collect and share lessons learned from the use of grant flexibilities related to the COVID-19 pandemic.

• Transparency. Greater transparency of grant spending can help Congress and the public understand how and where federal grant funds are spent. However, GAO previously identified challenges related to the timeliness, completeness, and accuracy of grant data on USAspending.gov, the federal government’s official source for spending data. Likewise, GAO and other relevant federal entities have identified challenges with the completeness and accuracy of subaward data displayed on USAspending.gov. GAO has made several recommendations to OMB and Treasury to improve the quality of data on USAspending.gov, and they have taken steps toward implementing them.

• Internal controls and oversight. GAO’s work has shown that when awarding and managing federal grants, effective oversight and internal control is important to provide reasonable assurance to federal managers and taxpayers that grants are awarded properly, recipients are eligible, and federal grant funds are used as intended and in accordance with applicable laws and regulations. In 2021, GAO recommended that OMB incorporate appropriate measures to ensure that single audit guidance is issued timely and is responsive to users’ input and needs. OMB stated that it issued its 2022 compliance guidance earlier than it has done in 15 years.

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United States Government Accountability Office
Chairman Peters, Ranking Member Paul, and Members of the Committee:

Thank you for the opportunity to join you today to discuss issues related to federal grants management. Federal grants play an important role in funding national priorities. Some examples include increasing student access to higher education and helping to care for the economically disadvantaged by funding nutrition programs and housing assistance. Recently, grants have also provided a key tool for responding to the health and economic crisis caused by the COVID-19 pandemic and rebuilding the country’s infrastructure. Federal grants represent a substantial financial commitment. For example, in fiscal year 2022, federal aid to tribal, state, local, and territorial governments—primarily through grants—was $1.2 trillion. This amount was equal to approximately 19 percent of total federal spending for that fiscal year.

The landscape of federal grants continues to change and evolve, but some challenges have persisted over many years. My remarks today will focus on some of these long-standing challenges. My testimony is based on our prior reports and testimony related to our large body of work on federal grants management. A detailed discussion of the prior reports’ objectives, scope, and methodologies, including our assessment of data reliability, is available in each of the reports cited throughout this statement.

The work upon which this testimony is based was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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2This amount is federal aid to tribal, state, local, and territorial governments as a percentage of total federal outlays.

3See list of Related GAO Products at the end of this statement for specific prior reports.
Observations on Grants Management Challenges

We have reviewed numerous aspects of federal grants management spanning several decades. A number of common themes arise in this work and contribute to observations on long-standing challenges. These observations include aspects of:

- capacity,
- streamlining,
- transparency, and
- internal control and oversight.

Human Capital, Organizational, and Financial Capacity Are Key to Successful Grants Management

The capacity of both grant-making agencies and grant recipients is a key issue in grants management that can affect program success. A lack of capacity on the part of either of these groups can adversely affect their ability to successfully manage and implement grant programs. Capacity involves both the maintenance of appropriate resources and the ability to effectively manage those resources. In prior work, we have identified challenges within several different types of capacity: human capital, organizational, and financial.

- **Human capital capacity** refers to the extent to which an organization has sufficient staff, knowledge, and technical skills to effectively meet its goals and objectives. An organization’s human capital needs can shift over time as programs change or new challenges arise. Human capital challenges can underlie the operational difficulties organizations face during program implementation. For example, in reviewing the Coronavirus State and Local Fiscal Recovery Funds (CSLFRF), provided through the American Rescue Plan Act, we identified potential capacity challenges for smaller local governments. Officials from three associations representing state and local governments told us that because of the extensive compliance and reporting requirements, smaller localities that do not regularly receive federal funding assistance may face capacity challenges when

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managing their CSLFRF allocations. Some of the officials said these jurisdictions generally have fewer staff and less institutional knowledge and awareness of federal processes than larger localities. This could limit the smaller localities’ ability to fully understand and comply with CSLFRF requirements.6

- **Organizational capacity** captures the degree to which a grant-making agency or grant recipient is institutionally prepared to manage and carry out grants. Organizational capacity includes having appropriate leadership, management structure, and size to efficiently and effectively implement the program and adapt as needed. For example, our review of the Department of Education’s Race to the Top program found that achieving consistency in leadership within states’ educational agencies was a specific aspect of organizational capacity that state education officials found especially challenging.7

One state official we spoke with explained that frequent turnover at the superintendent level made implementing its teacher evaluation system difficult because they had to constantly educate new superintendents on how to use the evaluations to improve instruction.

- **Financial capacity** is the ability of grantees or grant applicants to meet financial responsibilities related to federal grants. A lack of financial capacity can reduce an organization’s ability to apply for grants that require local resource investments or maintenance of effort provisions.8 For example, through our previous work on municipalities in fiscal crisis we reported that the City of Flint, Michigan, struggled to generate the local resources needed to make the city competitive for

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8Under a maintenance of effort provision, the grantee is required, as a condition of eligibility for federal funding, to maintain its financial contribution to the program at not less than a stated percentage (which may be 100 percent or less) of its contribution for a prior time period, usually the previous fiscal year. The purpose of maintenance of effort is to ensure that the federal assistance results in an increased level of program activity, and that the grantee does not simply replace grantee dollars with federal dollars. GAO, Principles of Federal Appropriations Law, Vol. 2, 3rd ed., ch.10, § E 4.b, GAO-08-382SP (Washington, D.C.: Feb 2008).
some federal grants. Flint also did not apply for competitive federal grants with maintenance of effort requirements, because the city government was unable to ensure that it would maintain nonfederal funding at then current levels.9

One way federal agencies can help organizations mitigate capacity limitations is through technical assistance. Such technical assistance can consist of a variety of programs, activities, or services aligned with the requirements of each agency’s grant programs and the individual grantee’s needs. In 2020, we reported that the types of technical assistance agencies provided varied and included a range of delivery methods, including one-on-one conversations, on-site instruction, live staff or group educational events, or web-based information and guidance.10

Another way some grant programs assist organizations facing capacity challenges is by making available federal or other nonlocal revenue dedicated to covering the cost of grant administration and oversight. For example, although the City of Camden, New Jersey, laid off a quarter of its workforce in 2011, staffing levels in its Department of Planning and Development did not suffer as severely as other departments. Camden officials attributed this to the Department of Housing and Urban Development (HUD) having provided Camden’s Department of Planning and Development with funds for planning and administrative costs related to Community Development Block Grants.11

Streamlining Grant Requirements is Critical to Effective Use of Federal Funds

Our work has shown that when grants management requirements are duplicative or overly burdensome, agencies must direct resources toward meeting them. This can make the agency’s programs and services less cost effective and increase the burden for grant recipients.

In recent reports, our work has shown that numerous federal grant programs created over time without coordinated purposes and scope can result in grants management challenges. Addressing these challenges may achieve cost savings and result in greater efficiencies in grant programs. Our work has underscored the importance of identifying

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11GAO-15-222.
fragmentation, overlap, or duplication in a number of federal programs, including grants management practices. For example:

- In our review of the expanded need for broadband access across the nation we found that federal broadband efforts are fragmented and overlapping. We identified at least 133 funding programs—including grant programs—that can be used to support broadband access in some way. These programs were administered across 15 agencies. The fragmentation and overlap of such programs can lead to wasteful and duplicative support. We recommended that the Executive Office of the President, through the National Economic Council, develop and implement a national broadband strategy with clear roles, goals, objectives, and performance measures. A national strategy would support better management of fragmented, overlapping federal broadband programs and synchronize coordination efforts. The National Economic Council is currently taking steps to prioritize broadband coordination. We will continue to monitor their progress.

- We have also found that federal agencies could help their grantees, such as state and local communities, better manage fragmented efforts. For example, we found that the Department of Commerce’s Economic Development Administration (EDA), the HUD, and the Department of Agriculture (USDA) could better address economic development needs by incorporating further collaboration practices. These collaboration practices—such as updating written agreements and monitoring progress toward outcomes—could help grantees and local communities manage fragmented efforts related to federal economic development. We reported that through coordination of strategic planning requirements among the three agencies, the USDA could reduce the administrative and planning burden on grantees receiving economic development grants from all three agencies. Additionally, local planning efforts that integrate goals and programs of the three agencies can help to avoid fragmentation of federal resources for economic development. We made five recommendations, including that EDA and HUD revisit their agreement on economic development planning, determine the extent to which USDA should be included, and monitor progress toward...
stated outcomes. Agencies are taking steps to implement the recommendations.\textsuperscript{14}

Both Congress and the executive branch have taken steps to identify ways to reduce the challenges associated with duplication and overly burden grantees encounter throughout the grants lifecycle. For example, in response to a requirement of the Digital Accountability and Transparency Act of 2014 (DATA Act), the Office of Management and Budget (OMB) and the Department of Health and Human Services (HHS) conducted a pilot program to test potential approaches for reducing reporting burden for federal award grantees.\textsuperscript{16} This effort resulted in identification of six approaches to successfully reduce grantee reporting burden through a reduction in reporting time or duplication of effort.\textsuperscript{16} HHS tests of one of these approaches, the Single Audit Model, documented that streamlining the required transfer of data from the grant recipient to the federal government through a template process of standardized data elements resulted in reductions of time and duplication associated with completing and reviewing audit documentation.

Findings from the pilot program informed OMB’s 2017 report to Congress recommending government-wide efforts to streamline reporting and reduce recipient reporting burden. These efforts included eliminating unnecessary duplication by leveraging information technology to auto-populate data from relevant existing federal data sources as well as the standardization of data elements, conditions, and attributes to meet statutory, regulatory, and business needs.\textsuperscript{17}

The federal government has continued efforts to examine and implement methods to streamline grants management and reduce recipient burden, which include legislation and other actions to continue and expand efforts from the OMB and HHS pilot program. For example, Congress passed the Grant Reporting Efficiency and Agreements Transparency Act of 2019 (GREAT Act), which calls for the reduction of burden and compliance


\textsuperscript{17}OMB, Report to Congress: DATA Act Pilot Program (Aug. 10, 2017).
costs faced by recipients of federal grants through the modernization and standardization of grant reporting data and processes. The GREAT Act requires OMB and HHS to create data standards for grantee reporting requirements across the federal government. Under the deadlines established by the GREAT Act, grant issuing agencies must ensure that all federal awards use the data standards for all future information collection requests no later than December 30, 2023, unless otherwise exempted. OMB and HHS have taken some steps to develop the data standards required by the act. We continue to monitor implementation of the GREAT Act and other related efforts.

OMB has also taken action to reduce agencies’ reporting requirements during a national emergency. In March and April 2020, OMB identified exceptions to government-wide grants management requirements agencies could make available to grantees and grant applicants. OMB memorandums stated that these flexibilities were intended to help grantees respond to, and address organizational changes stemming from, the COVID-19 pandemic by reducing administrative burden without compromising accountability. OMB rescinded most flexibilities in June

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18The Grant Reporting Efficiency and Agreements Transparency Act of 2019 (GREAT Act) was signed into law on Dec. 30, 2019; Pub. L. No. 116-103, § 2, 133 Stat. 3268.
19See Pub. L. No. 116-103, § 4, 133 Stat. at 3269, codified at 31 U.S.C. § 6402(a)(2), (3), (b), (c). Although HHS is not explicitly named in the GREAT Act, its participation in the standard-setting process was required because it is the agency that administers the greatest number of programs under which federal awards are issued in a given year.
2020, and all flexibilities expired by the end of December 2020.21 Officials from grantee organizations told us that grantees reported using the flexibilities to address unprecedented operational disruptions related to COVID-19, such as having to close offices or laboratories in response to stay-at-home orders early in the pandemic.22 In a March 2021 report, we recommended that OMB collect and share lessons learned from the use of grant flexibilities.23 OMB does not plan to take action on this recommendation because it does not believe, given currently limited resources, that collecting and sharing lessons learned should be prioritized over other OMB activities.

Transparency of Grant Spending Can Inform Decision Making and Help the Public Understand How and Where Federal Grant Funds Are Spent

Greater transparency of how the federal government spends its funds offers many potential benefits, such as enabling data-driven decisions about how to use government resources, opportunities for improving the efficiency and effectiveness of federal spending, and improving government’s accountability to the public. In an effort to improve transparency, the DATA Act required OMB and the Department of the Treasury (Treasury) to establish data standards, and other federal agencies to increase the types of information available on federal spending, including spending on grants.

The DATA Act expanded previous federal transparency legislation by requiring the disclosure of federal agency expenditures and linking agency spending information to federal program activities, so that both policymakers and the public can more effectively track federal spending. The DATA Act also calls for improving the quality of data submitted to USAspending.gov—a public-facing website and source of spending data

22For example, research grantees reported using a federal grant funding flexibility to pay salaries of employees during shutdowns. They reported that this flexibility allowed them to retain employees and be prepared to restart grant-funded work when it was safe to do so. See GAO, Grants Management: OMB Should Collect and Share Lessons Learned from Use of COVID-19-Related Grant Flexibilities, GAO-21-318 (Washington, D.C.: Mar. 31, 2021).
23GAO-21-318.
for the federal government—by holding federal agencies accountable for the completeness and accuracy of the data submitted. 24

In the nearly nine years since enactment of the DATA Act, federal agencies have continued to refine their implementation efforts. OMB and Treasury established a set of data standards to enable consistent reporting, tracking, and display of federal spending data on USAspending.gov. They also have continued to publish guidance to facilitate the use of these standards and improve the quality and scope of federal spending data made available to the public. Treasury has developed new website features and data displays for USAspending.gov that make use of newly collected data and increase the amount of information available to users.

However, in a 2021 report, we identified challenges related to the timeliness, completeness, and accuracy of the data displayed on USAspending.gov. 25 For example, we found multiple instances of awards displayed on USAspending.gov with descriptions that were not consistent with established standards because they do not describe the purpose of the award and are not in plain language. We made a number of recommendations to OMB and Treasury intended to further enhance the quality of the data displayed on the website and the business application controls that process the data. OMB and Treasury generally agreed with our recommendations and have taken steps toward implementing them.

Federal regulations also require recipients of federal awards (including contracts, grants and other financial assistance awards) to publicly report spending information on agreements they make with other entities to perform a portion of the work associated with their federal grant award. Award recipients are required to report information about these agreements, also known as subawards, into a data system that feeds into


USAspending.gov. Ensuring the quality of subaward data, as reported by prime award recipients, is important for fulfilling the DATA Act’s promise of enabling the public to track federal spending by providing the public with additional detail on where and how federal grants funds are used. This information is also important for detecting and preventing improper payments, which is especially critical during national emergencies when federal emergency relief funds—such as those appropriated in response to the COVID-19 pandemic—need to be distributed quickly.

However, GAO and other relevant federal entities have identified challenges with the completeness and accuracy of subaward data displayed on USA Spending.gov. For example:

- GAO’s recent work examining U.S. funding to entities located in China found that the full extent of subawards to entities located in the China is unknown because of limitations with the subaward data quality on USAspending.gov.
- Treasury has disclosed multiple instances of duplicate subaward transactions displayed on USAspending.gov.
- In 2021, the Pandemic Response Accountability Committee reported that USAspending.gov does not definitively track COVID-19 supplemental funding at the sub-recipient level, providing little transparency into how COVID-19 funding flows down to local projects.

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26Award recipients are required to report specified information on first-tier subawards—with some exceptions—associated with these awards in the FFATA Subaward Reporting System, which feeds the data to USAspending.gov for public display. USAspending.gov includes data submitted by U.S. agencies and award recipients pursuant to FFATA as amended. 31 U.S.C. § 6101 note; 2 C.F.R. pt. 170; F.A.R. 52.204-10.

27Improper payments are payments that should not have been made or were made in the incorrect amount. For additional information, see GAO, Improper Payments: Fiscal Year 2022 Estimates and Opportunities for Improvement, GAO-23-106225 (Washington, D.C.: March 29, 2023), and GAO, Emergency Relief Funds: Significant Improvements Are Needed to Ensure Transparency and Accountability for COVID-19 and Beyond, GAO-22-105715 (Thursday, March 17, 2022).


Given these and other known data quality challenges associated with subaward data, we are examining the quality of subaward data displayed on USAspending.gov.

If the accuracy of data available on USAspending.gov can be improved, policy makers should be better able to make data-driven decisions to address ongoing government management challenges and improve the effectiveness and efficiency of government programs. Similarly, additional efforts to disclose known data limitations can help users of the data on USAspending.gov understand the extent to which the data are timely, complete, accurate, and comparable over time.

Effective Oversight and Internal Control Needed for Grants

Our prior work has shown that when awarding and managing federal grants, effective oversight and internal control are important to provide reasonable assurance to federal managers and taxpayers that grants are awarded properly, recipients are eligible, and federal grant funds are used as intended and in accordance with applicable laws and regulations. Internal control comprises the plans, methods, and procedures agencies use to be reasonably assured that their missions, goals, and objectives can be met. In numerous reviews, we and agency inspectors general identified weaknesses in agencies’ internal controls for managing and overseeing grants. Specifically, we found that when such controls are weak, federal grant-making agencies face challenges in achieving grant program goals and assuring the proper and effective use of federal funds to help avoid improper payments.26

One key way that federal agencies oversee nonfederal grantees is through an audit of their expenditures of federal awards, which is an important component of a single audit. The single audit is an audit of the award recipient’s expenditure of federal awards and of its financial statements.27 Single audits help determine, among other things, whether

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26GAO-18-678T.

27The Single Audit Act requires all non-federal entities that expend a certain amount of federal awards, including grants and other assistance, in a fiscal year to obtain a single audit of the entity’s financial statements and federal awards (or program-specific audit, in limited circumstances) by an independent auditor in accordance with generally accepted government auditing standards. 31 U.S.C. §§ 7501-7506. Under OMB’s implementing Uniform Guidance, the threshold requiring a single audit is $750,000. 2 C.F.R. § 200.501. Single audit reports provide information about the reliability of the financial statements and of the schedule of grant expenditures; adequacy of internal controls over financial reporting; compliance with relevant grant laws and regulations, and award terms for each major program; and findings and questioned amounts. 2 C.F.R. § 200.515. Single audits are an important mechanism that federal agencies use to help ensure the accountability of federal funds.
recipients have complied with the provisions of laws, regulations, and contracts or grant agreements that may have a direct and material effect on each of the recipients’ major programs.

Auditors have expressed a need for the single audit guidance (issued annually by OMB in the Compliance Supplement) by no later than April of each year to effectively plan their audits and conduct interim testing for entities with June 30 fiscal year-ends. Timely preparation and provision of the guidance contained in the annual Compliance Supplement to auditors is essential to help ensure that single audits can be performed timely and enhance the federal government’s ability to help safeguard billions of dollars in federal funds, including those provided under COVID-19 relief laws.

In 2021, we recommended that OMB incorporate appropriate measures to ensure that single audit guidance is issued timely and is responsive to users’ input and needs.\(^\text{20}\) OMB published the 2022 Compliance Supplement in May 2022 (according to OMB, the earliest issuance in the past 15 years). However, to fully address the recommendation, OMB should incorporate appropriate measures, such as establishing formal written policies and procedures, for ensuring timely issuance of future Compliance Supplements and other single audit guidance that is responsive to users’ input and needs.

Another example of the importance of oversight involves improper payments—payments that should not have been made or that were made in an incorrect amount.\(^\text{21}\) As we have previously reported, improper payments have consistently been a government-wide issue. For example, in March 2023 we found that for fiscal year 2022, 18 agencies reported improper payment estimates totaling $247 billion across 82 programs and

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\(^{21}\)As the term is used in executive agency reporting, improper payments include both overpayments and underpayments. 31 U.S.C. § 3351(4). Also, in assessing risk and reporting on improper payments, agencies treat as improper any payment whose propriety cannot be determined due to insufficient documentation. 31 U.S.C. § 3352(b)(3)(A); 31 C.F.R. 230.20.
Our reviews of Medicaid, a joint federal-state health care program and significant source of federal grant funding to state governments, have shown that the program is particularly vulnerable to improper payments, given its size, diversity, and complexity. Medicaid accounted for the largest amount—$81 billion—of reported improper payments for fiscal year 2022. We have also reported that spending for federal health care programs, including Medicaid, is expected to increase over the long term, so it is critical that appropriate measures be taken to reduce improper payments in this program.

Chairman Peters, Ranking Member Paul, and members of the Committee, this concludes my prepared remarks. I look forward to answering any questions you may have.

If you or your staff have questions about this statement, please contact me at (202) 512-9806 or arkris@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement.

GAO staff who made key contributions to this testimony were Michelle Sager (Managing Director), Peter Del Toro and Thomas James (Assistant Directors), Kari Terrio (Analyst in Charge), Kathleen Drennan, Isaac Fifelski, Shannon Finnegan, Sam Gaffigan, Vivian Ly, Keith O’Brien, Benjamin Paff, Michelle Philpott, Andrew J. Stephens, and Chris Wolka. Additional contributors are listed in the products on which this statement is based.

34The $247 billion estimate does not include estimates for certain risk-susceptible programs, such as the Department of Labor’s Pandemic Unemployment Assistance Program and the Department of Agriculture’s Supplemental Nutrition Assistance Program. See GAO, Improper Payments: Fiscal Year 2022 Estimates and Opportunities for Improvement, GAO-23-106385, (Washington, D.C.: Mar. 26, 2023)

35Since 2003, Medicaid has been on our High-Risk List, in part, because of concerns about the adequacy of fiscal oversight and the program’s improper payments—including payments made for people not eligible for Medicaid or services not actually provided. For additional information, see GAO, High-Risk Series: Efforts Made to Achieve Progress Need to Be Maintained and Expanded to Fully Address All Areas, GAO-23-106203 (Washington, D.C.: Apr. 20, 2023).

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Strategic Planning and External Liaison


Please Print on Recycled Paper.
TESTIMONY OF

Dr. Meagan Elliott
Deputy Chief Financial Officer
City of Detroit

BEFORE

Committee on Homeland Security and Governmental Affairs
United States Senate

ON

“Improving Access to Federal Grants for Underserved Communities”

May 2, 2023
Washington, DC
Chairman Peters, Ranking Member Paul, and distinguished members of this committee:

I appreciate the opportunity to appear before you today representing the City of Detroit and our approach to securing and responsibly stewarding federal grants, as well as the ways we believe more American cities can more efficiently and responsibly access and benefit from federal funds.

In my role as the Deputy Chief Financial Officer for Detroit, I oversee a department called the Office of Development and Grants. Typically, in municipal government, grant writers and managers are seated within diffuse departments and focused on specific subject matter portfolios, for example in parks, public safety, or workforce.

In 2017, the City of Detroit decided to take a different approach. We reorganized our grants management staff into one consolidated department serving the entire City. In this new structure, we have a team of grant writers who work on seeking funds for multiple departments and manage key relationships with federal, state, and local funders, which includes our philanthropic and corporate partners. We also have a team of grants managers divided into workflows of planning, implementation, and finally reimbursement, close out, and audit support. This restructuring allowed our office to professionalize the work of grants management with the following benefits:

- our grants application success rate has increased significantly,
- we are more efficiently and effectively able to handle a higher volume of funds with the same size team,
- we have at least four team members involved in a grant throughout its lifecycle, meaning nothing falls through the cracks even during a time of staff turnover,
- our findings have reduced proportionately over time,
- and we have streamlined communication through this centralized office.

Though we didn’t realize it at the time, this reorganization prepared Detroit exceptionally well for the impending crises of the Covid-19 pandemic and the devastating flooding that happened across our city in 2021. Given these experiences, I was asked to share recommendations for how to better support municipal governments working hard to secure and spend grant dollars. My

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1 From 2017 to 2022, CDG saw a 53% increase in the number of grant applications submitted and a 362% increase in the value of applications. We have also seen a 61% increase in the total award amount for our competitive applications in the same range of years.

2 In 2017, our team employed 24 FTEs and managed $875.3 million in active grants. In 2023, our team employs only two additional staff (26 FTEs) but manages a portfolio of $2.4 billion in active grants.

3 On June 26, 2021, after historic flooding across Wayne County, Governor Gretchen Whitmer declared a state of emergency. On July 15, 2021, President Biden approved a federal major disaster declaration for this extreme weather event.
recommendations can best be summarized into the following three requests: greater flexibility, clarity, and consistency.

Flexibility:

First, flexibility. The American Rescue Plan Act State and Local Fiscal Recovery Funds exemplifies what cities need most: flexibility within guardrails. ARPA SLFRF allowed Detroit to respond to the specific ways that our city was impacted by the pandemic. In the summer of 2021, we carried out extensive community engagement through 65 community conversations and hundreds of resident survey responses to prioritize where and how to respond to the continuing effects of the pandemic and support our long-term economic recovery. This resulted in a deliberative portfolio of citywide programs aimed at addressing problems created or exacerbated by the pandemic. All of these programs are in various stages of implementation today. How government responded to the dual challenges of pandemic and economic recovery looks different in every city across America, reflecting the diverse problems and opportunities we all have at the municipal level and our ability to act accordingly. And because cities have been trusted to develop our own individual local plan, we can be more effective and responsive to our residents and their feedback.

The fact that these funds came directly to the City without having to coordinate through state government was another critical benefit of this grant that cities want to see more of. Often, funds that we know will eventually come to us get significantly delayed as part of this pass-through, only shrinking the municipal timeline to implement. The structure of SLFRF has allowed us to both get started immediately on our recovery programs as well as coordinate with county officials and others to leverage programs together for maximum impact because we all received funds at the same time.

One challenge we have encountered is a lack of flexibility with how federal grant programs determine local cost-sharing. As a municipal government, a central obstacle that prevents us from pursuing more federal grant opportunities is the way in which our local match dollars are counted, or not, towards cost-share percentage minimums. Detroit already contributes a significant amount of resources towards the same projects we submit in our major grant

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4 See the City of Detroit 2022 Annual Report for ARPA section on community engagement, starting on page 64.

5 One of this portfolio responding directly to resident concerns are our Renew Detroit program, an essential home repair program for senior citizens and persons with disabilities where the focus is on roof and window replacements. Phase 1 currently underway will cover 1000 roof replacements and phase 2 will target another 1000 homes with either roof or window replacements. Another is Skills for Life: A work/training program that pays Detroiters to learn new job skills while removing educational barriers to employment. To date, we’ve hired over 400 residents to work in the City of Detroit General Services Department and 80 have earned their GED and/or occupational credential.
applications, but these dollars are often not counted because the grant period is defined too narrowly. Our dollars -- which can at times be greater than the application fund amount -- may not be counted as match because they were awarded too early, often on the basis of a fiscal year turnover or the timing of a board approval from a philanthropic entity, that fail to align with the grant period. Greater flexibility in allowing for costs incurred on a project 12 or even 6 months prior to the grant period would significantly increase our ability to participate. This question of how match gets classified will be especially important for major infrastructure projects coming out of the Infrastructure, Investment, and Jobs Act, and particularly for smaller municipalities facing even more restrictive conditions on limited match dollars.

Clarity:

Our second request for this committee is greater regulatory clarity in a few specific ways. When it comes time to efficiently spend grant dollars, municipalities would be better served by greater clarity that supports the compliant implementation of the Uniform Guidance. My team spends a great deal of time determining whether to procure contracts, issue subrecipient agreements, or select beneficiaries. Even our auditors have had trouble interpreting the Uniform Guidance when it comes to these determinations. Partner federal agencies do offer supplemental workshops and training, but there is no training offered by the Office of Management and Budget on this subject. Our office took the guidance from 2CFR200.331 and built our own checklist as a means of documenting our standard operating procedures and tracking our own compliant decision-making process. We are not the only entity that has done this. Additionally, 2 CFR 200.332 under the requirements for pass-through entities, lacks clarity when it comes to how to conduct a pre-award risk assessment of a potential recipient as well as their post-award monitoring. Both challenges offer the opportunity to institute a standardized checklist or decision-tree from OMB, and pair it with free training on the same subject. This would dramatically reduce audit findings across the country and ensure greater compliance. Uniform Guidance trainings can often be cost-prohibitive, particularly for fund subrecipients, which can limit bid participation in our local ecosystem and diminish the economic impact of these grant dollars.

Finally, Detroit is among many other cities who seek greater clarity when it comes to performance management tracking. As a city, we have worked diligently to prepare all of our departments to be strong data stewards, and we believe in the importance of tracking outputs and outcomes to understand the impact of our programs. However, recently, one of our consultant partners recommended that to follow OMB best practices, we would need to conduct program evaluations for all 107 of our programs. As a former researcher, I know how time and resource intensive these evaluations can be. Because we do not have the expertise within our department, we would need to then procure an additional team, and in some cases, this would mean significant dollars directed towards performance measurement on programs that have a proven track record of effectiveness in lieu of actual direct services to Detroiters. That is a tradeoff we
are not willing to make. While it is important to establish best practices, when cities look to federal guidance and are focused on having both a spotless track record and greatest impact, it is also critical to clarify minimum requirements.

Consistency:

And finally, our team asks for greater consistency, in both the provision of recurring resources that support grant application requirements, and in the platforms we use to communicate with our federal agency partners. Regarding recurring resources, two examples come to mind: Benefit Cost Analyses (BCAs) and the National Environmental Policy Act (NEPA) review. Many capital projects require one or both assessments, and Detroit has never had the in-house expertise to carry them out on a recurring basis. This means we must identify local funds to pay for these contracts and go through the several-month process of procuring those third-party contractors, all for a project that may or may not receive funding. Consistent (rolling) funding opportunities to support grant pre-requirements 6 such as NEPA or BCAs would mean cash-strapped local governments can continue their scope of guaranteed projects through local funding and provide these vital analyses that ensure the greatest impact when federal dollars are spent.

Our final recommendation is perhaps the smallest. We are asking for greater communications and reporting consistency across federal agencies. In our office alone, we work with 13 federal portals (3 of these are for FEMA alone7) as well as 10 State portals which often serve as the pass-through for federal dollars. Each of these portals has different authorization requirements, multiple user requirements, different regulations surrounding document retention, and different staff that we reach out to when a system crashes (as they consistently do up to a full week before reporting deadlines). Consolidation of these portals could allow for one platform with robust cybersecurity and bandwidth. Our grants managers spend a significant amount of time waiting for responses from various portal administrators with strictly logistical questions. One portal

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6 One useful example of technical assistance for grants that reduces the local cost burden in preparing grant materials was the strategy deployed by the State of Michigan with specific FEMA dollars. The FEMA Building Resilient Infrastructure and Communities (BRIC) and HMGP funds flow through the State Police Emergency Management & Homeland Security Division. This involves a two-part application that the City submit, first a Notice of Intent and then a full proposal. Last year, when we were submitting NOIs for the Hazard Mitigation Grant Funds, MSP connected us with Tidal Basin, a 3rd party consultant that they had under contract to provide assistance in the development of Hazard Mitigation Assistance (HMA) grants which have included Building Resilient Infrastructure and Communities (BRIC) grant applications and Hazard Mitigation Grant Program (HMGP) applications to include project review for eligibility and, assistance with application development and benefit cost analysis. Tidal Basin was granted access to our FEMA Go portal, so that they could review our application in real time as it developed and edit it directly. We found this to be tremendously helpful and a great example of how other programs could build in technical assistance for all potential grantees.

7 The three FEMA portals we typically work within are: FEMA GO (Grants Outcomes), FEMA ND (Non-Disaster), and FEMA Grant Portal.
could mean one centralized form of outreach for questions and a singular policy on document retention allowed in the portal, as well as greater consistency for NOFA release dates and reporting deadlines.

Thank you for allowing the time for these humble recommendations. It has been a privilege to speak before you today and I look forward to any questions you may have.
Testimony of Matthew Hanson  
HSGAC – May 2, 2023

Chairman Peters, Ranking Member Paul, and distinguished members of this Committee. My name is Matthew Hanson. I am an Associate Managing Director with the consulting firm Witt O’Brien’s and a Certified Grants Management Specialist. Thank you very much for your invitation to speak today.

Over my almost 30-year career, I have had the distinct honor of supporting lifecycle grants management activities for federal, tribal, state, local, and non-governmental organizations. Some highlights of my career include:

- Served as Director of Grants Policy at the DOJ’s Office of Justice Programs
- Led the State of Arizona’s Statewide Grants Office
- Served as President of the Arizona Chapter of the Grant Professionals Association
- Received the Assistant Attorney General’s Award for my service at the U.S. Department of Justice and,
- Received an Impact Award from the National Grants Management Association

Over my career, I have heard the terms “once in a generation” and “historic amounts of federal funding” at least five times. The first was during the early 90s with the Crime Bill; then again following the tragedy of 9/11; next was in response to environmental devastation with events like Hurricanes Katrina and Rita; then there was the housing crisis with the American Recovery and Reinvestment Act; and—most recently—with the COVID-19 public health pandemic. Despite the vast differences in these events, there was at least one commonality—federal funding deployment was slow due to a lack of public sector capacity, particularly basic grants management capacity.

Recent efforts to distribute critical funding more equitably have unfortunately spotlighted this lack of basic grants management capacity. That was especially the case with the Treasury’s distribution of American Rescue Plan Act – Coronavirus State and Local Fiscal Recovery Funds. In Senator Marshall’s State of Kansas, more than 600 non-entitlement units (NEUs) of local government have been the direct recipients of federal funds—most for the very first time.

Some of these jurisdictions only have a few dozen residents and a single employee. This is not a criticism of the distribution to NEUs; quite the opposite honestly as there are critical infrastructure, public health concerns, and negative economic impacts everywhere. However, I want to underscore the point that we collectively need to do a better job of building grants management capacity across our country, while redoubling our efforts to streamline and simplify the process.

For the past several years, I have had countless conversations with local and tribal governments about seemingly mundane projects like grading and replenishing gravel roads, filling potholes, culvert restoration, ADA sidewalks, rebuilding low water crossings, maintaining water towers, fire hydrant replacements, wastewater lagoons, and any number of similar types of basic infrastructure.

These resource-constrained communities have felt the burden of increases in the weight of truck traffic to address both COVID-19 and inflationary shortages, along with different working and shopping tendencies that have left their modest infrastructure in desperate need of repair or replacement. These same jurisdictions are the communities that lack the resources and capacity to tap into federal funding either directly or as pass-through recipients from their states.
The annual Current State of Grants Management Survey (2023) conducted by the Trachtenberg School of Public Policy & Public Administration at George Washington University, found that “70% [of organizations] said that qualified staff is the most significant success factor for grants management and 54% said [recruiting, training] and retaining them is the biggest challenge.” The survey further found that both “Grant makers and grant recipients want more standardization and simplification.” What is so interesting about these results is that the survey participants are those who actually have some grants staff, so these are jurisdictions who in theory have the tools and capacity to be successful—and yet they are still struggling.

The current obstacles to accessing federal funding begin with the very first step: registering in the System for Award Management or SAM.gov. It’s likely that your own offices have received numerous complaints and requests for assistance with SAM.gov, especially when things like copies of a state’s constitution are being requested to prove when the state was established. If state governments are struggling with registration, you can imagine what an under-resourced community—either urban or rural—must overcome. A review of SAM.gov to make it more efficient could alleviate some of this burden.

Other federal efforts to simplify and streamline the federal grants process—the Uniform Guidance, Grants.gov system, the Federal Financial Accountability and Transparency Act, the Digital Accountability and Transparency Act, and the Grant Reporting Efficiency and Agreements Transparency Act—are all well intentioned and have the potential to help.

The issue remains that federal agencies have implemented these items in disparate ways, and that these efforts do not address the underlying barriers to entry to participate in the federal grants ecosystem. For the most part Federal agencies do a wonderful job of providing ongoing training and technical assistance to their existing grantees, but with a few exceptions, do not do nearly enough to engage and train potential applicants and those struggling to access these critical resources.

Now for some good news: there are organizations out there doing incredible work trying to build grants capacity to ensure no jurisdiction is left behind. Much of this work is being done by membership associations such as the National Association of Counties, National League of Cities, U.S. Conference of Mayors, and the Native American Finance Officers Association, among other organizations and philanthropies.

Associations of cities, counties, and states; councils of government; economic development districts; and others are partnering with their members to provide grant training, writing, and management support. Much of this effort is being either supported or augmented by philanthropic organizations who have seen these same issues and felt compelled to help communities overcome barriers to entry and participation. In recent years, resources like Bloomberg Philanthropies Federal Assistance e311 and Local Infrastructure Hub programs, have provided critical technical support to over 1,000 municipalities across the country.

What these organizations—and the federal grants community as a whole—need is a partnership and a commitment to bring lasting, systemic change to the federal grants process by simplifying and streamlining the process and creating an intentional and sustained effort to build capacity at all levels.

Some areas for consideration are:

- Address the ongoing issues with SAM.gov to simplify and expedite the process;
• Renew the focus on federal plain English standards in particular for Notices of Funding Opportunities posted in Grants.gov and grants guidance documents;
• Re-establish entities like the Council on Financial Assistance Reform and National Grants Partnership as empowered federal grants coordinating organizations;
• Mandate that a percentage of the funding go toward technical assistance resources and investments by federal agencies in general grants management capacity;
• Allow greater flexibility for pre-award costs in particular by those organizations who have not reached the single audit threshold;
• Inform intentional equity requirements (geographic, number of years received, disadvantaged, etc.) for both direct federal and state pass-through agencies;
  o Non-safety net federal funding should be used to establish, innovate, problem-solve, expand—and not pay for lights-on activity.
• Establish a grants Helpdesk (not associated with a particular IT solution) for tangible pre- and post-award support, not tied/limited to a particular federal agency or program.

Over the past several years we have had an increase in the haves and have-nots when it comes to receiving federal funding. While the immediate thought is this is based on a disparity between larger and smaller jurisdictions, the fact is that many large jurisdictions are also struggling and falling behind their peers. Unfortunately, working for a grants consulting firm, we have also seen an uptick in predatory consulting arrangements where communities are asked to pay upfront in the hopes of receiving a grant later, and/or being forced to pay a percentage of a grant won regardless of the effort that was actually performed.

Finally, we have seen numerous examples of federal waste, fraud, and abuse which as stewards of federal taxpayer resources is completely unacceptable. Solving these issues will take the ongoing efforts of the OFGs and the PRAC oversight communities on the post-award side, but my ask of this Committee is to also address these issues on the pre-award side by investing in streamlining, coordination, communication, and capacity development.
Testimony for the record on behalf of the Council on Foundations submitted to the United States Committee on Homeland Security and Governmental Affairs

Improving Access to Federal Grants for Underserved Communities

May 2, 2023

Chairman Peters, Ranking Member Paul, and members of the Committee: thank you for the opportunity to provide a statement for the record on behalf of the Council on Foundations.

The Council appreciates the Committee’s effort to examine the challenges and barriers nonprofit charitable organizations encounter in accessing federal grants. This will be a worthwhile endeavor if, at the conclusion of the inquiry, improvements and simplifications reduce the time and energy nonprofit organizations spend on the grant process, increase the quality of federal funds to nonprofits, and the amount of those funds that reach underserved communities.

The Council is a nonprofit membership association supporting more than 800 grantmaking organizations in the United States and around the world. Our mission is to build trust in philanthropy, expand pathways to charitable giving, and foster an environment where philanthropy can thrive. The Council’s membership includes private independent foundations, corporate philanthropic entities, and community foundations, all of which provide financial grants and make strategic investments for the greater good.

The Council’s members collectively grant billions of dollars to hundreds of thousands of nonprofit entities each year that provide essential human services, elevate faith and cultural pursuits, conduct unique social and scientific research, and advance strategic community investments. However, private grantmaking pales in comparison to federal grantmaking. For example, foundation giving totaled nearly $91 billion in 2021 (Source: Giving USA Report, 2022). The Department of Health and Human Services grants budget alone for FY2021 (excluding Medicare/Medicaid) is nearly the same amount at $85 billion (Source: USSpending.gov). Combined, scores of federal departments and agencies provide hundreds of billions of dollars in grants each year. Government spending has the deepest reach and impact on communities therefore any improvements in how the federal government administers those funds will have a profound impact on nonprofits.

The Council does not seek federal grants, however, some of our community foundation members do and all grantmakers care deeply about the health and vitality of the organizations they fund. We have long heard that the current federal application process along with restrictions on overhead, hinder the results nonprofits can achieve. I have personally been involved in a variety of sector efforts to improve the grantmaking process over the past 20 years. As we have seen the benefits of improving our own policies and practices in private philanthropy, the profound effect that improving the federal grants process would have becomes even more evident. Some basic improvements apply in both cases:
• Fund the full cost of the work rather than creating arbitrary and unrealistic overhead limits. Many nonprofits report the need to raise additional private money to backfill for overhead and other costs associated with—but not covered by—their government grants.

• Only ask for necessary information in grant applications and reports, and “right-size” the requirements to the size of the grant. Many explorations of the philanthropic grants process have shown that funders ask for information they don’t use or need and do not customize the process based on the size of the grant, adding to the burden on nonprofits.

• Multi-year grants are better than one-year grants. Given the timelines necessary to accomplish the work as well as the reduction in administrative effort called for, multi-year grants are often more appropriate than single-year grants.

• Electronic applications must enhance the user-experience. With the innovation of electronic applications and reports came a different set of issues that vexed nonprofits including confusing instructions, character limits on sections, and the need to reorganize the content into a new format for each granteemaker.

• Cash flow matters. Reducing the amount of time to make a payment once a grant is approved is a welcome change. Many nonprofits run on a razor-thin margin, so delays can cause harm. In the last economic recession, many nonprofits had to apply for bridge loans or lines of credit, and in extreme cases, delay payroll because government entities were incredibly slow in paying for work that had already been completed.

During the COVID-19 pandemic, it was particularly urgent that nonprofits be able to adapt flexibly and focus on their core work rather than applications and reports. This priority is reflected in the pledge that we issued and was signed by more than 100 granteemakers near the beginning of the pandemic.

The Council has heard from our members that the federal application processes for their grants are onerous—paperwork lade, overly burdensome, and densely complicated—especially for smaller nonprofits, those serving communities with the greatest need and those in rural communities with less social infrastructure. During the pandemic when local officials turned to many community foundations across the country for help in identifying eligible populations in need of pandemic relief, administrative hurdles in federally funded municipal contracts were a barrier. Resourcing trusted partners that could act quickly became essential to distributing services, such as emergency food, rent assistance and the COVID vaccine, to the folks who needed them the most. However, many trusted community groups, like community foundations, shed away because of the onerous administrative and complicated reporting requirements.

Within the nonprofit sector much is already known about the changes that would improve the grant experience. In addition to the Committee hearing from nonprofit leaders directly, I would encourage you to tap the expertise of field leaders who have advocated for the simplification of grant applications and reporting for decades. We would like to connect the Committee to the knowledge, lessons, and productive practices in foundation grantmaking and the network of philanthropy-serving organizations that also work to improve the effectiveness of philanthropic
investments. Two organizations that have expertise in grants management to bring to the committee’s deliberations are Technology Affinity Group and PEAK Grantmaking.

Thank you for this opportunity to participate in the Committee’s exploration of this important issue. The Council is available for any follow-up from the Committee. Should you wish to arrange for a briefing on the strategies and practices in philanthropic grantmaking, we would be glad to provide that at your convenience.

Respectfully submitted,

Kathleen Enright
President and CEO
Council on Foundations
April 25, 2023

The Honorable Gary Peters
The Honorable Rand Paul
Homeland Security and Government Affairs Committee
United States Senate
Washington, D.C. 20510

Re: May 24th Hearing on Federal Financial Assistance and Barriers to Accessing

Dear Chairman Peters, Ranking Member Paul, and Members of the Committee:

Thank you for the opportunity to comment. I am pleased to hear that you will be convening a hearing on May 2, 2023, to examine federal financial assistance and the barriers communities face in accessing federal grant money.

My name is Zach Kolodin, Michigan’s Chief Infrastructure Officer and Director of the Michigan Infrastructure Office (“MIO”). In my role as head of the MIO, I lead a team tasked with ensuring that federal resources sent to Michigan are used efficiently and effectively in service of repairing, rebuilding, and reimagining the state’s infrastructure. Governor Whitmer established our office to maximize the impact of federal funds on Michigan’s infrastructure by improving coordination with key stakeholders, providing technical assistance to municipalities, and facilitating the development of the workforce of the future.

The COVID-19 pandemic necessitated use of federal funding to mitigate the impact of the virus on individual, community, and public finances. This funding served as an essential lifeline for communities in a time of need, but also carried compliance and reporting responsibilities. For local governments struggling to make ends meet, these additional requirements were, and remain, impactful.

In this context, the opportunities afforded by the Infrastructure Investment and Jobs Act (“IIJA”) require a stretch for some local communities. For instance, some communities that have shovel-worthy projects may not have the staff necessary to navigate the administrative requirements of a grant opportunity, compile a compelling application, and then, if successful, manage the project to fruition.

The high administrative and qualitative hurdle for federal competitive funding can present a barrier to ensuring that federal funding of infrastructure is conducted in an equitable way. A successful federal funding application depends upon many successful components converging simultaneously: a well-designed project, that meets the funding criteria, skillfully packaged for federal reviewers, and accompanied by the required level of non-federal match. A community that puts together a successful application can therefore be thought of as having climbed a steep funding ladder.

The first step on that ladder is project development – developing an infrastructure project that meets federal funding criteria. And many – I would venture most –
communities fail to advance past this rung of the ladder. Especially for smaller communities, identifying the planning and design resources necessary to assemble such a project is simply too expensive, too time-consuming.

When local communities do assemble a well-designed project that meets funding criteria, the task of building a successful grant application is the next rung in the ladder. First, communities must register with the System for Award Management website (sam.gov) and obtain a Unique Entity ID (UEI). The General Services Administration reviews application for a UEI and that review process can require an entity to submit additional documentation and takes an average of four business days. More complex cases can much longer – up to several weeks. That means that a community must plan far in advance of any potential funding deadline to obtain its UEI.

Next is drafting an application that satisfies federal reviewers. Such applications might require complex analysis to demonstrate a project’s merit. Applicants who lack in-house analytical capacity – a category that includes most local units of government – generally must hire consultants to help them develop a worthy application. The nature of IIJA competitive funding requires local governments to put financial resources at risk in hopes of receiving an award. As a consequence, some communities choose not to pursue IIJA competitive funds.

The Michigan Infrastructure Office, under the direction of Governor Whitmer, has taken the initiative to help communities climb the funding ladder. The MIO has partnered with regional planning organizations to identify potential shovel-worthy projects for support. Leveraging existing state contracts to obtain bulk pricing, the MIO has made up to $5 million of funding to these communities available to hire consultants to draft IIJA applications for those projects. Successful projects will automatically qualify for a $20 million pool of non-federal match. The program launched in February 2023, and we hope it will spur communities to pursue federal opportunities where they might have otherwise lacked sufficient capacity.

I would also like to take a moment to address the challenges that the IIJA presents to state agencies. While eligible entities are grateful for these opportunities to enhance their investment potential, discretionary grant programs, by their very nature, represent a non-zero administrative burden on applicants. I know that the Michigan Department of Transportation (MDOT) has experienced this administrative burden while using its limited resources to produce competitive grant applications for critical infrastructure improvements. These burdens feel especially noticeable when the department pursues these labor-intensive opportunities, but ultimately is not selected to receive federal funds. This, of course, is the reality of pursuing discretionary grant opportunities – something state agencies have dealt with for decades – but IIJA’s substantial increase to the suite of discretionary programs has highlighted both the burdens of applying and the negative implications of not being selected.

In addition to the aforementioned burdens, we find that the irregularity in funding cycles has delayed grants’ execution from the notice of award to project initiation and completion. This can strain a state agency’s ability to expeditiously carry out these crucial
transportation improvements. When these delays occur, it impacts the department’s ability to manage highway-related cash flows. For example, if MDOT chooses to use the “advance construction” accounting process, it reduces the dollars the department has to pursue other projects with state funds.

We believe that the following recommendations would lead to improved administration of federal discretionary grant programs and help ease the burden on eligible applicants:

- So that state agencies are able to plan for upcoming opportunities effectively and productively, federal agencies should provide state agencies with a comprehensive list and schedule that periodically updates when a Notice of Funding Opportunity is going to be published, with reasonable advance notice.

- To reduce application burden, federal agencies should provide technical assistance to smaller applicants in order to increase the likelihood of a successful application. The National Renewable Energy Laboratory’s (NREL) technical assistance program for communities and organizations interested in energy improvements in rural or remote areas provides a model.

- To the extent possible, federal agencies should implement the same grant application process across all discretionary grant programs. This uniformity would greatly assist with the administrative burdens associated with application submission.

I am proud of the work Michigan is doing to address these challenges and hope that our efforts may serve as an example for other states and communities as we continue to rebuild, repair, and reimagine our infrastructure for the good of our residents. I strongly urge you to consider the challenges I have outlined as they are not unique to just the State of Michigan. Improvements in these key areas will do much to help states and communities make the most of federal opportunities and ensure that awarded funds are spent effectively and efficiently, thereby maximizing the return on federal investment. Again, I thank you for the opportunity to provide my input on this critical issue and for your dedication to improving the process of applying for and receiving federal funding assistance.

Sincerely,

Zachary Kolodin
Chief Infrastructure Officer
Michigan Infrastructure Office
Cadillac Place
3032 W. Grand Blvd
Detroit, Michigan 48202
May 2, 2023

The Honorable Senator Gary Peters  
U.S. Senate  
Washington, DC 20510

Dear Senator Peters,

The Michigan Nonprofit Association (MNA) welcomes this opportunity to share insights with the Committee on Homeland Security and Governmental Affairs on the experiences of Michigan’s charitable nonprofits in accessing federal grants in advance of the hearing, “Increasing Access to Federal Grants for Underserved Communities.” The information comes from a survey conducted earlier this year for nonprofits in the state to share their experiences with grants and contracts at the federal, state, and local level, focusing on the testimonials submitted by nonprofits, most of them with an annual operating budget less than $10 million.

Some of the federal agencies Michigan’s nonprofits have a grant/contract with include the Department of Housing and Urban Development (HUD), the Department of Agriculture (USDA), and the Environmental Protection Agency (EPA). Those nonprofits have no more than two grants or contracts with the listed agencies. Frequently cited challenges associated with government grants and contracts include:

1. “difficult application procedures or timelines,”
2. “failure of RFP to disclose the use of federal funds (and application of OMB Uniform Guidance),”
3. “failure to follow OMB Uniform Guidance on the use of federal funds,” and
4. “burdensome reporting requirements.”

From the organization’s perspective, those were also priorities to address in any agreement reform efforts, including government grants.

Respondents provided additional comments on those challenges, and raised others, specifically on incurred costs such as indirect costs, overhead, or administrative costs, as stated by one human services nonprofit: “grants that cap admin costs at anything less than 10% do not cover costs.” Another nonprofit shared that they have difficulty in “finding matching funds that are requirements for Federal Funding. We do not charge for our program and sell nothing, so when funders say we should become “self-sustaining” it breaks our hearts because that is impossible with our program. It would be nice to be stress free from finding matching and cash-flow funding.”

Increasing application and reporting requirements makes it difficult for nonprofits to balance their work in their communities and meeting a grant’s expectations, as summarized by one nonprofit: “Regulatory requirements just keep increasing and we have about 50% of the administrative staff necessary to keep up. We have had to cut staff in order to manage expenses, but we often feel like”
we do not have time to adequately address (prepare, review) plans, policy, reports) etc. as we have to rush from one thing to another.

The solutions provided by nonprofits reflect their experience navigating the process. Respondents shared that the application and budget process need to be easier and clearer, have consistent application dates, and for requirements for matching funds to be removed. MNA is happy to partner with Senator Peters in advancing solutions for more charitable nonprofits in Michigan to access federal grants to have a greater impact on their communities.

Sincerely,

Joan M. Gustafson
External Affairs Officer
Michigan Nonprofit Association
Hearing before the Senate Committee on
Homeland Security and Governmental Affairs

IMPROVING ACCESS TO FEDERAL GRANTS FOR
UNDERSERVED COMMUNITIES

May 2, 2023

Written Statement of the
National Council of Nonprofits

The National Council of Nonprofits (NCN) welcomes this opportunity to provide testimony to the Senate Committee on Homeland Security and Governmental Affairs regarding the experiences of charitable nonprofits in accessing, managing, and reporting on federal grants. Our nationwide networks of organizations wholly endorse the theme of today’s hearing, “Improving Access to Federal Grants for Underserved Communities.” In this statement, we seek to address recurring challenges and questions about the federal grantmaking process. We stand ready to assist all Senators on the Committee in identifying concerns and connecting with impacted charitable organizations in their states.

The information, comments, and solutions presented in this testimony come from a variety of sources, including NCN’s long history and expertise in the subject area and comments provided in responses to the Nonprofit Workforce Shortages survey that has been in the field throughout April 2023. In addition, this statement recaps input from hundreds of frontline charitable nonprofits in the network of state associations of nonprofits and the #Relief4Charities coalition of national nonprofit organizations. In advance of today’s hearing, NCN reached out to these multiple networks of nonprofits to solicit responses to three fundamental questions that we believe are most relevant to the Committee’s inquiry:

1. **Accessing Grants:** Does your organization have difficulty finding relevant funding opportunities and/or lack the capacity to apply for and/or manage the compliance aspects of grants?

2. **Technology and Technical Assistance:** Has your organization experienced technical difficulties with federal grants websites (e.g., grants.gov) or had trouble getting technical assistance from the funding agency?

3. **Other Challenges and Considerations:** Are there other challenges with the federal grants process that your organization has experienced related to accessing, managing, or reporting on federal grants?

The comments we present in this testimony summarize the responses from the field and present solutions.

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1. [Nonprofit Workforce Survey](#), posted on Mar. 27, 2023, and closed for submissions on May 1, 2023. NCN will provide the Committee with the full report on the survey once published.

1001 G Street NW, Suite 700 East | Washington, DC | 202-962-0322 | councilofnonprofits.org
Background

The National Council of Nonprofits is the largest network of charitable nonprofits in North America, creating a connected and powerful nonprofit community that is equipped to advance the public good. We focus on the 97% of charitable organizations with budgets under $5 million – food banks, neighborhood health clinics, community theatres, domestic violence shelters, senior centers, and more – the nonprofits whose absence would leave huge voids in their communities. Working with our core network and other collaborative partners, we champion, inform, and connect organizations across the country to get things done for nonprofits and the people and communities they serve.

Since at least 2009, NCN has championed reforms to government grant and contracting systems. Through direct engagement with frontline nonprofits, nationwide research, detailed analyses, and advocacy at the local, state, and federal levels, we have identified and documented fundamental problems that charitable organizations routinely face when performing services on behalf of governments pursuant to written agreements. Those challenges consistently fall into five categories:

1. failure to pay full costs;
2. needlessly complex application processes;
3. overly complex reporting requirements;
4. inappropriate mid-stream changes to grants and contracts; and
5. late payments.

Importantly, we have also been instrumental in developing and sharing real-world solutions with governments at all levels, many of which have implemented those solutions that are now reaping cost savings, creating greater efficiencies, and delivering enhanced services with greater outcomes for constituents. Many of these solutions are presented at Solutions to Government-Nonprofit Grantmaking and Contracting Problems.

To prepare for today’s hearing, NCN reached out to multiple networks of nonprofits to gather more information to share with Committee members the fullest range of experiences and insight. We also gleaned valuable insights from responses of organizations participating in the Nonprofit Workforce Shortages Survey that has been in the field throughout April 2023. As we learned from the results of a similar nationwide survey in late 2021, nonprofit employers point to challenges with government grants – e.g., complexity, redundancy, and cost constraints – as adversely impacting their ability to attract and retain qualified staff. While the current survey is far broader than the focus of this hearing, we incorporate initial comments and recommendations from the field that, we trust, will inform the Committee’s deliberations.2

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2 Additional insights can be found in reports on government-nonprofit grants and contracting challenges produced by the National Council of Nonprofits, including Toward Common Sense Contracting: What Taxpayers Deserve, May 2014, and more recently by the Nonprofit Association of Oregon (Services, Systems, and Solutions: A Study of Government to Nonprofit Contracts in Oregon, 2022) and the Nonprofit Association of Washington (2022 Government Contracting Report).
Questions Presented

1. Accessing Grants

We asked organizations to share if they have difficulty finding relevant funding opportunities and/or lack the capacity to apply for and/or manage the compliance aspects of grants.

- **Failure to Cover True Costs:** Perhaps the most common grievance of charitable nonprofits working pursuant to written agreements with governments is that governments—which cover the costs plus pay profits to for-profit entities—regularly fail to cover the costs nonprofits incur, whether those costs are called indirect costs, overhead, administrative costs, or in the next case, true costs. A large Kentucky human services provider explained that “grants and contracts should all pay the true cost of the service, including the cost of the critical infrastructure needed to run our businesses effectively.” They stress that “pay sources must include consistent increases in reimbursement rates into the future to help organizations to have the opportunity to pay better wages,” noting that “some of our reimbursements have not changed in 20 years.”

Most government grants do not cover the full costs, putting the public at risk by jeopardizing the sustainability of nonprofits, particularly in underserved communities. When governments fail to pay the full costs of the services they expect from charitable nonprofits, governments narrow the pool of potential grantseekers, impose unfair costs on those able to subsidize the governments, and shortchange the residents that programs are intended to support. Nonprofits ask such fundamental questions as, “Would the federal government give a contract to Boeing to build an airplane and expect to pay for only 70% of the cost or reimburse Boeing using 20-years-old reimbursement rates?” and “Why are nonprofits being asked to fulfill the federal government’s goals with only a fraction of the funding required to get the job done?”

- **Complexification:** Grant applications can be extremely long and often require a great deal of redundancy (e.g., state & federal certifications, attestations, and other documents we must fill out a dozen times each year). Smaller organizations typically do not have the capacity to undertake the extensive effort to apply. A North Carolina nonprofit opined that it seems that duplicative forms could be filled out once per year and kept on file by governments. A small Vermont nonprofit explained that federal grants are simply too complex, stating, “The most recent application that we decided not to pursue is the Community Block Economic Development Program.” The reason: “It was far too cumbersome and not nonprofit friendly.”

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1 We note that the problem with accessing federal grants is not unique to small charitable nonprofits. In a survey conducted by the [Urban Sustainability Directors Network (USDN)](https://www.urbansustainabilitydirectors.com), only 10-15% of respondents from local government practitioners feel “very or extremely comfortable, informed, and equipped to pursue federal funding.” Feedback submitted by participants showed that local governments lack capacity and/or expertise, it is not easy to find the right grant, the applications are complicated, and the application time period is short. Many of these experiences also apply to charitable nonprofits.

Overly Prescriptive Grant Requirements: A small human services nonprofit in Washington State expressed frustration that grants tend to include seemingly arbitrary and costly service requirements that are not fully funded. The nonprofit professional completing the workforce shortages survey wrote, “Narrowly focused grant or contract requirements do not provide baseline support for nonprofit administration and operations.” They go on to explain, “Nonprofits often know the community needs but fund sources dictate program design based on what they ‘think’ community needs.” Their conclusion: “This seems backwards.”

Grant Duration: The shorter the length of a grant, the less likely small or new organizations will seek to access the funding opportunity. “When grants are for only one year,” a small New York nonprofit explained, “more time is spent hiring and training than on the impact we are trying to make.” A North Carolina nonprofit focusing on substance abuse prevention observed that all of the federal grants require reapplication each year, even when the grant award is a multi-year award. For example, for the DFC grant, “we were awarded our initial grant in 2016 and it was a 10-year award;” yet, “each year [we] had to submit a ‘non-competing application,’ which is just as long but is generally just formality.”

Reimbursable Grants vs. Up-Front Payments: The fact that most government grants for services are paid on a reimbursement basis is a challenge that charitable organizations are seeking to overcome. “Government grants and contracts are often approved on a reimbursement basis, and they do not always cover our program and/or admin costs,” wrote a large Oregon human services provider. In that state, and several others across the country, pending legislation would flip the practice and mandate lump-sum or partially pre-paid grants in many circumstances. This approach would make grants more accessible, and improve planning for nonprofits, enabling them to staff up and provide ongoing training to ensure both performance and accountability.

Requiring Matching Funds: A Maryland nonprofit pointed to matching fund requirements as perhaps the greatest impediment to nonprofits that are new, operate in rural areas, and/or are run by or serve people and communities of color. The nonprofit professional called requirements for nonprofits to raise matching funds “a barrier and make federal funds even more out of reach for small and mid-sized organizations in underserved communities.” Further, the requirement also unfairly “pulled local dollars into federal priority areas instead of allowing local philanthropic and government funds to be focused on local priorities.”

Evidence-Based Practices Are a Barrier for Underserved Communities: The requirement to use evidence-based practices (EBP) in myriad federal grants “cements traditional white dominant culture approaches,” wrote a nonprofit professional, “that are often very expensive and out of reach for nonprofits working in, and led by people of color or rooted in underserved communities.” The individual gave as an example the Family First Prevention Services Act, which requires EBPs for child welfare programs, and has a federal “clearinghouse” that is operated by for-profit companies that reportedly charge high fees to certify a nonprofit in that EBP. Nonprofits complain that many EBPs, including well known ones such as cognitive behavioral therapy, have not been proven to work well with all populations, particularly those in underserved communities.
2. Technology and Technical Assistance

Have you experienced technical difficulties with federal grants websites (e.g., grants.gov) or had trouble getting technical assistance from the funding agency?

- **Broadband Access**: An official of a small rural community in Minnesota observed that “the absence of broadband in some rural areas means that officers may not have access to the internet, making it difficult to search for available grants or apply electronically.” They went on to observe, “This digital divide can be a significant barrier for rural communities in accessing the funding they need to carry out important projects and initiatives and serve their outstate, rural residents in a high quality manner.”

- **Grants.gov and GrantSolutions.gov**: Although built to streamline the grant-finding process, charitable nonprofits regularly complain about the complexity and user-unfriendliness of grants.gov. A New Jersey nonprofit wrote about searching for grant opportunities, stating “it is so unclear what is open, when it is open, how we apply. We would have to find some serious experts who would do a federal grant, and don’t even know where to begin to find someone.” (Emphasis in original.) That nonprofit confided that it has had to hire outside consultants to weave their way through the government grantmaking process.

A youth-serving organization discovered that access to grants.gov is tied directly to an individual who was the original point of contact. If the person who opened the nonprofit’s grants.gov account leaves for any reason, then the nonprofit gets locked out of grants.gov, thus keeping potential grant applicants effectively barred from even learning about grant opportunities, let alone applying for them. The nonprofit expert concluded, “This has actively prevented some applicants from applying.”

A large Idaho nonprofit pointed out that “frequently the list of items required to upload to grants.gov does not match the RFP or NOF.” They stated further, “In order to get feedback on your grant review you have to request it,” explaining that “sometimes you receive it and other times you have to keep asking.” The nonprofit concluded by asking, “Why not upload reviews on Grants.gov for each submission?”

Regarding GrantSolutions.gov, the same organization expressed frustration that the site “is frequently a challenge,” noting that “[l]ack of consistency between program officers and guidance documents often leaves us wondering if we have missed something or providing more information than needed.” They also observed that “getting log-ins is often difficult and can take months to get an approval.” The nonprofit reported further: “The number of platforms used across the federal government is sometimes staggering. We most often submit through Grants.gov, but then reporting happens through so many other portals. It is a challenge for Grants Director and staff to become efficient at all these various portals.”

- **Logging onto Sites**: Many nonprofits have pointed out that the multiple websites of the federal government are difficult to access and that it is even more difficult to maintain multiple passwords. This abbreviated experience of a North Carolina professional should serve to make the point that
inconsistencies and complexity are not helpful as nonprofits seek to access grants to better serve residents in their communities:

In order to log in to ERA Commons, you must go through the LOGIN.gov interface. Then, once logged in, you prepare your grant, check it for errors, and submit. When you submit, you must verify your identity by providing your Grants.gov username and password. The username and password for Grants.gov expires every 3 minutes (okay, that might be an exaggeration, but it is always expired) and I must go to Grants.gov to reset my password before I can submit in ERA Commons. To log in to Grants.gov, I must go through the LOGIN.gov website … which means that I NEVER actually use my Grants.gov password anymore. Consequently, last year when I tried to submit through ERA Commons, I thought that my LOGIN.gov password had expired and I needed to change it. When that didn’t work, I called technical assistance and found out that I needed to log in to Grants.gov through LOGIN.gov and then go to my account in Grants.gov and change the password that I am literally unable to use for ANYTHING else. Have I lost you yet? Once I figured that out, I could then go back to ERA Commons and submit. You cannot make up this stuff!

3. Other Challenges and Considerations

Are there other challenges with the federal grants process that your organization has experienced related to accessing, managing, or reporting on federal grants?

- **Paperwork Burdens and Workforce Shortages**: A Minnesota nonprofit with staffing vacancies shared that during exit interviews, staff cited that “burdensome data entry requirements of government contracts and high expectations from community members were the two most common factors leading to burnout/dissatisfaction with work.” The correlation between burdensome and unnecessary paperwork and the workforce shortage is also explained eloquently by this Illinois nonprofit comment: “Many staff say the requirements for the government grants (documentation, assessments, multiple systems to have to work in) is too much and too stressful.” A New York nonprofit reported, “Monitoring of contracts with government is much more painful,” warning that “unreasonable petty demands may result in organizations closing.”

A small nonprofit providing crisis services in Connecticut revealed that “government grants have continuously increased the amount and frequency of reporting, but provide no increase in grants to cover the increase in expenses to cover these tasks.” A Maine nonprofit echoed this theme, writing: “We are being asked to provide more and more information related to our work by our grantors. Yet no one wants to pay for administrative costs. We cannot keep up the demand for all the administrative work that is being required of us without it being funded.”

- **Multiple Levels of Administration and Oversight** consistently create challenges. As one nonprofit grants expert in Maryland explained, “When the federal government puts the squeeze on jurisdictions administering federal funds, those pressures are compounded on the nonprofits subgrantees and lead to delays in contracts, payments, costly requirements, and often rushed schedules to make up for compressed timelines.”
Recommendations for Actionable Grantmaking Reforms

The National Council of Nonprofits has determined from our previous investigations that there isn’t one legislative or regulatory fix that will realign grantmaking and contracting systems. We have found, and documented, that all systems break down and become dysfunctional over time. As a result, targeted reforms and adjustments are regularly needed. Below are specific reforms related to challenges raised above.⁸

1. **Multi-Year Grants:** The rationale behind grants that extend beyond one year should be self-evident. Multi-year grants promote access for smaller organizations, reduce administrative costs for applicants and governments alike, and enable governments and nonprofits to evaluate progress and, when done right, make adjustments over time.

2. **Up-Front Payments vs. Reimbursable Grants:** As noted in numerous surveys and reports, a key reason nonprofits give for not seeking government grants and contracts is the requirement that they commence performance and then seek reimbursement later.¹ This system requires service providers to essentially front the governments’ start-up costs and trust that the government program management and accounts payable processes are properly functioning. The culture in government of only paying on a reimbursement basis is so prevalent that the U.S. Treasury Department had to expressly override it last year when instructing state and local governments on the rules governing spending of Coronavirus State and Local Fiscal Recovery Funds allocated under the American Rescue Act.² In fact, the practice of reimbursement-only grants is so destructive that nonprofits are actively seeking reforms at the state level to ensure that grants to charitable nonprofits include an up-front expenditure component.³

At a minimum, we believe Congress should mandate that federal departments and agencies cover the start-up costs and early operational expenses that charitable nonprofits reasonably incur in performing

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¹ We note here that Kentucky recently enacted a comprehensive reform bill (H.B. 3) to establish the Government Resources Accelerating Needed Transformation (GRANT) program to streamline the grantmaking process. The legislation calls on the Commonwealth to create and make available a standardized grant application as well as a regional grant application; develop a standardized scoring system; review the applications and proposals submitted; verify eligibility; verify eligible projects; and award matching grants.

² Other common reasons nonprofits give for not seeking government grants and contracts are requirements for matching grant funds and late payments.

³ The "Treasury Department does not require or have a preference as to the payment structure for recipients that transfer funds to subrecipients (e.g., advance payments, reimbursement basis, etc.). Ultimately, recipients must comply with the eligible use requirements and any other applicable laws or requirements and are responsible for the actions of their subrecipients or beneficiaries." Final Rule for the State and Local Fiscal Recovery Funds, Treasury Department, Jan. 27, 2022, 87 Fed. Reg. at 4379; footnote 230. Elsewhere, the ARPA Final Rule states, "Recipients may transfer funds to subrecipients in several ways, including advance payments and on a reimbursement basis." Final Rule, Treasury Department, Jan. 27, 2022, 87 Fed. Reg. at 4380.

⁴ See *California A.B. 590* (stipulating an advance payment structure and request process); *North Carolina H.B. 259* (requiring full or quarterly disbursement of grant funds); and *Oregon S.B. 606* (restricting use of reimbursement as a mechanism for grant payments except in limited circumstances).
services on behalf of governments. The mandate should extend to the use of federal funds by pass-
through entities like state and local governments.

3. Payment of Indirect Costs: The Office of Management and Budget’s Uniform Guidance already
requires governments to pay the indirect costs of nonprofit performing services under grants. The
challenge, however, is that OMB has little or no enforcement powers, federal departments and agencies
demand waivers (usually based on reference to statutory restrictions), and pass-through entities too often
ignore this important regulatory obligation.

The OMB Uniform Guidance protections for charitable nonprofits are generally sound; enforcement is the
problem. We urge Congress to instruct OMB to empanel a Commission on Federal Grants Reform to offer
recommendations to streamline and improve the operational relationship between all levels of
government and the nonprofit sector. Express attention should focus on payment by pass-through entities
and others of indirect cost rates and the establishment of a clearinghouse of agency decisions or other
means for maintaining consistent interpretation of the OMB Uniform Guidance. Further, such a
commission should also review federal statutes and regulations to identify inconsistent requirements and
restrictions on payment of “administrative costs” and other terms and definitions, and consider the impact
of inconsistent or conflicting rules on organizations seeking federal and state pass-through grants on their
operations and sustainability.\footnote{Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards [OMB Uniform Guidance], 2 C.F.R. pt. 200 (2013).}

4. Improving Data Collection and Coordination to Reduce Redundancy: It’s not unusual for any
government grantee or contractor to point to data collection requirements as an example of excessive
bureaucracy. A Connecticut nonprofit expressed their exasperation: “Don’t gather data just to gather
data.” They encourage “streamlining data to key indicators and reduce the data that is not being used or
interpreted.” They also encourage governments to unify “expectations across all departments,” pointing
out that “interpretation of rules vary across state and federal departments.” In addition to needed reforms
and consolidation of federal grants portals and data collection requirements, frontline nonprofits
recommend these two field-tested actions to reduce burdens and complexity.

\begin{itemize}
\item **Document Vault:** An Idaho nonprofit, that has as many as 20 federal and/or state grants at any one
time, shared that most are for three years in length while one runs for five years. “All of the
applications and continuation grants require many of the same organizational documents (501(c)(3)
status, board list, assurances, audit, indirect rate).” That nonprofits plea is compelling: “Couldn’t all of
these be uploaded to one place for our organization and updated annually rather than uploading
them so many times?” The proposed solution – utilization of a “document vault” – is used in many
states.\footnote{See Nonprofit Sector Strength and Partnership Act of 2022, H.R. 7567 (2022), Section 4(b)(7) (bipartisan legislation to
update government grant and contract systems and enhance partnerships between government and nonprofits,
including through the convening of a commission on Federal grant reform).}
\end{itemize}

\footnote{See Toward Common Sense Contracting: What Taxpayers Deserve, National Council of Nonprofits, May 2014, for more
information.}
5. **Funding Capacity Building**: Frontline nonprofits report the recurring challenge of performing services on behalf of governments based on reimbursement rates that don't include support for capacity building expenses. A very small Tennessee human services provider explained: “Most funders want to support programming, but programs don’t manage themselves. There have to be people to lead, manage, report, and oversee those programs.” (Emphasis added.) Both as a practice that promotes access to federal grantmaking and as a way to ensure better outcomes, we urge Congress to expressly fund capacity building programs such as grants management and reporting.

### Additional Solutions to System-Wide Challenges

#### Making Federal Grant Opportunities More Accessible and Understandable

Much of the foregoing discussion of challenges frontline charitable nonprofits face relate to the inscrutable nature of federal grants, concerns over complexity and costs, and a lack of understanding or capacity to consider, much less take on, the burdens that come with federal grants. We are aware of efforts underway at the Department of Health and Human Services and discussions in Congress about making the process simpler. We fully endorse the concept of simplicity and system streamlining.

One reasonable idea calls for requiring the federal government to provide short summaries of funding opportunities in plain language that small charitable organizations could understand. Ideally, the summaries (of one-page or shorter length) could allow nonprofits to realize on first reading whether they are eligible for the grant and what performance and reporting requirements it would entail. A short, plain-language summary of grant opportunities would essentially force the federal funders to look at the grant from the provider’s perspective, cut down on boilerplate provisions that are not necessary in the specific program or project, and, perhaps most importantly, enable organizations, particularly those serving underserved communities, usually shut out of the grantmaking process to gain access and grant funding. This last point – enabling more nonprofits to participate in the process – would directly relate to the topic of this hearing: **Improving Access to Federal Grants for Underserved Communities.**

#### Taking Advantage of Expertise in Grantmaking to Charitable Nonprofits

Finally, it has become abundantly clear that generic, one-size-fits-all grantmaking and contracting approaches hinder rather than enhance the ability of charitable nonprofits, and particularly smaller organizations, to access federal funds to serve local communities. In many cases, governments seek to create grantmaking procedures based on systems for the procurement of goods from for-profit businesses. Or, many governments presume that only large, well-staffed organization have the wherewithal to apply for grants and contracts, resulting in the incorporation of prescriptive and technical demands that may not be appropriate or needed for the vast majority of programs or charitable nonprofits. In short, too often there are disconnects between what the government needs, how it interacts with charitable organizations, and the demands it imposes. A
solution to this challenge is for governments to rely on and learn from the experiences and expertise of grantmakers who regularly deal with charitable nonprofits.

As the National Council of Nonprofits wrote last year, “Governments today can benefit from recent lessons learned about designing and managing relief and grant programs, based on experiences related to programs created and funded under the 2020 CARES Act and the first round of ARPA funds.”13 Among the recommendations from a review of successful programs and engagements between governments and nonprofits are the need to permit broad, rather than narrow, uses of funds; use simple, clear, easy-to-understand application forms that minimize the required documentation; and enlist nonprofit experts to administer the programs. On this last point, the NCN publication states:

Recommendations: Appoint program administrators – whether a government agency or third-party intermediary – that have prior experience and strong relationships with nonprofits. Partner with nonprofits for technical assistance. Avoid multi-layered approaches where monies must be transferred to several agencies, departments, or regional entities, because every additional layer delays distribution of funds in communities.

We note that grant programs at the National Endowment for the Arts regularly engage with the charitable nonprofit community to ensure that its grant specifications and outreach efforts address the needs of the nonprofits, particularly those that have small budgets, operate in rural areas, or are led by or serve people of color. In particular, we point to the Challenge America program, which is tailored to support primarily small organizations by utilizing an abbreviated application and a robust structure of technical assistance.

We also point the Committee to the extensive experience of philanthropic grantmakers to identify best practices developed by experts whose time is devoted almost exclusively to working with and through charitable nonprofits to achieve desired objectives. Rather than impose pre-existing structures on charitable nonprofits, we recommend that the federal government partner with philanthropy serving organizations, such as the Council on Foundations, the PEAK Grantmaking Community, community foundations, and others to better recognize the unique values and capabilities charitable organizations bring to projects and to develop an understanding of how charitable nonprofits are different.

Respectfully submitted,

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Improving Access to Federal Grants for Underserved Communities

Hearing before the Senate Homeland Security & Governmental Affairs Committee

May 2, 2023

Statement By

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Social Current, a U.S.-based nonprofit, is the premier partner and service provider to a diverse network of 1600+ human and social service organizations in the United States, Canada, Puerto Rico, and beyond. We offer a range of services and learning opportunities, driving the future of the social sector through collaboration, policy and advocacy, knowledge exchange, consultation, training, certification, and accreditation.
Overview

Nonprofit social sector organizations and the individuals employed by these vital organizations are crucial in promoting the health and welfare of the entire American population. Together these organizations and the people who staff them perform a range of critical duties, such as furnishing mental health and in-home assistance to those who require it, operating homeless shelters and domestic violence centers across the country, supervising foster care services and placements for people involved in the child welfare system, and enhancing young children's access to early education opportunities, which are essential for their success. These functions are merely a few examples of their invaluable services, which are fundamental in establishing a flourishing community.

Despite their immense contributions to communities nationwide, the social sector's impact remains unrecognized, and the critical community services they offer remain underfunded. Nonprofit organizations in the social sector have been struggling with mounting financial pressures, hindering their capacity to produce substantial results for an extended period. The complexity, lack of transparency, and convoluted federal grant-making process have exacerbated their financial constraints, making it difficult for them to access the necessary funding to maintain their current level of service delivery or expand in the face of increased demand. Even when they receive funding, it is often inadequate, failing to cover the expenses to provide essential services to their communities.

Social Current, in our work, supporting a network of over 1,800 organizations, including nonprofit and community service organizations, has identified several categories of persistent problems plaguing the government grant-making and contracting systems. Here we present and summarize four concerns that are of immense importance to the nonprofit organizations we support:

Government Contracting Reform is Required for the Long-Term Health of Social Sector Nonprofits and Community Service Organizations

In partnership with the American Public Human Services Association (APHSA), Social Current issued a 2018 report examining the financial health of human services sector nonprofits and community service organizations. Our report found that half of all community-based nonprofit social sector organizations reported persistent operating deficits, one in eight was technically insolvent, and one in three had less than one month of operating expenses on hand.

According to our report, five years ago, the major hindrance faced by community-based organizations in attaining financial stability was the inadequacy of government contracts to cover the actual cost of their services. This issue existed even before the COVID-19 pandemic, and the subsequent economic recession and inflation have further compounded the problem. There has also been a significant increase in demand for services these organizations provide. Despite these challenges, nonprofit employees served as frontline workers throughout the pandemic and continue to do so throughout our nation's recovery.

When providing funding, the government often specifies how nonprofit human services and community-based organizations can utilize the funds, including detailing specific actions to provide services and care. This lack of flexibility reflects a lack of trust between government...
funders and service providers. It hinders their ability to identify and respond to their community’s most pressing needs while covering the indirect costs associated with service delivery. Furthermore, this rigidity can limit nonprofit organizations’ ability to pursue more effective treatment strategies or meet specific community needs in innovative or creative ways. The leadership of a Florida-based social sector nonprofit engaged in our network spoke to how overly prescriptive federal grants limit the ability of community-based organizations to serve their populations effectively.

“You can create programs to meet guidelines and get paid, or you can create programs that you know work better and not get paid. That is a tough place to be in as a mission-driven organization."

Amongst organizations in the network of social sector nonprofit and community service organizations that we support, there is a belief that the chronic underfunding in government grants relates to a view amongst policymakers that private, philanthropic funding can and should bridge this widening funding chasm, as it represents an appropriate investment by the communities that benefit from these critical services. Consequently, nonprofits must utilize philanthropic donations to fill the funding void rather than allocating resources towards research, technology, reserves, staff, quality improvement, knowledge, and organizational strategy, all vital for organizational health, stability, and growth.

The Complexity of the Government Grant Application and Compliance Process Creates an Undue Burden on Organizations Seeking to Provide Critical Community Services

Applying for government grants can be extraordinarily complex and time-consuming, burdening nonprofit and community service organizations seeking to provide critical community services. These organizations often have limited resources and may need more staff or expertise to navigate the complex application process effectively.

A large, multi-state, family services nonprofit organization finds that they are regularly unable to apply for needed grants due to the financial and personnel resources necessary to complete the federal grant application process:

“Even though we have staff dedicated to finding and applying for grants, we regularly cannot apply for federal grants because we lack the personnel resources to complete the application.”

The extensive documentation requirements and the need to comply with various regulations and reporting requirements can make it difficult for nonprofit and community service organizations to secure the funding they need to deliver essential services to their communities. The complexity of the process also makes it more challenging, if not impossible, for smaller organizations to compete for funding against larger, more established nonprofits. These smaller community-based and led organizations are forced to divert scarce resources from their core mission to focus on the grant application process, which can significantly strain their operations and impact care delivery.

A Delaware-based Children and Family Services nonprofit organization have first-hand experience with how onerous grant reporting requirements can put a strain on an entire organization that many communities, families, and children depend on:
“Nonprofit agencies are the backbone of communities. The staff works diligently and passionately to support people and communities with various needs. Unfortunately, the funding provided by federal grant opportunities is often just enough to hire staff to provide services but insufficient to ensure compliance and management of the grant itself—this work often strains already overtaxed agency infrastructure due to the complexity of record-keeping and reporting.”

A Kansas-based community health provider with a record of successful grant applications found one federal agency’s application and reporting requirements so onerous and costly that it decided to forgo seeking funding from this agency in the future altogether.

“In the end, we finally decided to cut our losses with the federal agency because the amount funded was not worth the time spent on compliance requirements and website issues.”

Despite the complex and cumbersome federal grant application process, obtaining technical assistance from federal funding agencies during the application process can often be challenging, significantly hindering or entirely thwarting an organization’s application. Nonprofit and community service organizations seeking federal grants may encounter several obstacles, including waiting to speak with a representative, unresponsive agency staff, or inadequate training resources. Additionally, navigating the bureaucratic procedures and technical requirements can be overwhelming, particularly for smaller organizations with limited resources.

An extensive, multi-state, family services nonprofit organization has had to incur high legal costs to handle conflicting compliance guidance from a single federal funding agency:

“We have one federal contract where we receive conflicting guidance from the contracting officer and the contract itself about whether certain federal compliance regulations are required – making sense of those discrepancies shifts the risk to our organization and again forces us to incur costs consulting legal counsel.”

The Usability, Navigability, and Accessibility of Government Grant-Making Websites Remains Significant and Pose Conceivable Barriers to Grant Application, Reporting, and Compliance

Pursuing grant funding can pose significant challenges for nonprofit organizations, particularly regarding the federal websites and software that govern the process. Even in a best-case scenario where a social sector nonprofit service organization possesses the institutional knowledge or solicits outside consulting to assist with the federal grant application process, navigating the various federal grant application websites poses new challenges and issues.

Numerous technical issues arise during this process, causing many nonprofit organizations difficulties in carrying out fundamental tasks. These include challenges with utilizing the search feature to locate grant opportunities, navigating grant listings on aggregator websites like grants.gov, and dealing with unique technical issues specific to a particular federal agency’s website.

The organizations that Social Current supports range from organizations with significant institutional knowledge regarding the federal grant application process to newly minted community service organizations seeking first-time federal grant funding opportunities. Despite
this range in expertise and experience, many organizations struggle to navigate the numerous and sometimes cumbersome federal grant websites.

For example, a prominent human services nonprofit in New England with a significant and successful record of securing federal grant funding still struggles with navigating the online portion of the application. This organization notes:

“Our staff finds that the online resources require streamlining. Currently, there are too many different federal websites. In addition to grants.gov, individual departments have grant portals that lack consistency. Then as they move through the process, they must use other websites for application, post-award reporting, and federal drawdowns. It would be more efficient to have one destination for the entire process that is more user-friendly.”

The same nonprofit organization notes that changes made to federal grant application website(s) and software are poorly advertised and often appear without explanation:

“When changes are made to the software and its subsequent reporting, there is no hands-on training for users, so staff is left to teach themselves, which is time-consuming.”

A Human Services and private educational organization based in Illinois reports that even the process of searching for grant opportunities using federal websites requires a significant amount of time and manual searching, even when using the provided search function:

“The HHS (Health and Human Services) grants portal is challenging to navigate and find the right opportunities that align with the goals of our organization. For example, if you filter for mental health counseling, the portal will produce hundreds of different types of results, including research, software development, programs, etc.”

This same sentiment is echoed across multiple organizations that Social Current supports. Including both a behavioral health and social services nonprofit organization in the Mid-Atlantic region and a Nebraska-based family services nonprofit, respectively:

“It is difficult to find relevant funding opportunities. The SAMHSA (Substance Abuse and Mental Health Services Administration) website is extremely complex, making navigation difficult. Many have specific agency-type requirements and are only open to government entities but are appropriate to a broader range, including nonprofit behavioral health agencies. When a funding opportunity does present itself, the application process is highly cumbersome. Applying requires logging into multiple systems, each with unique username and password requirements, and navigating several websites, each with multiple tabs without clear guidelines.”

“Looking for federal grant opportunities is a challenge. You can go to grants.gov and search, but the search functions do not work well unless you already have the opportunity numbers. Grants.gov is not particularly user-friendly.”
How To Move Forward: Solutions & Suggestions

Social Current, and the over 1,300 organizations we help support, are incredibly grateful to Chairman Peters and Ranking Member Paul for their interest in these vitally important policy issues. Social Current stands ready to assist the Majority and Minority Members of this committee and their respective staff in formulating evidence-based and field-tested policy solutions that will enable community nonprofits to provide critical services and serve their communities more effectively. With this sentiment in mind, we offer the following broad suggestions from nonprofit community service organizations nationwide. These general concepts are the building blocks of much needed and practical legislative and policy reform efforts.

The federal grant process can be improved for nonprofit organizations in several ways. First, simplifying the application process and reducing the administrative burden on nonprofits would make it easier for these organizations to access federal funding. These efforts include creating more standardized forms, reducing documentation requirements, and streamlining reporting procedures. By reducing administrative hurdles, nonprofits can devote their resources to their core missions rather than being bogged down by paperwork and compliance-related tasks.

Second, there needs to be greater consistency and transparency across different federal agencies regarding their grant application procedures and eligibility criteria. This action can help nonprofits understand what is expected of them, what projects are eligible for funding, and how the review and award process works. By having greater clarity and transparency, nonprofits can more effectively prepare their applications, target their funding requests, and better understand their chances of success.

Last, federal funding agencies should allow greater flexibility in how nonprofits can use grant funds. By allowing nonprofits to direct grant resources where they are most needed and permitting flexibility to take a more innovative and strategic approach to service delivery, the impact of funding can exponentially increase, resulting in increased well-being in the communities they serve. For example, interventions could involve allowing nonprofits to use grant funding to support indirect costs such as staff training, overhead expenses, or greater collaboration and partnerships across different service providers to address complex social problems.

Social sector nonprofits have a unique lens on the social determinants of health and the systems that shape and support people throughout their lifespan. At the heart of our work is the understanding that impact is not about what we do — how many people we serve or how long our organization has existed — it is about moving beyond the foundation of program delivery and service efficiency to address root cause-driven solutions. We must enhance the relationship and trust between social sector nonprofits and government contract funders to achieve this. By striking the right balance, nonprofits can develop the capacity to innovate, widen the focus beyond service delivery to include improved outcomes and return on investment, enhance financial stability, and enable the sector to offer more efficient, effective, and better-coordinated care across communities. We welcome the opportunity to support Congress and federal agencies in addressing these critical issues to ensure a viable nonprofit community service sector that improves the health and well-being of all Americans.
Statement for the Record by
David Biemesderfer
President & CEO
United Philanthropy Forum

Submitted to
Homeland Security and Governmental Affairs Committee
United States Senate

"Improving Access to Federal Grants for Underserved Communities"
May 15, 2023

Chairman Peters, Ranking Member Paul, and Members of the Committee, thank you for allowing me to submit this statement for the record on improving access to federal grants for underserved communities.

United Philanthropy Forum (the Forum) is a membership organization of nearly 100 regional and national philanthropy-serving organizations or PSOs. The Forum uses "PSO" as something of a catch-all term to describe a diverse and dynamic group of philanthropy associations and networks that bring funders together with a focus on a geographic region, funding issue, identity/population group or philanthropic practice.

As the largest and most diverse network in American philanthropy, United Philanthropy Forum holds a unique position in the social sector to help increase philanthropy’s impact in communities across the country. Our members, who represent more than 7,000 foundations and other funders across the country, work to make philanthropy better. Through our members and their networks, we reach almost every state and district, promoting a courageous philanthropic sector that catalyzes a just and equitable society where all can participate and prosper.

We appreciate the opportunity to highlight some of our members who are transforming philanthropy by advancing equitable, effective grantmaking practices and can serve as a resource and example for this Committee’s work. Some of these member organizations include:

1) Grantmakers for Effective Organizations
2) PEAK Grantmaking
3) The Center for Effective Philanthropy
4) Council of Michigan Foundations
5) Philanthropy New York
6) Minnesota Council on Foundations

We have observed some trends over the past few years that may serve as an inspiration for how this change is possible. Sparked by 2020, hundreds of grantmakers quickly pivoted practices to respond to urgent and growing community needs by loosening or eliminating restrictions on grants, reducing the burden on nonprofits, increasing transparency in decision making, committing to listening to communities that are least heard, and supporting policy and advocacy efforts.
Our members understand that supporting systems change requires sustained funding over time. Federal grant programs cannot just do a carve out of 5% for Tribal entities or 10% set-aside for culturally specific organizations and expect transformative change in underserved communities. Smaller, community-based organizations (CBOs) who have the trust of their community are hamstrung by limited internal capacity to apply for federal grants and then abide by the overwhelming reporting requirements. If the nonprofit does receive a federal grant or contract, many times it does not cover the actual cost of service delivery or account for the complexity of the process.

It is very hard for these groups to secure funding to invest in rigorous evaluation necessary to prove their model is evidence-based or evidence-informed. Typically, grants are inflexible with how the funds can be spent that impedes innovation or intersectional work. Some commonsense solutions include simplifying the application process, offering more consistency and transparency regarding grant application procedures and criteria, and allowing greater flexibility in the use of grant funds.

Many times, CBOs are cobbled together small sources of funding from private donations and city and local public funding on shoestring budgets each year. And, fundraising, which has always been difficult and time-consuming, is getting more so. According to recent data released by the Association of Fundraising Professionals, there was a decrease in money raised last year by nonprofits as compared to 2021 and that’s without factoring in further losses via inflation.

The Forum is very proud that PSOs have become more transformative and less transactional; PSOs are placing a more central focus on racial equity and on holding the field accountable on equity issues (including equitable grantmaking processes); PSOs are displaying new kinds of bold leadership in partnerships with government and the private sector.

We appreciate this opportunity to submit testimony about such a vital issue. The Forum stands ready to work with this Committee as a partner and resource into the broader philanthropic landscape of the country and are eager to be part of the solution to improving access to federal grants for underserved communities.

If the committee would like to explore ways to connect the sector and government on this issue, please contact the Forum’s Senior Director of Public Policy, Matthew L. Evans at matthew@unitedphilforum.org. We’re happy to answer any questions.

Thank you for your consideration.

Sincerely,

Dave Bienesderfer
President and CEO
United Philanthropy Forum
May 17, 2023

The Honorable Gary Peters
Chairman
Committee on Homeland Security
and Governmental Affairs
United States Senate
340 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Rand Paul
Ranking Member
Committee on Homeland Security
and Governmental Affairs
United States Senate
340 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Peters and Ranking Member Paul:


These policy resolutions underscore the barriers that communities face in accessing federal funds, including matching fund requirements and capacity constraints. Across federal agencies, there are structural barriers to accessing federal funds that disproportionately affect underserved and rural communities that are most in need of federal assistance. Breaking down these barriers will require streamlining grant funding processes, building grant management capacity within communities, and coordination among federal agencies.

I request that you include this document in the permanent record of the hearing, as it articulates Western Governors’ policy positions and recommendations related to the challenges communities face when attempting to access federal grants.

Thank you for your attention to this matter and your consideration of this request. Please contact me if you have any questions or require further information.

Sincerely,

[Signature]
Jack Waldo
Executive Director

Attachments
Policy Resolution 2023-01

Working Lands, Working Communities

A. BACKGROUND

1. Western states face a wide array of social, economic, and environmental challenges. More frequent and intense wildfires threaten rural and urban communities, invasive annual grasses are encroaching on America’s grasslands, and persistent drought threatens the quality and quantity of water supplies.

2. The fabric of western communities is tightly interwoven with the working lands and ecosystems which they steward and rely upon for cultural, social and economic health. Rural communities have an interdependent relationship with natural resources and working lands: healthy communities can support effective land management practices and the responsible use of their natural resources for multiple purposes.

3. Western lands typically involve a complex array of ownerships, including federal, state, local and tribal governments and private landowners. Addressing land management challenges at scale requires the involvement of all these different land owners and a shared understanding of and participation in management processes, establishment of goals, and collaboratively work toward positive land management outcomes.

4. Land management involves a continuum of activities that respond to the natural cycle of western landscapes. Mitigation activity, which includes manual and mechanical treatments, prescribed fire, and invasive species treatments, is focused on creating healthy landscapes that provide quality habitat for fish and wildlife, maintain water quantity and quality attributes, and are resilient to wildfire. When a wildfire occurs, suppression activity attempts to limit environmental damage and protect human infrastructure and homes. After a wildfire, restoration activity, including salvage operations pursuant to a forest management plan, attempts to alleviate the wildfire’s effect on the environment, prevent post-fire soil erosion and flooding, and reestablish landscapes.

5. Many western communities are experiencing devastating effects from ongoing drought, including increased feed prices, the need to reduce or eliminate existing agricultural products and livestock due to lack of available water, leading some producers to consider eliminating agricultural production entirely. Additional effects are being felt by local economies reliant on the recreational economies developed around large reservoirs in western states. Drought also contributes to the increased threat of more frequent and intense wildfire and degrades habitat quality for wildlife and fish. Without substantial assistance, rural economies in western states that rely heavily on agriculture and natural resources will take years to recover from the effects of this devastating drought.

6. The drought is having downstream effects on food security and fiber and energy production, both regionally and nationally. Those effects include low or dried up reservoirs, increased algal blooms, a decrease in hydroelectric power and the potential of shuttering hydroelectric dams because of low water levels. Some drought-affected communities are
already facing drinking water supply constraints, a situation that could become much more widespread with prolonged drought.

7. Data is a fundamental building block for land management planning, decision making, and accountability for outcomes. At present, data may be held by single agencies and may not be in a format accessible to other agencies, states, or the public.

8. Local capacity, including technical expertise, workforce, capital and manufacturing, affect the ability to conduct responsible management on surrounding lands and promote community adaptability and sustainability. Local land use collaboratives and coordinating capacity can have a significant role in land management processes.

9. Many western communities have suffered from the “boom and bust” economic cycles. Sustainable economic opportunities in multiple areas – from land management, extractive industries, and agriculture to recreation and tourism are critical to enabling communities that are healthy and economically resilient.

10. Economic priorities may shift in rural communities in response to market needs. Markets for products that support active management (such as timber and woody biomass) may be underdeveloped, and environmental conditions may be altered by wildfire or other natural disasters. Adapting to changing economic, environmental, or technological conditions requires the development and use of tools and innovations for rural communities, including the expansion of markets to support management objectives.

11. Capacity constraints across multiple disciplines, from environmental processes and compliance to responsibly conducting land management activities requires a commitment to training, equipping and sustaining a workforce capable of achieving land management objectives. An aging workforce is also a concern in many rural communities. As workers in rural communities retire, additional workforce is needed to maintain the economic viability of these communities.

B. GOVERNORS’ POLICY STATEMENT

Collaboration

Planning

1. The US Forest Service (USFS) and Bureau of Land Management (BLM) should consider developing regional and cross-boundary collaboratives to facilitate cooperation on ecosystem-level land management challenges. The National Environmental Policy Act (NEPA) provides an opportunity for communities to engage in difficult conversations on land use, but communities should be engaged earlier, and at a broader level, to ensure full benefit of the NEPA process.

2. Local collaboratives can be too near-sighted, focusing solely on wildfire mitigation. Land management agencies should consider educational opportunities for collaborative members on broader ecosystem effects of forest and rangeland management (e.g., wildlife habitat, water quality, invasives), which would assist communities seeking to improve overall ecosystem health and resilience.
3. Planning tools like the Shared Wildfire Risk Mitigation system (SWRM) are invaluable in helping communities understand management needs and the effects of land use and wildfire mitigation decisions. These tools help alleviate capacity issues for communities and promote better decision making. Western Governors encourage federal land managers to make SWRM and similar tools widely available to communities and decisionmakers.

4. Land managers should integrate small private landowners into ecosystem planning processes and responsible land management practices. Private industry has looked at US Department of Agriculture (USDA) climate smart credits as a mechanism to spur engagement, but additional methods of gaining small landowner participation and engagement should be explored, including greater participation in local collaboratives, increased partnerships with Soil and Water Conservation Districts, and involvement in shared stewardship agreement processes.

5. County governments have a positive influence on land use planning and resource management through the development of county plans. These county plans can be helpful in crafting state plans, ensuring local views are taken into consideration, and can be persuasive when collaborating with federal agencies on land use planning. State and federal land managers should take steps to ensure that these county resource management and other plans are integrated into their planning processes.

6. Land management agencies should be focused on outcome-based, rather than acre-based, metrics for success. While simply counting acres can provide useful information, agencies should examine how other performance metrics, including the shift of funding over time from suppression activity to mitigation and restoration activities, provides tangible evidence of the value of land management activities.

7. Land managers should prioritize post-wildfire water quality effects in mitigation planning and execution. Post-fire flooding can have a dramatic effect on infrastructure and water quality in downstream communities, and is the cause of many avoidable post-fire deaths in affected areas. Integrating water supply and quality considerations into mitigation work could significantly reduce the cost of post-fire restoration in burned areas.

8. Western Governors encourage land managers to incorporate the effects of drought into land use planning and community sustainability efforts. Drought, among other effects, has impacts on wildfire threat, wildlife and fish habitat, agricultural and ranching productivity, recreational opportunity, power generation, and drinking water availability, all of which threaten community sustainability. Mitigating these effects, to the extent feasible, is critical to ensuring the future vitality of many western communities.

9. Land managers should evaluate the use of area-wide plans under NEPA; this would allow planning for cross-boundary landscapes under a single NEPA process and produce multiple resource benefits.

10. States, tribes and counties can use Good Neighbor Authority (GNA) to facilitate management activities on federal lands. Federal agencies should take steps to ensure that various GNA projects integrate with each other to achieve desired outcomes and provide opportunities to increase collaboration and increase cross-boundary cooperation with these governmental units.
11. Congress should codify and direct funding to the Joint Chiefs Landscape Restoration Program to facilitate continued partnership and investment between USDA and the Natural Resources Conservation Service (NRCS) to support restoration projects where federal and private land ownership and management goals intersect.

12. Western Governors recognize that prescribed fire is an important tool for fuels reduction and ecosystem resilience, but is underused in the West. Prescribed fire has overall air quality benefits, eliminates low- or no-value woody biomass in forest and rangeland environments, and contributes to soil health. Educating the public and creating social license to use the tool is critical; however, recent events have also shown that land managers must put greater effort into coordinating prescribed fire with other mitigation activities, updating models, tools and practices for safe burning, and putting a greater emphasis on post-burn preparation and monitoring to reduce the potential for escaped burns.

13. In many cases, different state, territorial and federal agencies manage the planning and authorization for prescribed fire, which can add delays to implementing prescribed burns, or cause managers to entirely miss opportunities to use the tool. Land managers should consider greater collaboration for prescribed fire activities to increase deployment. Traditional Native American cultural burning and tribal practices are an important part of forest management in the West and may be incorporated more effectively into federal and state planning management processes. Additionally, land managers should have adequate liability insurance to protect individuals and landowners affected by escaped prescribed fires.

Funding and Capacity

14. Financial support for local collaboratives is important to achieving community engagement, subject matter expertise, and long-term success. Federal agencies should examine structures to improve local collaborative capacity.

15. The transition from active wildfire suppression activity to post-wildfire community responsibilities can be abrupt at the community level. Wildfire affected communities, especially in resource-constrained communities, need subject matter expertise on post-fire restoration and risk management to guide them through recovery. Federal agencies should collaborate with states to designate and train post-fire coordinators to manage post-fire recovery. Establishing a post-fire master agreement would also improve the processes involving incident management and post-fire handoff to local authorities.

16. In many cases, wildfire affected communities must provide a funding match to access restoration programs and resources. Match requirements negatively affect resource-constrained communities’ ability to access funds, especially in underserved communities that often lack the personnel or other capacity to administer these programs due to small annual operating budgets. This contributes to inadequate post-fire response, reduced landscape resilience, and suboptimal ecosystem recovery. Federal agencies should examine funding match requirements and consider reducing or eliminating these requirements when the public benefit outweighs the cost of the funding match.
17. Congress should extend the authorization for states to retain revenues from timber sales under GNA, which may then be used to "carry out authorized restoration services on Federal land under the good neighbor agreement;" and if excess funds are available, "to carry out authorized restoration services on Federal land within the State under other good neighbor agreements." This authority is statutorily scheduled to terminate on October 1, 2023. Congress should also consider extending retained receipt authority to county governments and tribes.

18. Increase flexibility in the GNA program: 1) on road construction/reconstruction; 2) for recreation improvements and forest and rangeland restoration planning and implementation activities; and 3) to support better prioritization of GNA projects across larger geographies.

Agency Cultural Issues

19. Forestry and land management agencies, including the Department of the Interior (DOI) and USDA, have separated fire management from land management. Western Governors recognize there needs to be integration of these functions to ensure mitigation efforts produce wildfire-resilient landscapes and communities, suppression activities orient toward restoration needs, and restoration work addresses community needs and future landscape resilience.

20. Federal land management agencies should consider investing in facilitation capacity and training for agency personnel and partner organizations involved with collaborative and wildfire-affected communities. Facilitation skills are an essential element in helping resolve conflict and achieving consensus on mitigation and restoration decisions.

Data

21. The federal government and states should consider collaboratively developing interagency data hubs to reduce overall operating costs, increase the shareability of data (i.e., establishing data standards and formats that are useable and sharable), and facilitate public access to the data.

22. States, territories and federal agencies should consider establishing coordinators for data collection, transfer and assimilation to ensure that data is shareable and useable between platforms. Western Governors encourage agencies to consider standardizing and simplifying data collection protocols for federal agencies, states, counties and tribes which include robust landowner privacy standards and protections.

23. Federal agencies should incorporate socioeconomic data into the decision-making process. In places with complex economic foundations (agriculture, mining, oil and gas), an economic assessment is key to quantifying and understanding the implications of land use decisions.

24. Western Governors recognize that many local governments do not have the capacity or budget to keep datasets current. Federal agencies should consider implementing a model or framework to share resources to address these capacity and budget issues.
25. Federal, state, and territorial land managers should collaborate on developing integrated methods and processes for visitor data collection and analysis. This would help track where visitors are recreating, the activities they are participating in, and assist in placing tourism infrastructure and addressing other tourism infrastructure-related needs. It would also provide important data to inform needs to shift visitation from overused to less-trafficked areas, sustain tourism if federal land closures are needed, and improve recreational experiences for visitors.

Infrastructure

26. Forest and rangeland management access and infrastructure in much of the West is woefully inadequate to address land management needs. Access is critical to perform management activities for wildfire mitigation, habitat improvement, water quality improvements, invasive species management, and post-fire restoration. Western Governors encourage federal agencies to ensure that appropriate access and infrastructure, in appropriate locations, exists to achieve land management objectives. Repairing and replacing range improvements, particularly fencing, in a timely manner should be a priority for federal land management agencies in wildfire-affected areas.

27. Western Governors encourage federal agencies to integrate infrastructure needs into planning processes and provide long-term, sustainable economic opportunities for communities. Federal agencies should also recognize that regulatory certainty is an important element of enabling infrastructure deployment. Consistency in permitting and policy is key to attracting and maintaining infrastructure investments.

28. Federal agencies should consider integration of permitting processes to establish single point permitting for its permittees. Streamlining permitting processes would provide benefits for land managers, project implementers, and the tourism and recreation industry.

29. Federal agencies should evaluate the use of regional recreation partnerships to address infrastructure and repair needs for tourism-related infrastructure. A GIS tool to identify trails and assess visitation effects would assist land managers in addressing trail degradation and the need for new trail development.

30. Western Governors recognize that additional nursery capacity is needed to address post-wildfire restoration needs. Federal agencies should examine the need for market incentives to encourage sustainable nursery markets and facilitate the development of additional nursery capacity.

31. Western Governors recognize that harvest cost is a significant issue for producers. Economies of scale have affected the packing industry, and in many cases small packing houses are booked months in advance due to lack of capacity. USDA should consider how communities can develop additional small packing capacity to ensure access for producers and improve national food security.

32. The supply chain for basic land management equipment, such as vehicles and chainsaws, is integral to implementing management plans authorized by the Infrastructure Investment and Jobs Act. The federal government should take steps to address equipment shortages as part of its implementation of the IIJA.
Markets

33. Predictable, long-term supply assurances are needed to attract private infrastructure investment and improve overall forest and rangeland management capacity. DOI and USDA should consider how its annual timber harvesting targets can ensure adequate long-term supply. USFS and BLM should modify GNA guidance to allow 20-year contracts, versus the current limit of 10 years, to provide additional supply stability.

34. Congress should expand GNA and Stewardship Contracting Authority (SCA) to other federal land managers, which is currently limited to USFS and BLM. Land and facilities owned by the National Park Service, US Fish and Wildlife Service, Bureau of Reclamation, and US Army Corps of Engineers would also benefit from projects implemented under GNA and SCA.

35. Many mitigation projects have high treatment costs with low or little opportunity to recoup those costs. This requires a broader view of investments in wildfire mitigation. Western Governors encourage federal agencies to include cost metrics such as the avoided cost of uncharacteristic wildfire, smoke effects on populations, and benefits to water supply systems and downstream communities when assessing the merits of mitigation projects.

36. Different federal agencies use different strategies to achieve land management outcomes. For example, USFS strategy primarily relies on a "payments for product" model, while NRCS primarily uses a "payments for practice" strategy to achieve land management objectives. Agencies should consider lessons learned from these different strategies and how different payment models could be used to improve management outcomes.

37. Given the importance of the tourism economy, statewide strategic tourism plans, developed in collaboration with federal agencies, can improve coordination between tourism operators on federal lands.

38. A significant barrier to producer investments in soil health and restoration is the cost of equipment to test new practices. Federal agencies should consider incentives to purchase equipment, participate in new processes, or expand markets to encourage deploying new conservation practices.

39. Federal agencies should examine the grazing effects different ruminants have on ecosystems and encourage the targeted deployment of ruminants (i.e., cattle, sheep and goats) to achieve specific land management outcomes.

40. Federal agencies should continue to explore strategies for the use of low or no value biomass, removal of which is needed to achieve wildfire mitigation needs, including market incentives for these materials. Biomass power at utility scale may present such an opportunity, but there is market failure to represent the true value of a bioenergy supply chain. Western Governors encourage DOI, USDA and the Department of Energy to continue research and development efforts to find viable markets for low and no value biomass.

41. Western Governors recognize that market interventions can affect land management decision making. Market incentives for one desired outcome may negatively affect overall ecosystem health and resilience. Federal agencies should take steps to eliminate counterproductive ecosystem outcomes that may arise from different market incentives.
Agencies should consider holistic approaches that incorporate ecosystem health, wildlife habitat, carbon sequestration, water supply and quality and other factors.

42. Federal agencies should expand opportunities for existing USDA Rural Development, US Economic Development Administration (EDA) and Small Business Administration (SBA) programs and financing to support wood product business development and infrastructure.

43. USFS Research and Development, State and Private Forestry, and National Forest System should work collaboratively to support existing and emerging wood products technologies, including the work of the National Forest Products Laboratory, with the goal of expanding markets to maximize restoration activity. Research, development and deployment should be focused on commercially ready technologies with high potential to contribute to current and emerging restoration objectives. These efforts should be aligned with the work of industry partners, and actively pursue public-private partnerships to advance market growth, with the goal of providing sustainable economic development opportunities for rural communities.

44. Western Governors encourage federal agencies to identify initiatives to support markets that can achieve restoration goals and foster near-term opportunities for economic development in rural communities. These opportunities include advancing the use of mass timber in building construction through research and demonstration projects. Expanding utilization of low-value woody biomass for thermal, electric and liquid-fuel energy should also be a priority. Rural electric cooperatives, public utilities, community facility managers, and other partners should contribute to the research, testing and deployment of new and modified heat and electric generation projects and liquid-fuel facilities from hazardous fuels reduction, conifer removal and other forest and rangeland restoration efforts. Finally, agencies should explore opportunities to support new and diversified rangeland products, markets and processing infrastructure, such as mobile meat processing, renewable energy production, local and regional food hubs, and recreation.

45. Congress should pass legislation to promote forest and rangeland product markets and technologies, and expand funding for the Community Wood Energy Program. Western Governors support the use of program funds to create and incentivize state, federal and tribal partnerships in support of these objectives.

Workforce Development

46. Capacity is a significant need in resource-constrained communities. These communities are often not able to invest in basic processes, including writing grant applications and conducting environmental analyses, needed to address landscape needs. Federal agencies should take steps to assist resource-constrained communities in developing these needed capacities.

47. Western Governors recognize that housing costs impede the ability to attract and retain workers in many rural areas. Forest and rangeland management work is inherently place based, making local housing affordability a high priority to retain a workforce capable of planning and executing land management activities. Housing and recruitment are significantly greater challenges in rural communities compared to urban areas. The federal government should focus attention on housing needs and assist communities seeking to attract and retain workforce.
48. Federal capacity to complete NEPA processes in a timely manner is a significant bottleneck
to project implementation on federal lands. Western Governors recognize that the
workforce responsible for NEPA processes is specialized and encourages federal land
management agencies to bolster this capacity to ensure that management projects are
implemented on a timely basis.

49. Federal agencies should consider how interagency shared positions can create regulatory
efficiencies and promote greater collaboration between federal, state, territorial, local and
tribal land managers pursuant to traditional understandings of jurisdictions.

50. Apprenticeship and internship programs can reduce costs associated with building
expertise within a workforce. Western Governors recognize that four-year college degree
programs are not needed for many forest and rangeland careers and that a focus on trades
training provides better workforce outcomes. The federal government and employers
should consider work experience and other non-traditional credentials in hiring and
promotions and avoid credential creep to ensure adequate capacity for land management
project implementation.

51. Western Governors recognize that federal agencies are struggling with recruitment and
retention of a qualified workforce. Workforce that could be used for mitigation or
restoration work may be deployed to fight wildland fire for a significant portion of the year.
Within the wildland firefighting workforce, increased wildfire activity, low salaries, and
mental fatigue contribute to workforce loss. Congress and federal agencies have taken steps
to address these challenges, but the federal government should consider additional steps to
recruit and retain an effective land management and wildland firefighting workforce.

52. Federal agencies should collaborate with states to explore the expanded use of youth,
veterans, inmate crews and conservation corps to provide cost-effective capacity to support
forest and rangeland restoration work across various land ownerships. Congress should
enact legislation, such as the 21st Century Conservation Service Corps Act, to make it easier
for young people and veterans to complete quality, cost-effective maintenance and
improvement projects on public and tribal lands and waters across the country. The federal
government, states, and territories should also examine standards on hiring persons with
criminal backgrounds to promote employment opportunities for qualified applicants that
present minimal risk for future criminal behavior.

C. **GOVERNORS’ MANAGEMENT DIRECTIVE**

1. The Governors direct WGA staff to work with Congressional committees of jurisdiction, the
Executive Branch, and other entities, where appropriate, to achieve the objectives of this
resolution.

2. Furthermore, the Governors direct WGA staff to consult with the Staff Advisory Council
regarding its efforts to realize the objectives of this resolution and to keep the Governors
apprised of its progress in this regard.
This resolution will expire in July 2025. Western Governors enact new policy resolutions and amend existing resolutions on a semiannual basis. Please consult http://www.westgov.org/resolutions for the most current copy of a resolution and a list of all current WGA policy resolutions.
A. **BACKGROUND**

1. Vibrant and prosperous rural communities are essential components of western states and the nation. Rural communities in the West grow and supply food, steward natural resources, contribute disproportionately to the armed services, and are critical to state economies.

2. Rural communities in the West are richly diverse and face varying threats and opportunities. They do, however, share common characteristics, such as low population density and distance from urban centers, that create challenges for economic development.

3. Nationally, the rural population is increasing slowly after a period of decline from 2010-2017, although there is great variation in demographic trends at the county level. Many rural western counties are experiencing population growth due to net migration of retirees as well as people seeking quality of life and amenities.

4. Most rural communities have a higher proportion of older residents than urban and suburban communities. Rural communities are preparing for an anticipated wave of retirements, leading to a reduction in skilled workforce and potential closure of local businesses.

5. Western states have many of the highest per-capita veteran populations in the nation. It is estimated that approximately 25 percent of all veterans live in rural areas. These veterans have lower rates of employment compared to veterans living in urban areas and to their non-veteran rural colleagues.

6. Most rural communities have experienced slower economic and job growth than their urban counterparts and have not yet fully recovered from the 2008 recession. Many rural economies rely heavily on a few industries. This makes these communities more sensitive to trends affecting those industries and can make it more difficult to recover from disruptions. Rural communities have also been significantly affected by the COVID-19 public health threat and will suffer distress from any associated economic downturn.

7. Federal programs for rural development are spread across multiple agencies. Some agencies are responsible for rural infrastructure investments while others focus on economic development. The multiplicity of administering entities and the lack of consistency across agencies renders it difficult for rural stakeholders to navigate federal programs; compounds time and expense needed to apply for funding opportunities; and creates inefficiencies in the distribution of resources.

8. The vast majority of federal loan and grant programs for rural communities are targeted to physical infrastructure. Little funding exists to support development of local capacity, including strengthening community organizations, nonprofit entities, and other groups serving rural communities.
9. By offering opportunity, connectivity, and quality of life, rural communities can thrive and prosper while improving economic stability and protecting the rural character and natural resources that draw people to these areas.

10. Small businesses, including farming and ranching, are the foundation of rural economies, generating tax revenue, creating jobs, providing essential goods and services, and contributing to the culture and character of small towns. Building a successful business in a rural community is particularly challenging due to limited access to capital, available workforce and smaller customer bases. Many successful rural businesses operate on thin margins and if they close, are extremely difficult to replace.

11. High-speed internet, commonly referred to as “broadband,” is the critical infrastructure of the 21st century and a modern-day necessity for individuals, businesses, schools and government. Many rural western communities lack the business case for private broadband investment due to the high cost of infrastructure and the low number of customers in potential service areas. This has left many rural businesses and citizens at a competitive disadvantage compared to urban and suburban areas with robust broadband access.

12. Transportation connectivity is critical to strengthening economies and improving quality of life. Air service is particularly important to connect remote western communities to urban hubs. Pilot shortages, infrastructure constraints, and airline consolidation have negatively impacted rural air connectivity. The airline industry has been significantly impacted by COVID-19 and rural service, which is typically the least profitable, has been reduced.

B. GOVERNORS’ POLICY STATEMENT

1. Western Governors believe that strengthening social infrastructure in rural communities is the best strategy to ensure rural quality of life and prosperity. Congress and federal agencies should increase the proportion of rural economic development and infrastructure funding that goes toward capacity-building. Accordingly, Western Governors call for ample and consistent federal funding for institutions, training, and technical assistance. Robust social infrastructure is fundamental to economic and community development and maximizes the impact of state and federal resources.

2. Social infrastructure is especially critical during disasters or crises. The COVID-19 pandemic and associated economic crisis have illustrated the challenge of rapidly deploying resources to the most urgent needs. Western Governors are committed to strengthening the resilience of rural communities by helping to foster local leadership and strengthen networks and connections within and among rural communities across the West.

3. Western Governors believe that many federal programs for rural development and distressed communities include unintended barriers for rural individuals and entities that need assistance most. Western Governors urge federal agencies to work with states to thoroughly evaluate program requirements; identify barriers for rural applicants; and revise onerous requirements in a manner that recognizes the limited resources and capacity of rural applicants. In particular, Western Governors are concerned by:

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1 The Federal Communications Commission defines fixed “broadband” as service offering minimum speeds of 25 Megabits per second (Mbps) down and 3 Mbps up.
a. Scoring criteria that relate to numerical size and impact, such as the number of jobs created or the number of people served, which disadvantage small and isolated communities;

b. Requirements that applicants partner with other institutions like community colleges or foundations, which may not operate in the rural community seeking assistance;

c. Financial match or cash-on-hand requirements that rural organizations cannot meet; and

d. Overly complicated or technical applications that deter rural customers from applying.

4. Western Governors also urge federal agencies to use state data for eligibility determinations when requested by states. States often have more up-to-date and granular data for rural communities than federal sources.

5. Western Governors recognize and support efforts at the federal and state level to coordinate the deployment of resources, leverage funding, and create one-stop application processes for rural customers. Western Governors are interested in exploring strategies to expand those models to include more funders and further enhance coordination between agencies and between states and the federal government.

6. Western Governors believe that changes in our economy, labor force, and technological innovations require fundamental changes in economic development strategies. Western Governors promote rural development policies that focus on quality of life and the support of small businesses and entrepreneurs. This will develop rural communities that are attractive places to live and work while protecting their rural character, natural resource-based industries, and natural areas.

7. In the wake of disasters in rural communities, including the COVID-19 pandemic, providing small businesses with the tools and resources to survive disruption and prosper again is critical for economic recovery and social stability. The impacts of COVID-19 mitigation measures have illustrated the urgent need for working capital to stabilize rural businesses and ensure their continued viability during periods of prolonged disruption related to disasters and emergencies. The federal response to declared disasters must include sufficient and accessible business stabilization funds, including grants and long-term, forgivable loans. Congress should also examine how such funds are distributed by the Small Business Administration (SBA), U.S. Department of Agriculture Rural Development (USDA RD), and the Economic Development Administration (EDA) to ensure that adequate systems are in place to handle demand during widespread emergencies.

8. During COVID-19 response, many small lenders could not access federal funds to support their communities because they did not meet program thresholds or were unable to compete against large banks. Small lenders, including community development financial institutions (CDFIs), community banks, and credit unions, are often the only lender serving rural and tribal communities. In the ongoing response to the economic impacts of COVID-19, Western Governors encourage Congress to set aside emergency relief funds for small
lenders and consider program requirements that allow those entities to participate through a streamlined process to rapidly distribute resources while maintaining fiscal accountability.

9. Western Governors are eager to work with public universities, community colleges, and the business community to expand opportunities for young people to stay in their rural communities. There is a high demand for skilled workers in rural communities and states should work together on regional solutions that provide the appropriate training and skills for the jobs that are available in rural communities where possible. Western Governors are also committed to increasing employment among veterans and the disabled community in the rural West.

10. Western Governors encourage increased flexibility in the use of federal economic development resources (particularly EDA funds) to facilitate investments in quality of life and amenities in rural communities. Governors believe that metrics based solely on the absolute number of jobs created do not reflect the important economic benefits of investments in community assets that make rural communities attractive places to live. Nor do they account for the relative impact of job creation in less populated rural communities or areas with high unemployment or poverty rates.

11. Western Governors strongly support improving and increasing broadband connectivity in the rural West through significant federal investments in mapping, deployment, and adoption. The Governors have highlighted substantive policy recommendations in the Western Governors' Association policy resolution addressing broadband connectivity.

12. Western Governors have developed robust policies addressing the challenge of providing services and maintaining infrastructure essential to communities across the vast expanse of the rural West. These policies address broadband access, healthcare, surface transportation and water quality. Western Governors are committed to working with Congress and federal agencies to improve the efficacy of federal and state programs to support critical infrastructure in the rural West.

13. Western Governors recommend further changes in approach to supporting water and wastewater infrastructure in the West:
   a. Funding for communities not served by water systems is critically needed. Western Governors recommend set-asides to develop innovative solutions for communities and tribes that cannot be served by traditional systems.
   b. Western Governors are concerned about shortages of certified water system operators and request a coordinated effort to increase training opportunities through the U.S. Department of Agriculture, U.S. Environmental Protection Agency, U.S. Department of Labor and college and university programs that develop these skilled workers to ensure that existing water access in rural communities can be maintained.

14. Western Governors emphasize that air service is a necessity in many rural communities. As the airline industry recovers from the economic impacts of COVID-19, Western Governors urge Congress to consider measures to address challenges in rural air connectivity, including funding for infrastructure and service subsidies.
15. Western Governors support the use of cooperative business models to preserve rural businesses and fill community needs for childcare, homecare, main street businesses, housing, and more. Western Governors recognize the need for substantial technical assistance and education in developing new cooperative businesses and support federal funding of such efforts.

16. Western Governors are concerned by food security challenges in rural communities. Rural grocery store closures jeopardize livelihood and community health. Western Governors are interested in exploring strategies to ensure rural food security by strengthening local agricultural economies and developing regional approaches to rural food supply chains.

17. Housing remains a critical challenge in rural communities across the West. Western Governors are committed to working together to share best practices and effective solutions for housing preservation and development in the rural West.

18. The Cooperative Extension System, which serves every county in western states, is an important asset for rural development. Western Governors believe that Cooperative Extension can play a more meaningful role in economic development efforts in distressed communities and support continued investment in the system as it responds to the changing needs of rural communities. Western Governors are committed to maximizing the efficacy of Cooperative Extension in their states.

C. GOVERNORS’ MANAGEMENT DIRECTIVE

1. The Governors direct WGA staff to work with Congressional committees of jurisdiction, the Executive Branch, and other entities, where appropriate, to achieve the objectives of this resolution.

2. Furthermore, the Governors direct WGA staff to consult with the Staff Advisory Council regarding its efforts to realize the objectives of this resolution and to keep the Governors apprised of its progress in this regard.

Western Governors enact new policy resolutions and amend existing resolutions on a bi-annual basis. Please consult www.westgov.org/resolutions for the most current copy of a resolution and a list of all current WGA policy resolutions.