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FEDERAL GRANT PROGRAMS

Task Force #4

Does any practical device exist to refine the application of Federal grant programs to the territories and the Trust Territory, so as to eliminate those without substantial value to the territory or the Trust Territory, and to make more effective those that do have value?

The question poses the twin issues of coordination and appropriateness in the extension of Federal grant-in-aid programs to the territories and to the participation of the territories in such programs. It seeks to determine the effectiveness of grant programs designed with the States in mind: Do they serve their intended purposes when extended to the territories?

Often, the Act of Congress creating or extending a grant-in-aid program defines "State" so as to include the territories. It may qualify the territories to participate in all aspects of the particular grant-in-aid program or it may only qualify them to participate in some, but not all, parts of the program. Additionally, the territories are frequently subject to a funding allocation that differs from the allocation that applies to the fifty States. Usually, such a modified formula provides that all of the territories share in a specified proportion of the amount appropriated for the program or, alternatively, it may simply state a specified amount that each territory is eligible to receive.

A 1977 study of Federal grant-in-aid programs as they were extended to the territories produced the following information with respect to the number of programs each territory was eligible to receive assistance from and the number each participated in:

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	<u>Eligible</u>	<u>Participation</u>	<u>% Participation</u>
Guam	579	236	41
Virgin Islands	605	269	44
American Samoa	533	167	31
Trust Territory	482	166	34

During the 1960's and the 1970's, the number of Federal grant-in-aid programs increased sharply from 459 in 1967 to 1,078 in 1979. The territories shared in this increase.

There is little objective qualitative information on the effectiveness of these programs in the territories. Assertions have been made that they are destructive of the culture, that they foster dependence, that they are wasteful. Without doubt instances of each can be documented in each territory, as in most communities in the States. Representatives of the Interagency Group heard allegations, particularly in Samoa, that certain programs were damaging to the social factor in the community. But it is also certain that in many instances they are essential to maintaining adequate levels of services, training, and technical assistance. They are often of critical importance in the provision of essential infrastructure.

An effort to curtail or reduce Federal programs in the Trust Territory, a step urged by members of the former Congress of Micronesia, has met with increasing resistance from the same political leaders who had recommended it.

The expansion of the number of types of Federal programs available generally to the States and their political subdivisions and the increase in the dollar amounts available through them have prompted numerous Federal attempts to achieve a rationalization or "coordination" of the programs and their effects. Federal efforts include the establishment of Federal Regional Councils, Under Secretaries Groups, and various schemes to simplify grant applications and to provide for joint or integrated grant programming intended to benefit the applicant. All of these efforts are potentially, if not actually

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available to the territories, as they are to the States and their political subdivisions. In addition, the Federal Government has provided for State and local "clearinghouses" through the "A-95" grant review process. Various programs also provide for the development of "comprehensive" plans; none treats "comprehensive" as extending much beyond the program orientation of the particular grant program.

Not all agencies have uniformly delegated authority to regional councils nor have all agencies uniformly adopted the 10 Standard Federal Regions. Additionally, in many agencies, there is a high degree of Washington level interest and concern with respect to programs in the territories. All of these factors militate against effective coordination at the regional level.

The quest for coordination is more acute in the case of the territories, however, because they are also financed in large degree by funds which may be legally "local" in nature, but which are, nonetheless, authorized and assessed by Federal legislation. These are primarily Federal income taxes that are paid into local treasuries, not the Federal treasury; customs duties and excise taxes paid into the local treasuries; and funds appropriated by the Congress through the Department of the Interior for the basic support of the territorial government. When Federal grant-in-aid funds are added to this Federal subvention, the amount of Federal "support" 37-95% looms large. In terms of per cent of total revenues, such Federal support ranges from 37% in the Virgin Islands to 95% in the Trust Territory of the Pacific Islands. The median State and its local governments, by comparison, received 23% of their local revenues from the Federal Government.

In fiscal year 1979 territorial financing from various Federal sources, including Federal grants-in-aid, totaled approximately \$440 million, or approximately 0.8% of the Federal grant budget in that year. It was, on the other hand, 62% of the total budgets of the territories.

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With such a major local impact, it is essential that the classic problems of overlap, duplication, and competition be avoided.

Equally, if not more important is the need to insure that Federal programs make a substantial contribution to the welfare of the territory; that they contribute effectively to the objectives of the territorial governments; and that they, through the grant of "free money," do not distort priorities and goals of the territorial governments. There is the further need to insure that Federal objectives are met in the territories.

Current impediments to the coordinated use of Federal programs:

- (1) Federal grant programs are not coordinated at the Federal level;
- (2) criteria used in applying Federal programs to a territory may not be appropriate;
- (3) detailed information on Federal programs and the consequences of their implementation is not always available;
- (4) staff resources at the territorial level are small and strain to meet Federal program requirements; and
- (5) territorial coordinating offices appear to play minor roles in the grant process.

No practical device has been developed in the Federal/State experience to achieve the twin goals of coordination and appropriateness. On the other hand, several devices have been tried that have potential if sensitively adapted to the unique situation of the territories.

Objective: To establish an effective planning and implementation process for grant programs applicable to the territories that would:

- (1) coordinate Federal programs at the Federal and territorial levels;

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- (2) collect and maintain current information on available Federal programs, their levels of funding, and the status of their obligations;
- (3) improve territorial management of grant programs;
- (4) encourage prudent decision making with respect to applications for Federal programs;
- (5) match available Federal resources with long-range territorial needs; and
- (6) insure, to the extent possible, the appropriate application of Federal programs to the territories.

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Broadly sketched below is a proposal to rationalize the grant process for the territories. Although not specifically mentioned, the Trust Territory of the Pacific Islands and its constituent governments could participate until the termination of the trusteeship agreement is achieved. With a new political status and a new relationship to the United States, the proposal may or may not be applicable.

1. At the territorial level, each territorial Chief Executive would create an office (if it doesn't already exist, and in most territories it does) to collect information concerning Federal grants to that territory and to be certain that the grant, to the extent permitted by law, is approved by the Governor. This office is here referred to generically as the "territorial coordinating agency," but it can be called whatever the territorial government chooses.

(a) Information collected would relate to (i) applications, (ii) Federal grants actually made, and (iii) status of obligations of each grant. No application could be filed by the territorial government or by any public agency in the territory until the territorial coordinating agency has information about it and does not object. The point is to be certain, to the maximum extent allowed by law, that no application for a Federal grant is filed without the Governor's actual or constructive assent. Evidence of such assent would be required by the Federal agency to which application is made, as a prerequisite to granting the application.

(b) Information collected by the territorial coordinating agency with respect to Federal grant applications would include (i) the general purpose of the grant and the need of the territory for it, (ii) the amount sought, (iii) the time period covered, and (iv) the objects for which the grant will be expended.

(c) Any Federal agency making a grant (or denying it) would advise not only the applicant or grantee (as at present), but also the territorial coordinating agency, of its action.

(d) The territorial coordinating agency would be supplied with data on obligations and expenditures under the grant.

(e) As a result of the foregoing, at any given moment the territorial coordinating agency would know what applications, in what amount, are pending; and what Federal grants, in what amounts, are currently available to the territorial government.

2. At the Federal level, a unit in the territories office would be created (call it, for now, the Federal coordinating unit for categorical grants to the territories), which would receive on a current basis (no less than monthly), information from the five or more territorial coordinating agencies as to new applications filed and grants received (i.e., 1(b), (c), and (d) above). Such unit would probably require two or three relatively senior people. Federal agencies making grants would be asked to inform the Federal coordinating unit.

(a) At a minimum, under this arrangement, someone in Washington would be currently informed about (i) applications pending for each territory and (ii) grants actually made by every Federal agency to each territory.

(b) The Federal coordinating unit would, however, have the additional and more difficult task of assessing each application for its appropriateness. If there is doubt as to its appropriateness (say, for example, that the application is for \$25,000 for a vocational education grant, with \$24,000 of that total being proposed to be spent for the salary of the program director), then the territories office (or the Secretary of the pertinent department, as appropriate), would consult with the Governor. If the Governor

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is unable to satisfy the misgivings, and if the Governor proposes to continue with the application, then the concern should be brought to the attention of the granting Federal agency.

The foregoing proposal could be achieved through administrative processes. It represents a useful first step and would put the Federal grants operation with respect to the territories on a substantially different plane as compared to the States.

To achieve fully, however, the twin goals of coordination and appropriateness for each territory, a planning and implementation process is required to establish projections of need, priorities, and the means of meeting needs. Territories are subject to the current requirements of many individual Federal programs for the development of "comprehensive" plans for funding purposes, but such plans are typically single-purpose and fall short of attempting to project overall needs, goals and objectives, of the political unit as a whole.

In the near term, building on the grant packaging process would be a move toward the longer-range development of multi-year program plans that can be adopted jointly by the territory and the Federal Government. Utilization of the "Federal coordinating unit" as the lead agency in an integrated grant review and approval process would provide a continuing link between the territory and the Federal Government, coordination at the Federal level among like or related Federal programs, and also a consistent lead agency for handling multi-agency grants for territories. Coupled with grant consolidation authorized by Title V of Public Law 95-134, a process could be developed that, without the need for additional legislation, would encourage coordination and joint planning between the territorial and Federal levels for Federally-assisted grant programs.

Title V of Public Law 95-134 authorizes Federal agencies to consolidate grant problems for the territories in such a manner as to enable funds to be shifted from one program to another at the option of the territory. Title V also provides for the waiver of matching requirements. Several Federal agencies have implemented the consolidation provisions of Title V. Use of Title V provides the territories with an opportunity to establish their own priorities

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within broad programatic categories.

On an individual basis, the territorial government, on the one hand, and the Federal Government, on the other, should be able to develop this kind of joint planning process at the territorial and Federal levels. Much could be accomplished administratively without legislation.

Legislation, if needed, can be considered to provide a more structured joint Federal-territorial planning and financial assistance mechanism for the development, review, approval, and implementation of multi-year development plans for the territorial governments.

The incentive to engage in long-range planning, the setting of priorities, is lacking at the present time. Incentives can take intangible forms, such as more prompt review and funding of projects or programs, or a tangible form such as a "bonus" of an additional grant, an increase in the percentage of Federal grants, or a waiver of local matching requirements. In the latter case, it should be noted that Title V of P.L. 95-134 authorized the waiver of matching requirements. The regional commission program of the Public Works and Economic Development Act provides an incentive through funding made available to the Commissions to implement projects or programs approved in the commission plans or investment programs. This has not been a large amount, but it has been effective.

There is an interest on the part of the Governors of the Pacific territories to develop such a structure. Acting through the Western Governors Conference, they are proposing the creation of a Pacific Basin Regional Commission under Title V of the Public Works and Economic Development Act. Eligibility criteria in the current statute would preclude such a designation, assuming other criteria are met. The significance, however, is that the Governors are interested in a procedure that will provide for joint planning with the Federal Government for economic development programs and projects. A major feature of the Title V Regional program has been its growing emphasis on the planning for development process.

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A Title V regional organization would fall short of the need for overall joint coordination of Federal/territorial programs. Its major emphasis would be on economic development. A broader, more cross-cutting planning and coordination process is required, a process not inconsistent with, but incorporating, the more narrow single-purpose comprehensive planning now required by various Federal grant programs. The planning and coordination should take into account the full gamut of programs and projects in each territory, assessing the needs, costs, and resources available for them. It should be comprehensive in the full sense of the term; it should cover an appropriate span of time; and it should involve Federal agencies at a fairly early stage of the process.

Comprehensive, multi-year planning is not easy. It consumes manpower and resources and any applicant for Federal funding assistance may find it easier, and possibly more profitable, to engage in grantsmanship. The critical element in inducing such planning activities is the incentive.

In order to establish for each territory such a planning and implementation process that will lead to territorial and Federal coordination of Federal grant programs and for a means of assessing the value or appropriateness of programs, a two-step approach is suggested. OPTION number one represents an administrative action that can be taken to achieve greater coordination and evaluation of grant programs.

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OPTION I

- I. Issue a Presidential Memorandum or an Executive Order that will:
 - A. Establish a Federal coordinating unit within the Federal organization responsible for the general oversight of territorial affairs.
 - B. Direct the Federal coordinating unit to encourage and assist territorial Chief Executives to establish (or to strengthen) territorial coordinating agencies within their immediate offices.
 - C. Support the territorial coordinating agencies, if and when established to the satisfaction of the Federal coordinating unit, by waiving the matching requirement for HUD Section 701 Comprehensive Planning Assistance grants and for EDA 302 grants.
 - D. If not prohibited by law, require the concurrence of the territorial governor, or the territorial coordinating agency as his delegate, as a prerequisite to processing a grant application.
 - E. Require the approval of the Federal coordinating unit before final action on a grant application.
 - F. Direct the Federal coordinating unit to encourage the development of multi-year plans by the territories and provide for the unit to obtain Federal agency review of and recommendations on such plans.
 - G. Modify Executive Order No. 12149 so as to assign to Federal agencies in Washington territorial functions now scattered in several regional offices and Regional Councils.

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The uneven delegations of authority to regional organizations need no repetition; neither does the problem of dealing with agencies that do not conform to the standard regional groupings. The coordination problems are compounded by the distances of the territories from the regional offices and the problems confronting territorial governments in dealing with a multiplicity of grant agencies and programs. These problems would be offset by assigning the Federal coordinating unit the responsibility of serving as a lead agency for the territories and chairing inter-agency review and coordinating committees for plans and projects.

The development of comprehensive multi-year plans, projecting over a period of years territorial objectives and priorities, coupled with projections of the territorial, Federal, and private resources needed to accomplish them, should lead to a more orderly and consistent annual investment program.

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OPTION II

The critical element that is lacking in OPTION I is significant incentives for comprehensive planning and the implementation of those plans. The waiver of matching requirements is one tangible incentive that can be used. A second, intangible incentive is a perceived improvement in program accomplishment and action on Federal assistance requests. There is little beyond these incentives without the enactment of legislation.

II. Prepare legislation that will:

- A. Authorize the territories jointly with the Federal Executive Branch organization with territorial oversight to develop multi-year development plans, including estimates of Federal grants, and authorize Federal appropriations to support such planning over a declining three-year period (75-25 for the first year; 50-50 the second; and 25-75 the third).
- B. Provide for Federal review and approval of such multi-year development plans.
- C. Authorize annual investment plans based on approved multi-year development plans to the extent other Federal programs and local revenues are insufficient to finance it.

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OPTION III

Equitable treatment in Federal program grants-in-aid to territorial residents

This option addresses the question of whether territorial citizens ought to be entitled to equitable treatment by Federal social programs. Currently, American citizens and nationals in many territories are prohibited from receiving the benefits of programs such as Supplemental Security Income, and full benefits are not granted territories under Social Security public assistance programs such as AFDC and medicaid. There seems to be no rational basis for this inequitable treatment. It should be noted that territorial citizens are eligible to participate in these programs equitably with other citizens when they reside in the 50 states or the District of Columbia. Further, the Covenant with the Northern Mariana Islands, makes those residents of a new territory eligible for many of the Federal benefits which other territorial resident are denied.

The question is whether or not to establish a policy of equitable treatment for territorial residents under Federal social programs.

PROS:

- The option would rectify a longstanding inequity in the treatment of American Citizens and Nationals, discriminated against on the basis of residence.
- The option would establish consistency in the treatment of American Citizens and Nationals, some of whom enjoy these program benefits now and some of whom do not.

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CONS:

- The proposal, in extending program benefits to territorial residents who have been denied them, would result in some additional costs to the Federal treasury.

- While the House of Representatives has passed measures, for example that would extend, SSI benefits to the territories, the Senate has not taken similar action, possibly indicating substantial Senate opposition to the concept. It has not been verified, however, whether this would be the case if proposed in the context of an overall territorial policy that also took steps to promote territorial self-reliance.

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