H.R. 3921, FEDERAL FINANCIAL ASSISTANCE MANAGEMENT IMPROVEMENT ACT OF 1998

HEARING

BEFORE THE

SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, INFORMATION, AND TECHNOLOGY

OF THE

COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT HOUSE OF REPRESENTATIVES

ONE HUNDRED FIFTH CONGRESS

SECOND SESSION

ON

H.R. 3921

TO IMPROVE THE EFFECTIVENESS AND PERFORMANCE OF FEDERAL FINANCIAL ASSISTANCE PROGRAMS, SIMPLIFY FEDERAL FINANCIAL ASSISTANCE APPLICATION AND REPORTING REQUIREMENTS, AND IMPROVE THE DELIVERY OF SERVICES TO THE PUBLIC

JULY 30, 1998

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H.R. 3921, FEDERAL FINANCIAL ASSISTANCE MANAGEMENT IMPROVEMENT ACT OF 1998

THURSDAY, JULY 30, 1998

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON GOVERNMENT MANAGEMENT,
INFORMATION, AND TECHNOLOGY,
COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT,
Washington, DC.

The subcommittee met, pursuant to notice, at 2 p.m., in room 2154, Rayburn House Office Building, Hon. Stephen Horn (chairman of the subcommittee) presiding.

Present: Representatives Horn and Kucinich.

Staff present: J. Russell George, staff director and chief counsel; Matthew Ebert, clerk; Mason Alinger, staff assistant; Jean Gosa, minority clerk; and Brian Cohen and Julie Moses, minority professional staff members.

Mr. HORN. The Subcommittee on Government Management, Information, and Technology will come to order.

State, local and tribal governments, as well as nonprofit organizations, provide various services to the public with the help of Federal grants. Currently, there are over 600 different Federal grant programs. Many of these grant programs serve similar purposes, but are administered by different Federal agencies.

In fiscal year 1995, for example, 15 different Federal agencies operated 163 Federal employment training programs with a total budget of $20.4 billion. Each Federal agency has different forms and rules that must be followed by grantees to apply for and report on grants received. The result is a maze of overlapping programs. It is difficult for even experienced State, local, tribal and nonprofit program administrators to navigate this maze.

Some administrative requirements are duplicative, burdensome and even in conflict with each other. Further, the rules governing the application for use of, and reporting on, various grants across government are confusing and burdensome. This hinders cost-effective delivery of services by State, local and tribal levels and by nonprofit organizations.

We are here today to consider reforms to grant management in the executive branch of the Federal Government. H.R. 3921, the Federal Financial Assistance Management Improvement Act of 1998, was introduced by Representative Rob Portman of Ohio. The bill is designed to improve the Federal grant management process. It would improve the effectiveness of Federal financial assistance programs by streamlining the application, administration, and reporting requirements for grant recipients.

H.R. 3921 proposes a common-sense approach to grant management. It seeks to create order by simplifying the current chaotic and uncoordinated grant processes that grantees must face when dealing with the staggering array of Federal financial assistance programs. This bill builds on past efforts to improve program performance through the Government Performance and Results Act. Both the Paperwork Reduction Act and Unfunded Mandates Reform Act were also designed to reduce the burden on grantees. Further, the bill recognizes the Federal Government's growing reliance on electronic information and the internet by emphasizing the use of electronic reporting in the grant application and management process.

The subcommittee will examine the specific provisions of this legislation. Witnesses will address the process of obtaining, applying for and reporting on grants from the U.S. Government. They will also inform us on the problems that are commonly encountered as well as the opportunities for greater efficiency and economy.

[The text of H.R. 3921 and the prepared statement of Hon. Stephen Horn follow:]

105TH CONGRESS
2D SESSION

H. R. 3921

To improve the effectiveness and performance of Federal financial assistance programs, simplify Federal financial assistance application and reporting requirements, and improve the delivery of services to the public.

IN THE HOUSE OF REPRESENTATIVES

MAY 20, 1998

MR. PORTMAN (for himself, Mr. HOYER, Mr. HORN, Mr. MORAN of Virginia, Mr. SESSIONS, Mr. CONDIT, Mr. DAVIS of Virginia, Mr. KUCINICH, Mr. SHAYS, Mr. MCGOVERN, Mr. TALENT, Mr. SANFORD, Ms. DELAURO, Mr. SUNUNU, Ms. KILPATRICK, and Mr. WEYGAND) introduced the following bill; which was referred to the Committee on Government Reform and Oversight

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A BILL

To improve the effectiveness and performance of Federal financial assistance programs, simplify Federal financial assistance application and reporting requirements, and improve the delivery of services to the public.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. TITLE.

This Act may be cited as the "Federal Financial Assistance Management Improvement Act of 1998".

SEC. 2. FINDINGS.

Congress finds that—

(1) there are over 600 different Federal financial assistance programs to implement domestic policy;

(2) while the assistance described in paragraph (1) has been directed at critical problems, some Federal administrative requirements may be duplicative, burdensome or conflicting, thus impeding cost-effective delivery of services at the local level;

(3) State, local, and tribal governments and private, nonprofit organizations are dealing with increasingly complex problems that require the delivery and coordination of many kinds of services; and

(4) streamlining and simplification of Federal financial assistance administrative procedures and reporting requirements will improve the delivery of services to the public.

SEC. 3. PURPOSES.

The purposes of this Act are to—

(1) improve the effectiveness and performance of Federal financial assistance programs;

(2) simplify Federal financial assistance application and reporting requirements;

(3) improve the delivery of services to the public; and

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

SEC. 4. DEFINITIONS.

In this Act:

(1) COMMON RULE.—The term "common rule" means a government-wide uniform rule for any generally applicable requirement established to achieve national policy objectives that applies to multiple Federal financial assistance programs across Federal agencies.

(2) DIRECTOR.—The term "Director" means the Director of the Office of Management and Budget.

(3) FEDERAL AGENCY.—The term "Federal agency" means any agency as defined under section 551(1) of title 5, United States Code.

(4) FEDERAL FINANCIAL ASSISTANCE PROGRAM.—The term "Federal financial assistance program" means a domestic assistance program (as defined under section 6101(4) of title 31, United States Code) under which financial assistance is available, directly or indirectly, to a State, local, or tribal government or a qualified organization to carry out activities consistent with national policy goals.

(5) LOCAL GOVERNMENT.—The term "local government" means—

(A) a political subdivision of a State that is a unit of general local government (as defined under section 6501(10) of title 31, United States Code);

(B) any combination of political subdivisions described in subparagraph (A); or

(C) a local educational agency as defined under section 14101(18) of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 8801(18)).

(6) QUALIFIED ORGANIZATION.—The term "qualified organization" means a private, nonprofit organization described in section 501(c)(3) of the Internal Revenue Code of 1986 that is exempt from taxation under section 501(a) of the Internal Revenue Code of 1986.

(7) STATE.—The term "State" means each of the 50 States, the District of Columbia, Puerto Rico, American Samoa, Guam, and the Virgin Islands.

(8) TRIBAL GOVERNMENT.—The term "tribal government" means the governing entity of an Indian tribe, as that term is defined in the Indian Self Determination and Education Assistance Act (25 U.S.C. 450b).

SEC. 5. DUTIES OF THE DIRECTOR.

(a) IN GENERAL.—The Director, in consultation with agency heads, shall direct, coordinate, and assist Federal agencies in establishing—

(1) a uniform application, or set of uniform applications, to be used by an applicant to apply for assistance from multiple Federal financial assistance programs that serve similar purposes and are administered by different Federal agencies;

(2) ways to streamline and simplify Federal financial assistance administrative procedures and reporting requirements for grantees;

(3) a uniform system wherein an applicant may apply for, manage, and report on the use of, funding from multiple Federal financial assistance programs across different Federal agencies;

(4) a process for applicants to electronically apply for, and report on the use of, funds from Federal financial assistance programs;

(5) use of common rules for multiple Federal financial assistance programs across different Federal agencies;

(6) improved interagency and intergovernmental coordination of information collection and sharing of data pertaining to Federal financial assistance programs, including the development of a release form to be used by grantees to

facilitate the sharing of information across multiple Federal financial assistance programs;

(7) a process to strengthen the information resources management capacity of State, local, and tribal governments and qualified organizations pertaining to the administration of Federal financial assistance programs; and

(8) specific annual goals and objectives to further the purposes of this Act.

(b) ACTIONS CONSISTENT WITH STATUTORY REQUIREMENTS.—The actions taken by the Director under subsection (a) shall be consistent with statutory requirements relating to any applicable Federal financial assistance program.

(c) LEAD AGENCY AND WORKING GROUPS.—The Director may designate a lead agency to assist the Director in carrying out the responsibilities under this section. The Director may use interagency working groups to assist in carrying out such responsibilities.

(d) REVIEW OF PLANS AND REPORTS.—

(1) IN GENERAL.—The Director shall—

(A) review agency plans and reports developed under section 6 for adequacy;

(B) monitor the annual performance of each agency toward achieving the goals and objectives stated in the agency plan; and

(C) ensure that each agency plan does not diminish standards to measure performance and accountability of financial assistance programs.

(2) REPORT.—Not later than 3 years after the date of enactment of this Act, the Director shall report to Congress on implementation of this section. Such a report may be included as part of any of the general management reports required under law.

(e) EXEMPTIONS.—

(1) IN GENERAL.—The Director may exempt any Federal agency from the requirements of this Act if the Director determines that the agency does not have a significant number of Federal financial assistance programs.

(2) AGENCIES EXEMPTED.—Not later than November 1 of each fiscal year, the Director shall submit to the Committee on Governmental Affairs of the Senate and the Committee on Government Reform and Oversight of the House of Representatives—

(A) a list of each agency exempted under this subsection in the preceding fiscal year; and

(B) an explanation for each such exemption.

(f) GUIDANCE.—Not later than 120 days after the date of enactment of this Act, the Director shall issue guidance to Federal agencies on implementation of the requirements of this Act. Such guidance shall include a statement on the common rules that the Director intends to review and standardize under this Act.

SEC. 6. DUTIES OF FEDERAL AGENCIES.

(a) IN GENERAL.—Not later than 18 months after the date of enactment of this Act, each Federal agency shall develop and implement a plan that—

(1) streamlines and simplifies the application, administrative, and reporting procedures for each financial assistance program administered by the agency;

(2) demonstrates active participation in the interagency process required the applicable provisions of section 5(a);

(3) demonstrates agency use, or plans for use, of the uniform application (or set of applications) and system developed under section 5(a) (1) and (3);

(4) designates a lead agency official for carrying out the responsibilities of the agency under this Act;

(5) allows applicants to electronically apply for, and report on the use of, funds from the Federal financial assistance program administered by the agency;

(6) strengthens the information resources management capacity of State, local and tribal governments and qualified organizations pertaining to the administration of the financial assistance program administered by the agency; and

(7) in cooperation with State, local, and tribal governments and qualified organizations, establishes specific annual goals and objectives to further the purposes of this Act and measure annual performance in achieving those goals and objectives.

(b) PLAN CONSISTENT WITH STATUTORY REQUIREMENTS.—Each plan developed and implemented under this section shall be consistent with statutory requirements relating to any applicable Federal financial assistance program.

(c) COMMENT AND CONSULTATION ON AGENCY PLANS.—

(1) COMMENT.—Each Federal agency shall publish the plan developed under subsection (a) in the Federal Register and shall receive public comment on the plan through the Federal Register and other means (including electronic means). To the maximum extent practicable, each Federal agency shall hold public hearings or related public forums on the plan.

(2) CONSULTATION.—The lead official designated under subsection (a)(4) shall consult regularly with representatives of State, local and tribal governments and qualified organizations during development of the plan. Consultation with representatives of State, local, and tribal governments shall be in accordance with section 204 of the Unfunded Mandates Reform Act of 1995 (2 U.S.C. 1534).

(d) SUBMISSION OF PLAN.—Each Federal agency shall submit the plan developed under subsection (a) to the Director and Congress and report annually thereafter on the implementation of the plan and performance of the agency in meeting the goals and objectives specified under subsection (a)(7). Such a report may be included as part of any of the general management reports required under law.

SEC. 7. EVALUATION.

(a) IN GENERAL.—The Director (or the lead agency designated under section 5(c)) shall contract with the National Academy of Public Administration to evaluate the effectiveness of this Act. Not later than 4 years after the date of enactment of this Act the evaluation shall be submitted to the lead agency, the Director, and Congress.

(b) CONTENTS.—The evaluation under subsection (a) shall—

(1) assess the effectiveness of this Act in meeting the purposes of this Act and make specific recommendations to further the implementation of this Act;

(2) evaluate actual performance of each agency in achieving the goals and objectives stated in agency plans; and

(3) assess the level of coordination and cooperation among the Director, Federal agencies, State, local, and tribal governments, and qualified organizations in implementing this Act.

SEC. 8. EFFECTIVE DATE AND SUNSET.

This Act shall take effect on the date of enactment of this Act and shall cease to be effective on and after 5 years after such date of enactment.

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ONE HUNDRED FIFTH CONGRESS

Congress of the United States
House of Representatives

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H.R. 3921, the "Federal Financial Assistance Management Improvement Act of 1998"

July 30, 1998

OPENING STATEMENT
REPRESENTATIVE STEPHEN HORN (R-CA)

Chairman, Subcommittee on Government Management, Information, and Technology

State, local, and tribal governments, as well as non-profit organizations provide various services to the public with the help of Federal grants. Currently there are over 600 different Federal grant programs. Many of these grant programs serve similar purposes but are administered by different Federal agencies. In fiscal year 1995, for example, 15 different Federal agencies operated 163 Federal employment training programs with a total budget of $20.4 billion.

Each Federal agency has different forms and rules that must be followed by grantees to apply for, and report on, grants received. The result is a maze of overlapping programs. It is difficult for even experienced State, local, tribal, and non-profit program administrators to navigate this maze.

Some administrative requirements are duplicative, burdensome, and even in conflict with each other. Further, the rules governing the application for, use of, and reporting on various grants across Government is confusing and burdensome. This hinders cost-effective delivery of services by the State, local, and tribal levels and by non-profit organizations.

We are here today to consider reforms to grant management in the Executive branch of the Federal Government. H.R. 3921, the "Federal Financial Assistance Management Improvement Act of 1998," was introduced by Representative Rob Portman of Ohio. The bill is designed to improve the Federal grant management process. It would improve the effectiveness of Federal financial assistance programs by streamlining the application, administration, and reporting requirements for grant recipients.

H.R. 3921 proposes a common-sense approach to grant management. It seeks to create order by simplifying the current chaotic and uncoordinated grant processes that grantees must face when dealing with the staggering array of Federal financial assistance programs.

This bill builds on past efforts to improve program performance through the Government Performance and Results Act. Both the Paperwork Reduction Act and the Unfunded Mandates Reform Act were also designed to reduce the burden on grantees. Further, the bill recognizes the Federal Government's growing reliance on electronic information and the Internet by emphasizing the use of electronic reporting in the grant application and management process.

The subcommittee will examine the specific provisions of this legislation. Witnesses will address the process of obtaining, applying for, and reporting on grants from the United States Government. They will also inform us on the problems that are commonly encountered as well as the opportunities for greater efficiency and economy.

Mr. HORN. We will have two panels today that we are going to merge into one. Panel one includes the author of the bill, Representative Rob Portman, a Member of Congress from Ohio, and his colleague, the Democratic sponsor, Representative Steny Hoyer, Member of Congress from Maryland.

And we also have with us on panel two, Mr. William Kilmartin, comptroller of the State of Massachusetts and an executive committee member of the National Association of State Auditors, Comptrollers and Treasurers. And with him is Mr. James Martin, legislative counsel, Office of State and Federal Affairs, National Governors Association.

Gentlemen, our tradition here, since this is an investigative committee, is to swear in all witnesses, but not Members. So if you would stand and raise your right hands.

[Witnesses sworn.]

Mr. HORN. The clerk will note that both witnesses have taken the oath, and we will begin. We might have to put aside your testimony. But without objection, we will combine all the testimony, following the Members', when they finally get here.

And we are going to start with Mr. Kilmartin. We thank you for coming down here. You represent an active and powerful group of people in State government, and we welcome your thoughts on this legislation.

So, Mr. Kilmartin, please proceed.

STATEMENTS OF WILLIAM KILMARTIN, COMPTROLLER, STATE OF MASSACHUSETTS, AND EXECUTIVE COMMITTEE MEMBER, NATIONAL ASSOCIATION OF STATE AUDITORS, COMPTROLLERS AND TREASURERS; AND JAMES L. MARTIN, LEGISLATIVE COUNSEL, OFFICE OF STATE AND FEDERAL AFFAIRS, NATIONAL GOVERNORS' ASSOCIATION

Mr. KILMARTIN. Thank you, Mr. Chairman, Congressman Horn. And it is a pleasure to offer some comments on behalf of my colleagues in the 50 States.

Mr. HORN. I don't think that microphone is picking you up. You are going to have to be very close to it. Push it right toward you.

Mr. KILMARTIN. Is that better?

Mr. HORN. Yes, thanks.

Mr. HORN. I appreciate the opportunity to share some comments and some observations from my colleagues in the 50 States. We are the members of the National Association of State Auditors, Comptrollers and Treasurers, and we do exactly what the title implies, we try to manage the financial affairs of the 50 States.

Within the group, which is often referred to by its acronym, NASACT, there is a committee which is called the Intergovernmental Fiancial Management Improvement Committee. Its mission is perfectly dovetailed with the purposes of this act, which are to promote efficiency, effectiveness and productivity improvements, as it relates to matters of joint Federal-State financial management. Members of the committee include Bob Childree, the comptroller of Alabama; Larry Alwin, auditor of Texas; Bill Holland, auditor of Illinois; Jan Sylvis, comptroller of Tennessee; Shirley Moses, comptroller of Kansas; Paul Sylvester, the treasurer of Connecticut; Janet Rzewnicki, the treasurer of Delaware; Kurt Sjoberg, the

auditor of California, and myself, the comptroller of the Commonwealth of Massachusetts. That gives you a sense of the nature of the group on whose behalf I am going to convey these comments.

We would urge your favorable consideration to the bill. We believe that the domain of Federal assistance programs has many opportunities for improvement. We specifically urge that the opportunities for stakeholders, such as State governments, to be involved in the determination of administrative procedures be expressly provided for within the bill. We see such reference in section 6 as it relates to the respective Federal agencies, and we urge your consideration to possibly including a similar reference to section 5, wherein the duties of the Director of OMB are specified so as to cement in, if you will, a rule of State consultation or other stakeholders' consultation, be it at the leadership level, as well as at the department level.

Within the domain of Federal assistance programs, there are many opportunities for improvement as it relates to the application process, the notice of award and supplemental award process; and some efforts have taken place in that regard. I would specifically like to draw out for your consideration today the funds transfer aspect of the programs of Federal assistance.

I will use Massachusetts as a typical example. And you may extrapolate from my example to the other 50 States because we are more or less similarly situated.

Massachusetts is approximately the 10th largest State, with total annual revenues of around $30 billion; and $5.7 billion of that would be Federal assistance programs, or roughly 16 or 17 percent of our total operations is Federal grants. There's over 400 Federal grants that we deal with each year that emanate from about three dozen Federal granting agencies; and we have to deal with the 13 Federal funds transfer systems.

It's our position that one Federal funds transfer system would be optimal. It used to be 12; the 13th was recently added, and we also heard that a 14th Federal payment system is in the pipeline as well, which would strike us as a movement in the wrong direction.

We think that your bill would provide the opportunity for us to work together with our Federal colleagues to effectuate a significant simplification on something as relatively straightforward as how we exchange the funds back and forth between the respective jurisdictions. We notice that the CFO council, under the leadership of OMB, has taken an action in this regard which we commend; however, their proposal is to go from 13 systems down to 3 and to get that done in 5 years, namely 2002.

We would advocate that we go from—I guess I will say it this way: 3 systems, rather than 13, is good, but we think that 1 system, rather than 13, is even better. And furthermore, we think that we can get there in a year, not 5 years. So by working together with the CFO council or otherwise, the legislation would provide opportunities for our involvement and interaction. We think that we could work cooperatively to the benefit of all parties and move quickly and move decisively to effectuate the types of efficiencies that we have knowledge—that we know we know how to do them.

We've done many of these projects inside of our own jurisdiction, and we know how to do business-to-business, web-enabled-type

funds, transfer stuff. We want to mention there are some examples of excellent Federal, State cooperation that we can buildupon in this regard. And to me, the bill before you is the logical continuation of some of these past successes.

The Federal and State governments worked together very successfully to implement the Single Audit Act; the General Accounting Office and a lot of State stakeholders participated in that. I think about the Cash Management Improvement Act, and the U.S. Treasury and OMB, together with a lot of State agencies, and we got that done. More recently, I think about the electronic benefits transfer and the—under the leadership of OMB, there was a Federal task force created, very specifically involving State interests, and the result is nationwide deployment of electronic benefits transfer.

So in the spirit of these past successes, we would urge for your consideration of legislation that would keep the ball rolling, get into the domain of Federal grants, Federal assistance programs, and as I've talked about today, specifically the funds transfer or payment aspect.

Thank you very much for this opportunity. I hope I haven't overstayed my 5 minutes, and I will be pleased to entertain any type of dialog or questions, if you would please.

Mr. HORN. Well, automatically once we introduce—your full statement is put in the record, and then we appreciate the 5-minute summary.

[The prepared statement of Mr. Kilmartin follows:]

Statement of
William Kilmartin
Massachusetts State Comptroller
On Behalf of the National Association of State Auditors, Comptrollers and Treasurers

Before the
Subcommittee on Government Management, Information, and Technology

Of the
Committee on Government Reform and Oversight

U.S. House of Representatives
July 30, 1998

Mr. Chairman and members of the subcommittee, my name is William Kilmartin and I am the State Comptroller of Massachusetts. I also serve on the Executive Committee of the National Association of State Auditors, Comptrollers and Treasurers (NASACT). As part of my duties within NASACT, I am a member of our Intergovernmental Financial Management Improvement Committee (IFMIC). I offer this testimony on behalf of the state of Massachusetts, the financial policy officials of the 50 states who are members of NASACT and the committee. This committee is dedicated to improving financial management at the federal, state, and local political subdivision levels of government. I thank you for your invitation to appear here today for this hearing and provide comments from the perspective of state financial policy officials.

The stated purpose of the Federal Financial Assistance Management Improvement Act of 1998 (H.R. 3921) is *"To improve the effectiveness and performance of Federal financial assistance programs, simplify Federal financial assistance application and reporting*

requirements, and improve the delivery of services to the public." The Committee that I chair within NASACT has a mission statement that reads *"To coordinate state input and focus representation for efficiently and equitably improving intergovernmental financial management with Federal partners."* It is clear that improving the current system is a common goal, the achievement of which would benefit both levels of government, and, ultimately, the taxpayer. Working together will help us do that.

Tens of billions of dollars are transferred between the Federal government and the states each year. States participating in Federal grant programs are often subject to different rules and procedures dependent upon which Federal agency is administering the program. We recognize that each program is different, but administering certain common financial functions such as the payment request and disbursement procedures does not have to be different for each federal agency. The money and resources dedicated to facilitating the transaction itself would be better spent on programmatic activities rather than administrative expenses.

We endorse the simplification of the existing federal financial assistance program application and reporting requirements. The Office of Management and Budget is the appropriate federal entity to oversee the process. The active participation of federal assistance recipients is essential to the success of any action that is taken. There is no greater resource available to identify burdensome or unnecessary regulation than those subjected to it. There is also no greater resource to identify the solutions. These are the state governments and other direct federal grant recipients.

The proposed legislation includes provisions calling for state, local and tribal governments to be consulted during the development of these plans. If enacted, NASACT intends to be an active participant in the process and we hope that our input and that from other user groups is incorporated into the final product.

One example of where federal-state financial relations can be improved is in the area of federal payment systems used to make funds transfers to state governments. Currently,

many federal agencies have their own proprietary payment systems to administer their grant programs. State governments, their agencies, and other grant recipients must be able to request and receive funds using the protocol established by the respective federal agency. Consequently, a state that centrally manages these grants must use several methods to draw down funds from the federal government. Typically, a single state must accommodate ten to twelve federal disbursement systems. This is an example of financial management than can be easily improved.

Recently, the Chief Financial Officers Council (CFO Council) endorsed a plan to reduce the number of payment systems in use by the federal government from more than 12 to three, over the course of the next few years. NASACT had been seeking to reduce the number of payment systems to one within one year. We applaud the direction taken by the CFO Council, but believe they can move farther and faster. Three systems are better than 12, but not as efficient as one. A solution in 2002 is good, but one in 1999 would be better.

I mention the recent CFO Council recommendation for several reasons that illustrate the need for true partnerships, not paper partnerships, between the states and the federal government. First, state involvement in that decision-making process was openly sought, and the leadership of the Office of Management and Budget is commended for their efforts. However, the state involvement was not effective because the CFO Council's recommendation was mostly completed before the states' participation. If states were involved earlier in the process in analyzing the problem, pointing out the strong and weak points in the different programs, a better result would have been achieved. I urge you to strengthen language in the bill to ensure that grantees be given maximum ability to participate in changing the existing system.

Second, strike while the iron is hot. When a decision is reached on what new procedures to implement, it should be acted upon quickly and decisively. Transition periods should be as short as reasonably possible to effectively prepare for the intended changes, not as temporary safe harbors for those who fear change.

Mr. HORN. I call on Mr. Martin. His full statement is now in the record. We will have his 5 minutes, and then we will throw it open to a dialog between the three of us, unless we have a little company up here.

So Mr. Martin, we're glad to see you.

Mr. MARTIN. Thank you, Mr. Chairman. I have a four-sentence summary in the beginning. But there really is just a three-word summary, and that's, "Do it now." It's long overdue. And it's our experience, unless Congress takes on or does some of these things, they won't be done.

Mr. HORN. I can assure you they will be done in the House of Representatives.

Mr. MARTIN. Well, the bill in the Senate——

Mr. HORN. Now, with the other body?

Mr. MARTIN. I have a letter here signed by the presidents of all of the organizations of State and local government of elected officials: the legislatures, the mayors, the counties, the managers and the Governors, to Senator Lott, telling him to please move this bill to the floor of the Senate; it's out of the committee, it has strong bipartisan support.

And your bill is the same. It's something that can happen this year and should be done.

And so why do all of the Governors and mayors and legislatures support this bill——

Mr. HORN. If we might have that letter for the record, we will put it in the record at this point, without objection.

Mr. MARTIN. Yes, sir.

[The information referred to follows:]

Brian O'Neill, Council Member
City of Philadephia
President, National League of Cities

Deedee Corradini, Mayor of Salt Lake City
President, The U.S. Conference of Mayors

Gary Gwyn, City Manager
Grand Prairie, Texas
President, International City/County Management Association

Representative Charlie Williams, Mississippi
Chairman, Council of State Governments

Mr. HORN. We can make a copy and return it to you, so——

Mr. MARTIN. The—I have the OMB letter, as well, Mr. Chairman. The OMB letter says that they concur with the objectives and intent of the bill; however, we're already doing it, and if you make us do more, it's too much paperwork.

[The information referred to follows:]

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

JUL - 1 1998

DEPUTY DIRECTOR
FOR MANAGEMENT

The Honorable Stephen Horn
Chairman
Subcommittee on Government Management,
Information, and Technology
Committee on Government Reform and Oversight
Washington, DC 20515-6143

Dear Mr. Chairman:

Thank you for the opportunity to review and comment on H.R. 3921, the Federal Financial Assistance Management Improvement Act of 1998. The Office of Management and Budget (OMB) has reviewed the bill and believes that its objectives can be accomplished under current statutes by OMB and the Federal agencies. The bill is identical to S.1642, introduced by Senator Glenn, to which OMB has recommended revisions to make the bill workable and reduce the costs to Federal agencies and OMB of complying with the bill's provisions. The recommended revisions and a revised bill are enclosed for your consideration. OMB also offers the following comments.

Overall, OMB concurs with the general objectives and intent of the bill, particularly as they relate to improving the effectiveness and performance of Federal financial assistance programs by simplifying the Federal financial application and reporting processes. However, many of the bill's provisions already exist within the current framework of OMB Grant Management Circulars[1]. A standard government-wide grant application form (SF- 424, Application for Federal Assistance), a standard financial report (SF- 269, Financial Status Report), and a "common rule" for administrative requirements already exist and are described in OMB Grant Management Circulars. It is our belief that this legislation is not likely to further improve the administration of Federal assistance programs.

Additionally, the bill's requirements, as described in Sections 5 and 6, for Federal agencies to develop and implement a formal plan to improve the administration of Federal financial assistance programs, and for OMB to coordinate the agencies' effort and to submit a report to Congress, will add unnecessary costs and administrative burdens to agencies and OMB during a period of limited Federal resources.

---

[1] OMB Grant Management Circulars applicable to all non-profit grantees include A-102, "Grants and Cooperative Agreements with State and Local Governments," "Grants Management Common Rule," and A-110, "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations." These and other related documents and forms are available on OMB's Internet Homepage at http://www.whitehouse.gov/WH/EOP/omb under "Grants Management circulars and related documents."

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OMB welcomes this continued opportunity to work with you in improving the effectiveness and performance of Federal financial assistance programs.

Sincerely,

G. Edward DeSeve
Acting Deputy Director for Management

Enclosures

Sec. 1. Short title

This Act may be cited as the ``Federal Financial Assistance Management Improvement Act of 1998".

Sec. 2. Findings

This section finds that there are over 600 Federal financial assistance programs designed to implement domestic policy, and that some of the administrative requirements of these programs may be impeding the cost effective delivery of services at the local level; further, State, local and tribal governments and non-profit organizations are dealing with increasingly complex problems, and simplifying the procedures and reporting requirements of Federal aid programs will improve the delivery of services to the public.

Sec. 3. Purposes

The purposes of this Act are to improve the effectiveness and performance of Federal aid programs, simplify application and reporting requirements, improve the delivery of services to the public, and facilitate greater coordination among those responsible for delivering services.

Sec. 4. Definitions

~~This section defines the terms used in this Act, including ``Federal financial assistance program".~~

(FROM MAY 26 VERSION (May 28 version had no definitions))

~~In this Act:~~

~~(1) COMMON RULE- The term `common rule' means a government-wide uniform rule for any generally applicable requirement established to achieve national policy objectives that applies to multiple Federal financial assistance programs across Federal agencies.~~

(RENUMBER 2-8 as 1-5)

~~(2)~~ (1) DIRECTOR- The term `Director' means the Director of the Office of Management and Budget.

~~(3)~~ (2) FEDERAL AGENCY- The term `Federal agency' means any agency as defined under section 551(1) of title 5, United States Code.

~~(4)~~ (3) FEDERAL FINANCIAL ASSISTANCE ~~PROGRAM~~- The term `Federal financial assistance ~~program' means a domestic assistance program (as defined under section 6101(4)~~ has the same meaning as defined in section 7501(a)(5) of title 31, United States Code) under which federal financial assistance is provided directly or indirectly to a non-federal entity defined in section 7501(a)(6) of title 31, United States Code ~~available, directly or indirectly, to a State, local, or tribal government or a qualified organization to carry out activities consistent with national policy goals.~~

~~(5)~~ (4) LOCAL GOVERNMENT- The term `local government' means--

(A) a political subdivision of a State that is a unit of general local government (as defined under section ~~6501(10)~~ 7501(a)(11) of title 31, United States Code);

~~(B) any combination of political subdivisions described in subparagraph (A); or~~

~~(c) a local educational agency as defined under section 14101(18) of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 8801(18)).~~

~~(6) QUALIFIED ORGANIZATION- The term `qualified organization' means a private, nonprofit organization described in section 501(c)(3) of the Internal Revenue Code of 1986 that is exempt from taxation under section 501(a) of the Internal Revenue Code of 1986.~~

~~(7) STATE- The term `State' means each of the 50 States, the District of Columbia, Puerto Rico, American Samoa, Guam, and the Virgin Islands.~~

~~(8)~~ [5] TRIBAL GOVERNMENT- The term `tribal government' means ~~the governing entity of~~ an Indian tribe, as that term is defined in ~~the Indian Self Determination and Education Assistance Act (25 U.S.C. 450b).~~ Section 7501 (a)(9) of title 31, United States Code.

(MAY 28 RESUMES)

Sec. ~~5~~6. Duties of Federal agencies

[a] In General .--Not later that ~~18~~ 36 months after enactment of this Act, each Federal agency shall develop and implement a plan that--

(1) simplifies the application, administrative, and reporting procedures for ~~each~~ Federal ~~program~~ awards as defined in section 7501 (a) (4) title 31, United States Code, administered by the agency;

[2] ~~(3)~~ demonstrates appropriate agency use of the ~~uniform application and system~~ model common application and reporting system developed under section [3(a)(1)] ~~5(a)~~;

[3] ~~(2)~~ demonstrates appropriate ~~active~~ participation in the interagency process under section [3(a)(2)] ~~5(a)~~;

(4) designates a lead agency official;

(5) allows applicants to apply for, and report on the use of, Federal funds electronically;

(6) strengthens the information resources management capacity of grantees pertaining to the administration of Federal ~~programs~~ award; and

(7) in cooperation with grantees, establishes appropriate annual goals and objectives to measure performance which may be done as part of the agency's strategic planning responsibilities under the Government Performance and Results Act.

(b) Plan Consistent With Statutory Requirements. --Each plan developed and implemented under this section shall be consistent with statutory requirements relating to any applicable Federal program.

(c) Comment and Consultation on Agency Plans.--

(1) Comment. --Each agency shall publish its plan in the Federal Register ~~for comment and hold public hearings on its plan~~.

(2) Consultation. ~~--The lead~~ official designated by each agency shall consult [1] appropriate with ~~State, local and tribal governments and qualified organizations~~ non-federal entities during development of the agency plan. ~~Consultation with state, local and tribal governments shall be in accordance with section 204 of the Unfunded Mandates Reform Act of 1995 (2 U.S.C. 1534).~~

(d) Submission of Plan. --Each agency shall submit its plan to Congress and the Director of OMB and report annually on its implementation and performance. Such report may be included as part of any other required general management report.

Sec. 65. Duties of the Director

(a) In General. --The Director of the Office of Management and Budget shall provide appropriate coordination and assistance for coordinate and assist federal agencies in establishing--

(1) A model common application and reporting system, including:

(A) (1) a model common uniform application or set of model common uniform applications to be used to wherein a non-federal entity can apply for federal financial assistance from multiple Federal programs that serve similar purposes and are administered by different Federal agencies; and

(B) (3) a model common uniform system wherein an applicant a non-federal entity can apply for, manage, and report on the use of funding multiple Federal programs awards across different Federal agencies;

(4) a process by which applicants can apply for and report on the use of Federal funds electronically;

(5) use if common rules for multiple Federal programs across different Federal agencies;

(2) An interagency process for addressing:

(A) ways to streamline administrative procedures and reporting requirements for grantees non-federal entities; and

(B) (6) improved interagency and intergovernmental coordination of information collection, including appropriate information sharing consistent with the Privacy Act of 1974 the development of a release form to facilitate information sharing;

(7) a process to strengthen the information resources management capacity of grantees pertaining to the administration of Federal programs; and

(8) specific annual goals and objectives to further the purposes of this Act.

(b) Action Consistent With Statutory Requirements. --Actions taken by the Director must be consistent with the statutory requirements of related to any applicable Federal program award.

(c) Lead Agency and Working Groups. --The Director may designate a lead agency and use interagency working groups to carry assist in carrying out his responsibilities this section. Act.

(d) Review of Plans and Reports.--

Agencies shall submit to the Director, upon his request and for his review, information and other reporting regarding their implementation of this Act.

(1) In general. --The Director shall review agency plans and reports, monitor the annual performance of each agency, and ensure that each agency plan does not diminish standards to measure performance and accountability of financial assistance programs.

(2) Report. --Not later than 3 years after the enactment of this Act, the Director shall report to Congress on the implementation of this section. Such report may be included as part of any required general management report.

(e) Exemptions. --

(1) In general. --The Director may exempt any Federal agency from this Act if he determines it does not have a significant number of Federal aid

~~programs awards. The Director shall maintain a list of exempted agencies.~~

~~(2) Agencies exempted.—Not later than November 1 of each fiscal year, the Director shall submit a list of exempted agencies, and an explanation for such exemption, to the Senate Committee on Governmental Affairs and the House Committee on Government Reform and Oversight.~~

~~(f) Guidance.—Not later than 120 days after the enactment of this Act, the Director shall issue guidance to Federal agencies on its implementation and include a statement on the common rules the Director intends to review and standardize under this Act.~~

~~Sec. 7. Evaluation~~

~~(a) In General.—The Director (or lead agency official) shall contract with the National Academy of Public Administration to evaluate the effectiveness of this Act. The evaluation shall be submitted to the Director and Congress not later than four years after the enactment of this Act.~~

~~(b) Contents.—The evaluation shall—~~

~~(1) evaluate the effectiveness of this Act and make recommendations to further its implementation;~~

~~(2) evaluate the performance of each agency in achieving its goals and objectives;~~

~~(3) access the level of coordination among the Director, agencies, and grantees in implementing this Act.~~

Sec. 8. Effective date and sunset

This Act shall take effect on the date of enactment and shall cease to be effective five years after such date.

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Sec. 1. Short title

This Act may be cited as the ``Federal Financial Assistance Management Improvement Act of 1998".

Sec. 2. Findings

This section finds that there are over 600 Federal financial assistance programs designed to implement domestic policy, and that some of the administrative requirements of these programs may be impeding the cost effective delivery of services at the local level; further, State, local and tribal governments and non-profit organizations are dealing with increasingly complex problems, and simplifying the procedures and reporting requirements of Federal aid programs will improve the delivery of services to the public.

Sec. 3. Purposes

The purposes of this Act are to improve the effectiveness and performance of Federal aid programs, simplify application and reporting requirements, improve the delivery of services to the public, and facilitate greater coordination among those responsible for delivering services.

Sec. 4. Definitions

(1) DIRECTOR- The term `Director' means the Director of the Office of Management and Budget.

(2) FEDERAL AGENCY- The term `Federal agency' means any agency as defined under section 551(1) of title 5, United States Code.

(3) FEDERAL FINANCIAL ASSISTANCE. The term `Federal financial assistance" has the same meaning as defined in section 7501 (a)(5)of title 31, United States Code) under which federal financial assistance is provided, directly or indirectly, to a non-federal entity defined in section 7501 (a)(13) of title 31, United States Code.

(4) LOCAL GOVERNMENT- The term `local government' means a political subdivision of a State that is a unit of general local government (as defined under section 7501 (a)(11) of title 31, United States Code);

(5) TRIBAL GOVERNMENT- The term `tribal government' means an Indian tribe, as that term is defined in Section 7501 (a)(9) of title 31, United States Code.

(MAY 28 RESUMES)

Sec. 5. Duties of Federal agencies

(a) In General .--Not later that 36 months after enactment of this Act, each Federal agency shall develop and implement a plan that--

(1) simplifies the application, administrative, and reporting procedures for Federal awards as defined in section 7501 (a) (4), title 31, United States Code, administered by the agency;

(2) demonstrates appropriate agency use of the model common application and reporting system. developed under section 6(a)(1) ;

(3) demonstrates appropriate participation in the interagency process under section 6(a)(2) ;

(4) designates a lead agency official;

(5) allows applicants to apply for, and report on the use of, Federal funds electronically;

(6) strengthens the information resources management capacity of grantees pertaining to the administration of Federal award; and

(7) in cooperation with grantees, establishes appropriate annual goals and objectives to measure performance, which may be done as part of the agency's strategic planning responsibilities under the Government Performance and Results Act.

(b) Plan Consistent With Statutory Requirements. --Each plan developed and implemented under this section shall be consistent with statutory requirements relating to any applicable Federal program.

(c) Comment and Consultation on Agency Plans.--

(1) Comment. --Each agency shall publish its plan in the Federal Register.

(2) Consultation. --The lead official designated by each agency shall consult as appropriate with non-federal entities during development of the agency plan.

(d) Submission of Plan. --Each agency shall submit its plan to Congress and the Director of OMB and report annually on its implementation and performance. Such report may be included as part of any other required general management report.

Federal Reg. Reform with RA Paperwork

Sec. 6. Duties of the Director

(a) In General. --The Director of the Office of Management and Budget shall provide appropriate coordination and assistance for federal agencies in establishing--

(1) A model common application and reporting system, including:

(A) a model common application or set of model common applications wherein a non-federal entity can apply for federal financial assistance from multiple Federal programs that serve similar purposes and are administered by different Federal agencies; and

(B) a model common system wherein a non-federal entity can apply for, manage, and report on the use of funding multiple Federal awards across different Federal agencies;

(2) An interagency process for addressing:

(A) ways to streamline administrative procedures and reporting requirements for non-federal entities; and

(B) improved interagency and intergovernmental coordination of information collection, including appropriate information sharing consistent with the Privacy Act of 1974;

(b) Action Consistent With Statutory Requirements. --Actions taken by the Director must be consistent with the statutory requirements of related to any Federal award.

(c) Lead Agency and Working Groups. --The Director may designate a lead agency and use interagency working groups to carry out his responsibilities this Act.

(d) Review of Plans and Reports.--

Agencies shall submit to the Director, upon his request and for his review, information and other reporting regarding their implementation of this Act.

(e) Exemptions. -- The Director may exempt any Federal agency from this Act if he determines it does not have a significant number of Federal awards. The Director shall maintain a list of exempted agencies.

Sec. 7. Effective date and sunset

This Act shall take effect on the date of enactment and shall cease to be effective five years after such date.

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Mr. HORN. Yes, well, I would expect that reply.

Did you ever see the British BBC film, or videotape show, "Yes, Minister"?

Mr. MARTIN. No, I'm going to see that.

Mr. HORN. Well, everybody that has anything to do with any government anywhere ought to see it.

Mr. MARTIN. "Yes, Minister"?

Mr. HORN. Because that answer from OMB is the kind of thing that shows up in "Yes, Minister." When the permanent career civil servants says to the politically appointed minister, oh, yes, minister, we agree with that in principle, but we're going to need this study, this study, that study, this legal opinion. You know, by this time everybody is on Medicare, and they forget what they've done.

So, yes, we'll worry about that one later.

Mr. MARTIN. It sounds like the kind of movie my wife and I can agree to watch together and really have a good time watching.

Mr. HORN. That's right. You can probably get them in the video store. The book is terrific too, it's even funnier than the series. The Cabinet Minister becomes Prime Minister of England.

Mr. MARTIN. Our experience with OMB is not that everything is OK, and they don't need any direction; our experience is not that.

Several things. I know they are trying to enter into the electronic age, and they are trying to move in that direction. And they have already told the Senate committee they welcome the congressional support for all their efforts in the electronic age. But our concern is that they move into the electronic age with State and local government as well, not just the electronic age for OMB and for whatever they're interested in, but they do the things that Mr. Kilmartin has said, that we simplify and have much less than 13 separate financial reporting systems.

We don't need that. There are over 650 categorical grants—nobody seems to have a definitive number, and that's not insignificant all by itself—and you cannot get an accurate number of how many Federal grant aid programs there are. They—we need electronic filing.

We need—of the thousands of local governments that apply directly to the Federal Government for community development, economic development grants, and many of them to help redevelop inner-city neighborhoods that need rapid action before situations even change rapidly again. They have to submit the same information to every different agency. And there's no reason why a government's base data—population, economic data, employment data, housing data—cannot be electronically filed once and used by any Federal agency or Congress or anybody else that wants to see that base data on any government in the country that they want some base data on.

That ought to be codified, and you need to direct OMB to move in that direction to get the boilerplate base data for grantees, so they don't have to repeat that for every piece of paper they get from the Federal Government. And most of the time, we have to submit multiple copies of everything because they don't have time to copy them, and they want us to submit the multiple copies so that they can pass them out.

If it's done electronically, it could be easily pulled up by individuals, done once, and pulled up and referenced. So the electronic push is very important in today's age.

Second, you—the base data, electronic filing and the base data. The base data is also very important, so that agencies can use the same information.

OMB has—he mentions this fellow from OMB—what's his name—Mr. DeSeve, he says that they have a circular A–102, which is a common rule. We agree; we strongly support OMB's circular A–102. Circular A–102 says that Federal departments and agencies should rely on State and local jurisdictions own laws and procedures for the administration of grants, not Federal rules and regulations.

We love that circular. It just never is implemented, because agencies don't pay much attention to it; they issue their own specialized rules and regulations.

So you tell them to work on these common rules. We think that they ought to. OMB should be directed to develop a lot more common rules. But a summary is attached to my testimony.

I brought with me a copy of the—1985, the last time this thing was updated, there are 77 cost-cutting regulations in here. And this is—this document is about three-quarters of an inch thick, and it is only the index of the cost-cutting regulations that apply to every dollar that every State, city and county gets from the Federal Government. And of the 77 cost-cutting regulations that are common for every dollar, only 6 have a common rule.

These six common rules were developed primarily by the push of the National Governors' Association, six common rules, and I list them in an attachment to my testimony. The first big one we did was, we did relocation assistance as it applies to business and government, when the Federal Government started relocating other things in inner cities; that is a uniform common rule. And the word "common" is very important because it defines a specific procedure.

OMB should be required to produce common rules for the vast majority of these rules. The way they operate now, 72 of the—71 of the 77, there is a base rule that OMB approves, but then every agency attaches to it its own specialized requirements; therefore, when you're using—there's no such thing as a common rule.

For most of these rules and regulations, you have to do a different Davis-Bacon form for each department and agency. You have to do a different form, fill out different forms, different papers; and they can't be electronically done when you have to do that.

So they should be directed to specifically get after these common rules. I think that's the strongest recommendation we can make, is to implement OMB circular 102 and to develop common rules for these laws and procedures.

We urge you, Mr. Chairman. It is a bipartisan bill. It's something that the State and local focus and OMB obviously needs to be improved a little, given the recent exercise we've been through on the federalism Executive order. If, at the top, there's problems with communications, there are problems all the way down the line.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Martin follows:]

Summary

The National Governors' Association and other national organizations of elected state and local government leaders support enactment of legislation that would direct the Office of Management and Budget (OMB) to develop "common rules" for the 77 cross-cutting regulations that govern grant funding to state and local governments. State and local governments support a requirement that OMB establish lead agencies to develop "common rules" for these cross-cutting regulations. Legislation is needed to authorize OMB to coordinate new procedures for the electronic filing of most state-federal paperwork. OMB should also be directed to develop "boilerplate," or basic uniform grant information, that a city, county, or state could use for all grant agreements with federal agencies. Filing should also be possible via electronic mediums. H.R. 3921 (S. 1642), the Grants Management Improvement Act, would direct OMB to act on these policies and to bring more uniformity to federal rules, better implementation by state and local governments, and electronic grants management.

Good morning, Mr. Chairman and members of the committee. Thank you for this opportunity for the National Governors' Association to express its strong support for enactment of H.R. 3921, the Grants Management Improvement Act.

Office of Management and Budget (OMB) officials recently told the committee that they do not think new legislation is necessary. However, experience tells a different story. Legislation directing OMB to act within specific timetables on reporting to Congress on the performance results of federal officials is exactly what is needed. OMB prefers model rules with options for each agency to adopt its own specialized additional rules. State and local governments prefer uniform application procedures and "common rules" for regulations.

Most agencies still require grantees to repeatedly provide basic data with each new grant application that has already been supplied many times. This is certainly true if one must deal with more than one federal agency on the same project. This base data, or uniform information, could be electronically referenced for each grantee for repeated use by any agency.

Most agencies also require multiple copies of grant information. All of this information should be submitted once, in an electronic format, for interactive dialogue and updating.

OMB has never vigorously pursued an effort to standardize the cross-cutting rules and regulations that apply to all grant funds. Of the seventy-seven in existence, only six have a "common rule" that is used by all federal agencies for all grantees. This is a long overdue reform that would save significant administrative costs and time for taxpayers and grantees. It would also minimize interagency hassles over jurisdictional and funding procedures.

OMB says that a "common rule" for state and local government grants administration exists in OMB Circular A-102. Certainly for state and local governments, there is little proof that the "common rule" is used for very many cross-cutting rules. More federal agencies are not deferring to state and local laws and procedures rather than specific federal requirements as requested by Circular A-102.

I have attached a partial list of cross-cutting regulations for your information. Only six have a "common rule" and all of these were developed only after strong pressure from the National Governors' Association and the National Association of State Budget Officers. These are: drug-

free workplace, non-procurement suspension and debarment, relocation assistance, executive branch lobbying, protection of human species in research, and Circular A-102.

All grantees appreciate and support these "common rules" for their time, cost, and interagency hassle-free administration. Each of the other seventy-one cross-cutting rules should be evaluated and changed to a "common rule" unless explicit reasons are given for divergent agency rules. This will not happen unless OMB is directed by Congress as required in H.R. 3921.

Your continued focus on regulatory reform is very important. There are now more than ten bills moving through Congress to address long-overdue problems of federal agency rules, regulations, procedures, and assessments. The enactment of H.R. 3921 would be a welcome and significant addition to these reforms.

Thank you again for this opportunity to discuss these issues.

Attachment

NATIONAL GOVERNORS' ASSOCIATION

George V. Voinovich
Governor of Ohio
Chairman

Thomas R. Carper
Governor of Delaware
Vice Chairman

Raymond C. Scheppach
Executive Director

Hall of the States
444 North Capitol Street
Washington, D.C. 20001-1512
Telephone (202) 624-5300

77 Cross-Cutting Federal Rules, Executive Orders, and OMB Circulars That Apply to Federal Grants-in-Aid

Regardless of the levels of flexibility granted to state and local government officials in 1995 legislation through block grants, consolidations, or performance partnerships, all of these funds will still be subject to over 77 cross-cutting rules, Executive Orders, and OMB circulars. OMB has identified these 77 rules as applicable to all grant funds, and the executive branch agencies would be expected to continue their enforcement on new block grants, etc. The extent of information reporting on grant funds received, including the form and content of reports, the degree of terms and conditions, and the specification of terms as defined in the statute, are all at the discretion of the executive branch.

Only a few of these 77 rules have been standardized, with a single lead agency or government-wide common rule for uniform implementation by federal agencies, like uniform relocation assistance, drug-free workplace, and debarment. Many of these rules are strongly supported by state and local government officials, such as those for civil rights and those with common rules and lead agencies for simplified implementation. These 77 rules probably will be applied to current and future laws, with wide flexibility for federal agencies to prescribe reporting requirements.

Agency regulations that were used for the 1981 block grants, which have not been questioned as to their effectiveness, should also be the primary guidelines for new block grants. As published by OMB on November 20, 1981, block grant regulations were limited by the following:

1. kept to a minimum;
2. freestanding from other federal regulations;
3. minimum of paperwork and reporting requirements (specifications for grant applications, intended use reports, and form and content of performance reports);
4. without prescriptions;
5. without cross references;
6. formal yet simple due process;

7. specifications in areas of secretarial discretion;
8. clarification of rules (state practice prevails in financial management and auditing, i.e., OMB Circular A-87 is waived);
9. silent in other respects to permit states to make their own interpretations of the statutes and administer the program appropriate to their own needs (See: Information Collection Budget, FY 1982, Executive Order of the President, OMB, page 17, 2/4/82); and
10. exemption for civil rights is presumed.

These rules are used for the original nine block grants of 1981 and 1982, except where specifically changed by Congress, such as in the Alcohol, Drug Abuse, and Mental Health Block Grant, which is so severely changed with earmarks and setasides that it is a block grant in name only.

Without specific direction by Congress, the extent of regulations for all federal funds is at the discretion of the executive branch, beginning with these 77 or more cross-cutting regulations.

attachment

Subject: common rules

1. Uniform Relocation Assistance - however, after issuance & pursuant to legislation, the common rule was converted to a single government-wide rule
2. Grants Management Common Rule - which included requirements on State & local governments formerly in OMB Circular A-102
3. Nonprocurement Suspension and Debarment
4. Drug-Free Workplace Act
5. Byrd anti-lobbying Amendment Act
6. Protection of Human Subjects in Research

1989 Supplement

Directory of 77
Policy Requirements and Administrative Standards for Federal Aid Programs

1989 Supplement

Financial Management Division

Office of Management and Budget

Preface

1989

In 1985, OMB issued the second edition of the Directory of Policy Requirements and Administrative Standards for Federal Aid Programs. The purpose of this publication was to provide a primary reference source for national policy requirements and administrative management standards, referred to here as "crosscutting requirements," that applied to Federal financial assistance programs. The 1985 edition contained 68 crosscutting requirements which were based on statutes, executive orders, OMB circulars, and other directives. The following is a supplement to that directory and contains the new requirements which have come into effect since 1985, other requirements which, while not crosscutting in the sense that they apply to every recipient of Federal assistance, affect a significant number of parties to warrant their inclusion, and some of the crosscutting requirements which were included in the 1985 directory, but have since been updated, revised or rescinded.

Each entry contains a descriptive overview of the policy requirement, statutory and regulatory references, when applicable, citations of major court cases, and other summary information. Each entry contains a responsible information source at the Federal agency principally responsible for implementing the policy if more extensive information is required.

Considerable effort has been put into completing this Supplement, but additional crosscutting requirements do exist. Users of the Supplement and the Directory are asked to bring such additional requirements to the attention of: Financial Management Division, Office of Management and Budget, Room 10235 New Executive Office Building, Washington, DC 20503, 202-395-3993. Comments on the Supplement are welcome.

+ 9

TOTAL 77

DIRECTORY OF POLICY REQUIREMENTS AND ADMINISTRATIVE STANDARDS FOR FEDERAL AID PROGRAMS

OFFICE OF MANAGEMENT AND BUDGET
FINANCIAL MANAGEMENT DIVISION

1985

PREFACE

The purpose of this directory is to provide a primary reference source for national policy requirements and administrative management standards ("crosscutting requirements") that applied to Federal financial assistance programs at the time of publication. This volume is an update of the directory first published by the Office of Management and Budget (OMB) in 1982.

As used here, national policy requirements are those prescribed by statute, Executive Order, or other authoritative source, which apply to the assistance programs of two or more agencies. Administrative management standards are those "good management" policies and procedures prescribed for implementing assistance programs throughout the Executive Branch. The policies and standards included in this inventory are listed because they subject either Federal agencies or assistance recipients to their provisions. Some of the policies and standards apply to virtually every Federal assistance program, while others apply to only a few, selected programs.

In the pages following this preface, there are several pages of information designed to assist the user:

A. An alphabetical listing of relevant statutes, Executive Orders, OMB circulars, and other directives, cross-indexed to the appropriate directory entry, by reference number, and showing the page number(s) of the entry.

B. A listing of directory entries, by reference number, cross-indexed to statute or other authority, and showing the page number(s) of the entry.

C. A matrix showing the applicability of each requirement and standard.

D. A brief summary of several major requirements frequently found in specific assistance programs, and which express or reflect national policy objectives, but which are not included in the directory.

The main body of the directory contains separate entries for each of 68 +9 crosscutting requirements. As an aid to the user, these entries have been divided into five sections, by subject area: I. SOCIAL POLICY REQUIREMENTS, II. ECONOMIC POLICY REQUIREMENTS, III. ENVIRONMENTAL POLICY REQUIREMENTS, IV. ADMINISTRATIVE POLICY REQUIREMENTS, and V. ADMINISTRATIVE MANAGEMENT STANDARDS. Each entry contains a description of the applicable policy requirement, statutory and regulatory references, major court case citations, and other summary information. This descriptive material was prepared by the Federal agency principally responsible for the implementation of a given policy, and each entry also includes the name, address, and telephone number of a responsible official, so that further information can be obtained.

I. STATUTES, EXECUTIVE ORDERS AND OTHER DIRECTIVES AUTHORIZING NATIONAL POLICY REQUIREMENTS AND ADMINISTRATIVE MANAGEMENT STANDARDS

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Mr. HORN. Let me go back to Mr. Kilmartin.

In your statement, Mr. Kilmartin, you discuss the need to involve the State, local, tribal governments and the development of the agency plans called for in the bill. Do you think that the provision calling for the consultation of these groups by Federal agencies goes far enough to ensure that the affected parties are heard?

Mr. KILMARTIN. Yes, Mr. Chairman. In regards to section 6, as it relates to the responsibility of the Federal departments. And that's helpful because it creates a framework by which this dialog and communication can transpire. What we think is missing is a similar section, a similar provision in section 5, which specifies the duties of the Director of OMB. Again, this all relates to the point where cross-boundary coordination and communication is the name of the game for government improvement projects, what's missing is a framework by which Federal and State people can share ideas and productively engage in a partnering-type exercise.

That framework needs to exist, not only as it relates to the dozens of Federal granting agencies as contemplated in section 6, but we also think at the leadership level; namely, the Director of OMB in section 5.

Mr. HORN. Do you and your colleagues, and that would be the same for Mr. Martin, have any specific language you'd like to insert in section 5, Duties of the Director, on page 5 of the bill, H.R. 3921?

Mr. KILMARTIN. I guess—I'm not a lawyer, but in section 5(a), where it talks about the duties in general and it goes 1 through 9, you might think about inserting—excuse me, it goes 1 through 8—you might think about inserting a 9 and the 9 might be wording similar to what appears over in section 6 as 6(a), paragraph 7, which talks about "in cooperation with State, local" and so forth; and then the similar language, "in consultation," which appears on the next page—later on, I guess, in section C.

So we think just repeating similar-type language——

Mr. HORN. This is at the top of page 10 of the bill? I would tell you, I appreciate you giving us some detail on that.

Mr. Portman, the author of the bill on the House side has arrived, and if you gentlemen just stay where you are, we will have Mr. Portman come forward and make his opening statement.

We also have the arrival of the ranking Democrat, Mr. Kucinich of Cleveland and former mayor, so he appreciates these problems in particular.

And we will start with Mr. Portman.

STATEMENT OF HON. ROB PORTMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

Mr. PORTMAN. Thank you, Mr. Chairman. I appreciate your indulgence. The situation today is much like the last couple of days, things get kind of off schedule, and I apologize. I know Steny Hoyer wanted to be here, but he's also involved with the funeral, so he was unable to be here apparently.

I was on the subcommittee not too long ago——

Mr. HORN. That's right, we haven't forgotten you.

Mr. PORTMAN. I want to commend you, not only what you're doing here today, but what you've done with the IRS and so many

other issues—government management, year 2000 and so on. It's been very constructive work.

And I want to congratulate you and Mr. Kucinich, your ranking member—ranking today?

Mr. HORN. No, ranking in perpetuity.

Mr. PORTMAN. Congratulations. He might not like that.

I'm here to testify in favor of the legislation that you have before you. I think this is just pretty common-sense legislation. It's been introduced in the Senate, as you know, by Senators Thompson and Glenn. It has been reported out of the Senate Governmental Affairs Committee. It's the Federal Financial Assistance Management Improvement Act, and as its name indicates, its purpose is to simplify grant applications to make the process of participating in grant programs a lot less burdensome and costly.

It builds on past efforts. As you know, this subcommittee has been involved with such legislation as the Government Performance Results Act to reduce Federal burdens and, of course, the Paperwork Reduction and Unfunded Mandates Reform Act, which went through the subcommittee also. It will make the government work more efficiently for the people it serves.

I'm sure you've heard from your own constituents. I've heard from mine, and I think you have just heard from some representatives of State and local government. Nonprofit organizations have come to me, and so on, and they just talk about the frustrating process of going through applying for Federal assistance, and in participating in programs.

Applying is often too consuming; it's too costly. Organizations that can afford it now turn to grant writers, and there's a whole business out there of writing grants to be able to comply with the Federal requirements in the process, and then once you get the grant, to be able to monitor it.

Those that don't have the resources to do that have to do it themselves, and it takes them away from their own activities. Again, there are nonprofits that are doing good out there, but are spending a lot of their time working with paperwork.

I've had recipients come to me and say, you know, it really wasn't worth the effort in the end. If I knew that going in, I probably wouldn't have even applied for your Federal grant, thank you just the same. So the idea here is to try to reduce those burdens.

There's a group in my district who just hired a part-time staff just to comply with additional reporting requirements imposed by particular programs. The Ohio Association of Nonprofit Organizations has informed me that the biggest problem in administering the more than 600 different financial assistance programs is that the Federal agencies lack sufficient coordination with each other and the recipients are often subject to duplicative reporting requirements. This should come as no surprise to us when you consider the multitude of Federal grant programs out there that provide funds to State and local governments, nonprofit groups, although many are in the same functional area.

For instance, there are more than 80 in the education area—elementary, secondary, vocational—and more than 80 in social services. There are also separate application reporting and administra-

tive requirements for many of these programs even within the same area.

Most recently, there were a lot of concerns with the Drug-Free Communities Act, and this legislation went through the committee. We were all very excited about it. I'm still excited about it.

And the act itself clearly sets forth the criteria that a coalition would have to meet in order to qualify for a matching grant, and we tried to keep that, as you know, as streamlined as possible. But the application itself is extremely lengthy. It's a complicated instrument, and even some of the more sophisticated community coalitions have not been able to work with it. As a result, I think the program has not been as accessible to many of the coalitions that otherwise would have been able to take advantage of it and that are in desperate need of financial support.

We're trying to deal with that on an individual case basis. And I think we're having some progress with ONDCP and the Justice Department.

But there's a larger issue here, and we've got to be able to change this process. That's why we have this legislation before us to address these concerns. It requires the Federal agencies with oversight from OMB, which is very important, to develop the plans within 18 months of that, No. 1, streamline application, administrative and reporting requirements; No. 2, have a uniform application for any related programs; and, No. 3, expand the use of the electronic applications and reporting via the internet, again consistent with what we're trying to do at the IRS electronic filing.

Fourth, it demonstrates—they have to demonstrate interagency coordination to simplify the reporting requirements for those programs that are overlapping; and fifth, set annual goals to further the purposes of the act.

They must also work closely with the State and local governments, the nonprofit community, in the setting of the performance measures to achieve the goals that are set out, the annual goals that are required under the bill. It does set out 5 years, and the notion there was to—we don't want to have this going into perpetuity, and that there be a review by the National Academy of Public Administration at the end of the 5-year period. I really think it will help make Federal grant programs more user friendly and less burdensome.

It's not the silver bullet, but I think it will help. It has been endorsed, as you know, by some of the organizations who will testify here today—State and local groups, the National Conference of State Legislators, National Governors Association, NACO, National League of Cities.

It's a good government measure, making it easier for people to interact with their Federal Government. And I think it's going to result in a significant cost savings for grant applicants and Federal agencies alike, notwithstanding the—what you've gotten, I think from OMB as to the costs of this, in the end, it should save everyone money.

So I want to thank you again for giving me the opportunity to testify today. I apologize for not being as timely as I wish I could have been. I appreciate you looking at this carefully, and I hope we can move it forward.

[The prepared statement of Hon. Rob Portman follows:]

Honorable Rob Portman
July 27, 1998

Mr. Chairman, I am pleased to testify today in support of H.R. 3921, the Federal Financial Assistance Management Improvement Act of 1998, legislation I introduced with my colleague, Mr. Hoyer. As you know, this bill is a companion to S.1642, legislation introduced by Senators Thompson and Glenn and recently reported out of the Senate Government Affairs Committee.

The purpose of this legislation is to simplify grant applications and make the process of participating in a grant program less burdensome and costly. The bill builds on past efforts to improve program performance, such as the Government Performance Results Act, and to reduce federal burdens, such as the Paperwork Reduction and Unfunded Mandates Reform Act. It is common sense legislation to make our government work more efficiently for the people it serves.

We have all heard from our constituents, non-profit organizations and local and state governments who have been through the very frustrating process of applying for federal assistance and participating in these programs. Applying for a grant can be a very time consuming and costly process. In fact, organizations often hire grant-writers to do the work for them. Many people do not have the resources to hire anyone and have to work through the process themselves. Once they obtain the

grant, some recipients wonder if it was really worth the effort because the reporting requirements and administrative burdens are significant. In one case, I was told that someone had to hire part-time staff simply to comply with the additional reporting requirements imposed by a particular grant program.

In my own state of Ohio, the Ohio Association of Nonprofit Organizations has indicated that the biggest problem in administering more than 600 different financial assistance programs was that federal agencies often lack sufficient coordination with one another and, as a result, recipients are often subject to duplicative reporting requirements.

This is no surprise when you consider that there are over 600 federal grant programs that provide funds to State and local governments and nonprofit groups. Although many of these programs are in the same functional area (more than 80 are in elementary, secondary and vocational education; and more than 80 are in social services), there are separate application, reporting and administrative requirements.

Most recently, I have heard concerns expressed from around the country about the implementation of the Drug-Free Communities Act, legislation I sponsored that was enacted last year. The Act itself clearly set forth the criteria a coalition would have to meet in order to qualify for a federal matching grant. The application itself, however, was an extremely lengthy, complicated instrument that even some of the more sophisticated coalitions could not understand. As a result, this program has not become accessible to many of the coalitions

that are in desperate need of financial support. This process must change.

To address these concerns, we introduced H.R. 3921. The bill requires the Federal agencies, with oversight from OMB, to develop plans within 18 months that: 1) streamline application, administrative and reporting requirements; 2) have a uniform application for related programs; 3) expand the use of electronic applications and reporting via the Internet; 4) demonstrate interagency coordination to simplify reporting requirements for overlapping programs; and 5) set annual goals to further the purposes of the Act. Agencies would work closely with state and local governments and the nonprofit community in the setting of performance measures to achieve the bill's goals. The bill sunsets in 5 years following a review by the National Academy of Public Administration.

Mr. Chairman, I feel this legislation will help make federal grant programs more user friendly and less burdensome. It has been endorsed by state and local organizations such as the National Governors Association, the National Conference of State Legislators, the National Association of Counties, and the National League of Cities. This is a good government measure that will make it easier to interact with our federal government, and will result in cost savings for grant applicants and federal agencies.

I thank the Chairman and this Committee for taking an interest in this legislation and for conducting this hearing today.

Mr. HORN. Do you have time for a few questions?

Mr. PORTMAN. You bet, sure.

Mr. HORN. What Mr. Kilmartin was saying as you came in, that he thought we ought to take—and I think it's a good idea—out of section 6, Duties of Federal Agencies, and put them in also under section 5, Duties of the Director. And he was specifically pointing to point 7, where the language is, "in cooperation with State, local and tribal governments and qualified organizations, establishes specific annual goals."

Now, some of that is in the Director, like "specific annual goals and objectives to further the purposes." The important point is to involve themselves with the people that live with the problems every single day, which is your State, local, tribal governments and various qualified organizations.

So essentially, I think that's a good suggestion, just listening to it.

I remember, oh, about 3 or 4 years ago—California has its own environmental protection agency and does a very fine job. And they let the people that have the impact on them give them a proposal, even the computer codes as to how you could engage in electronic filing. This system works marvelously.

I happened to have one of the Assistant Directors or Administrators of national EPA on a few weeks later, and they said, gee, yeah, they would very much like to do this. To my knowledge, they haven't done it yet.

It seems to me that the States have been very creative in the last 20 years, and the Federal Government could frankly learn a lot from what the States have been doing, particularly on electronic filing, as well as a number of other innovations. So I think we ought to look at that.

Mr. PORTMAN. I think that makes good sense.

I will be honest with you, I had not seen that particular issue until you pointed it out, but we've got that in section 5.

Mr. HORN. It's just a reinforcement of what people should do if they're going to do it right. And we might as well put it into law.

Mr. PORTMAN. I think, you know, Steve, we have learned this recently with regard to the federalism Executive order. And there's disagreement as to how much consultation was attempted, but we know consultation did not take place, and therefore, we've got a big problem on our hands.

Mr. HORN. Well, a couple of questions I would just like to ask. The Office of Management and Budget has stated in its comments to the subcommittee on the draft bill that many of the requirements of the legislation are already being fulfilled through OMB circulars.

Do you agree with the OMB's position? If so, what would this bill add; if not, where do you see differences between this legislation and current OMB guidance?

Mr. PORTMAN. Well, No. 1, OMB, are they going to be before you today?

Mr. HORN. They aren't. They simply filed comments.

Mr. PORTMAN. I understood that they——

Mr. HORN. They were invited by us. Mr. DeSeve, the acting Deputy Director for Management, was invited.

Mr. PORTMAN. Well, I wish they were here. And obviously they should have a crack at answering that certainly, but I just feel strongly that it's not getting done.

I mean, I understand there is an OMB circular out there. As you know, in dealing with the agencies, you have to write this into mandatory language, sometimes it has to be legislation, rather than an Executive order or a circular. And I think the proof is in the pudding.

I mean, I know you get calls from frustrated constituents. I do. If there was not a problem out there among the States, localities, the tribes and nonprofits, we wouldn't be here. So it's great that OMB is beginning to take steps in this regard, but they aren't bearing fruit yet. So this is, unfortunately, the necessary step to take.

Mr. HORN. Before you came in, I cited my favorite British comedy, "Yes, Minister," where the ranking career servant says, "Oh, yeah, we agree with you completely in principle, but nothing ever happens." And we can profit a lot from that, and that's what we want to do.

We don't want to micromanage overly, but we do want to get a basic framework there; and I think that's the spirit that you and Senator Glenn on the other side have both had behind this, that there's no need to have all these different forms and different computer processes and all the rest of it. That's just common sense.

And one of the things, little things, and you may—your predecessors here who work with the State government and the Governors and the auditors, I look at the bills that come from GSA, which is under this committee's jurisdiction, we're the oversight committee for it, and you buy something from their St. Louis supply depot and you get five copies of it. And as I've told two GSA administrators now, I don't know why you don't just give us one copy. If we need another copy, because of some House bureaucracy here, fine, we'll Xerox it. But why are we wasting—I mean, they're cutting down probably 20,000 trees a year just for the GSA billing system.

Now, we will have to check and see if they've taken our advice, humbly given, but it won't be so humbly next time. But it's just crazy to have all of that paper floating around when it isn't needed. And that's why I think your move for electronic filing is very helpful.

Mr. PORTMAN. It makes sense.

Mr. HORN. And in reference to the costs to the bill, we have the CBO estimate of the short-term cost over the next 5 years. They estimate $5 to $10 million over this time period. Are there any estimates that you're aware of or that give a range of costs, increases or decreases, to grantees, and is it possible that there may be savings to grantees and even the Federal Government in the long run through streamlining the grant management process and taking advantage of technological advancements?

Mr. PORTMAN. As I mentioned in my testimony, I'm convinced that there will in the end be net cost savings when you include the grant recipients and the government. I wish I had better data, Steve, I just don't; and I don't know that the Senate does either. But I can't help but think that even within the government, if we

can do this right, if there indeed is less duplication—fewer trees being cut down, as you said—less overlapping requirements, and if OMB takes an active role in coordinating this.

I know one of their concerns is, they don't have the resources and ability to do too much coordination. They have to be involved in this because there has to be an overarching coordination of it.

It will result in the end in a cost savings to the Federal Government, I believe; if you add the recipients in there, I think there will be a net—a great cost savings. And the point here is to try to get the funds or the resources or services out to people that are in need.

That's the whole point of this, and that's got to be our objective.

Mr. HORN. OMB has suggested that the timeframe to develop and implement the bill needs to be doubled from 18 to 36 months. Do you believe that extra time is necessary?

Mr. PORTMAN. We don't see why the 18-month goal can't be met. The Senate, again, held hearings on this. It was reported out of the full committee after some discussion of this timeframe issue. It may be possible to compromise by requiring that the plan be in place within a year and then implemented in the next 12 months or something like that, and maybe this committee needs to hear further testimony from OMB or agencies on that issue. But I don't see why 18 months is not an adequate time to put this in place.

Mr. HORN. It probably could be done in a couple of weeks if we really put our minds to it.

Mr. PORTMAN. It can be done certainly in less than 18 months if it is a priority and a focus.

Mr. HORN. I now yield to the gentleman from Ohio, the ranking member. I know he has many questions.

You dealt with these grants, I'm sure, when you were mayor and realize the problems that exist there.

Mr. KUCINICH. Thank you very much, Mr. Chairman. I want to apologize to the Chair for being so late. Like probably a number of our Members, my day yesterday ended about 2 a.m., and from there, it's just been——

Mr. HORN. Gee, you got a good night's sleep.

Mr. KUCINICH. I don't want to say that's what I've been doing.

I'm glad to be here. And I'm also very pleased to work with Mr. Horn and Mr. Portman on this legislation. It's true that my experience with Federal grants goes back many years. As a city councilman in the city of Cleveland, I was familiarized with the plethora of grant programs, and at the same time, there seemed to be so much confusion about not only how to apply for them, but once the grants came in, how to maintain the supervision of them.

And simplification, I think, would lend itself not only to improving the application process, but I think could also lend itself to a correspondingly appropriate simplification of the administration of the program, because the complexities, once they're put in—there's an architecture of complexity and it starts right from the beginning with the process of application itself.

And so I'm particularly appreciative of Mr. Portman's and Mr. Horn's work on this.

And, you know, I saw in Cleveland how we had so many grant programs that it was very tough for some administrations to be

able to even keep a handle on them. And, also, when you have complicated applications and administrative procedures, you end up with technical violations of the handling of grants, which then involves other divisions of the Federal Government and creates even more problems in trying to just get the end result.

Whether it's a grant for a youth program or a grant for a seniors program or hundreds of areas that we give Federal grants to, to provide services, there has been a clear need to have some uniformity and simplicity in the process.

So I can—the one thing that I would ask, Mr. Portman, though, would you agree that, you know, that this might help to simplify oversight?

Mr. PORTMAN. Absolutely. One of the challenges you have on this subcommittee I know—and I'm on the Oversight Subcommittee on Ways and Means, which has the IRS, among other agencies—is the inability to provide oversight efficiently because of all of the complexity in the current law—in our case, the tax laws, and in your case, the various rules, regulations that the agencies live under that you're monitoring or providing the oversight for.

So I think it has downstream benefits, as you say, beyond the application process. One is for these nonprofit, State and local entities in terms of the administration. I couldn't agree with you more.

When you talked about the technical violations, that is a tremendous cost to the State and local, as well as the Federal side—and any cost analysis that Mr. Horn was talking about earlier would have to include that—but also for oversight, it's going to make it simpler for us to provide oversight.

I look at the Drug-Free Communities Act just as one quick example that again came through the subcommittee. You're really in a position, I think maybe through the other subcommittee, to do oversight on that.

But it's very difficult to do oversight when you have the complex kind of application process that they put in place, because it's difficult to know whether in this case the Justice Department and ONDCP are doing the right thing. If it's simplified, it's going to be easier to know whether the program is working.

Mr. KUCINICH. Mr. Chairman, another thing that occurs to me as we consider this proposal is that there are many people who would like to know if they would be eligible for participation in a grant program; but the complexities of grantsmanship, which really has become an art in itself over the years, has made it very difficult for all but a few to really participate, and if you don't have grant specialists who work in various departments who may do nothing but that, it might be difficult to—given the current structure of grant programs, to even be able to get into the game.

Mr. HORN. If the gentleman would yield for a minute, he's absolutely correct. And he's picked the weak spot in all of government, which is how do the smaller cities, the small towns in this country, access some of these programs, particularly in rural areas, such as rural Ohio, rural California? Because if you've got to pay big money to get somebody that's sophisticated, that knows their way through the labyrinth, a lot of these little towns and villages that maybe need some help don't have that kind of money easily available. And we ought to make it so you've got a very simple process here.

Mr. PORTMAN. I'm sure it's your experience——

Mr. HORN. I thank the gentleman for raising it.

Mr. PORTMAN [continuing]. Mr. Kucinich, as well as Mr. Horn, there are in your district certain communities that more aggressively pursue these grants and go to your office and look for help. They're the ones that tend to get the grants, because you can provide them with some expertise. Not that you're doing anything at all improper in terms of getting the grants, just providing them the expertise as to what's out there and then how to apply, how to go through the process.

Some of my smaller communities do that with our office on a regular basis, and the more aggressive tend to have more success. But the vast majority of our smaller communities just throw their hands up and don't even access it.

I would say just as a general comment—and I know Mr. Kucinich may have other questions—I looked at the OMB concerns about the legislation. And I understand that they're going to have to administer this; we want to bring them into the process. But I think we can err on the side of not doing enough here. I mean, if anything, this bill doesn't go far enough in terms of really getting at the problem Mr. Kucinich has raised and Mr. Horn has commented on, which is this plethora of programs out there that most smaller communities and smaller nonprofits, just as a practical matter, can't access. So this is, I think, a modest first step in that process.

Mr. HORN. On that point, what do you suggest might be done? Apparently you're dissatisfied with that part. What should we add?

Mr. PORTMAN. Well, if this subcommittee wanted to take it on as a task over the next 2 or 3 years to go look at the all the grantmaking, I think it would be great. It's a difficult process, it's so huge. I gave you some data in my testimony about the 600 different Federal system programs that are out there right now. Really, the Congress would be well served, I think, to roll up its sleeves to get into these.

GAO can perform certainly an effective role. I assume that——

Mr. HORN. Well, Education and the Workforce has presumably done this. They've consolidated 300 programs, worker-training kind of thing.

Mr. PORTMAN. And again that's a good step forward, the one-stop shopping that some States have, including Ohio, I think is a good step forward. My only point is, I don't view this as a radical proposal. I think it's common-sense stuff and modest, and we can go even much further over time. And we aren't in a position to do that without having the hearings and so on.

But I think—it's difficult for me not to respond to some of these OMB concerns by saying, this is the least that we can do. We at least need to be sure there's not overlap. We at least need to be sure that there's a streamlined process, that there are goals, and that there is involvement from nonprofits, local and State government in the setting of the goals and in measuring the progress.

Mr. HORN. Do you have any more questions?

Mr. KUCINICH. I yield back the balance of my time. Thank you, Mr. Chairman.

Mr. HORN. Well, we thank you very much for coming. We appreciate your thoughts and your hard work on this, just as the other efforts you've done as a Member of this House. Thank you.

Mr. PORTMAN. Thank you, Mr. Horn.

Mr. HORN. Now, would the gentleman like to read an opening statement?

Mr. KUCINICH. If I can ask that the statement be included in the record.

Mr. HORN. It is. It will be included after mine as just read.

[The prepared statement of Hon. Dennis J. Kucinich follows:]

OPENING STATEMENT OF
THE HONORABLE DENNIS J. KUCINICH
GOVERNMENT MANAGEMENT, INFORMATION, AND TECHNOLOGY
HEARING ON
THE FEDERAL FINANCIAL ASSISTANCE MANAGEMENT ACT OF 1998

July 30, 1998

There are over 600 federal programs that provide financial assistance to State, local, and tribal governments, and non-profit organizations. These funds - and the organizations that use them - provide vital services to help solve real problems faced by the American public. Unfortunately, unwieldy administrative barriers often reduce the effectiveness of these services.

The federal government provides significant financial assistance in a number of areas. Twenty billion dollars in federal funds support 163 different job training programs; the federal government supports over 90 early childhood programs.

Unfortunately, even experienced state, local and non-profit administrators often have trouble navigating the complex federal support system. Similar programs are often administered by numerous different agencies, and administrative requirements can be complex and duplicative. As a result, the programs run with federal funds by state, local, and tribal governments, and non-profit organizations, are forced to waste time, effort and money that could be better used to provide vital services to the public.

H.R. 3921, the "Federal Financial Assistance Management

Improvement Act of 1998" will help solve these problems. The legislation would streamline the application and reporting process for federal grants, promote the establishment of consistent procedures for financial assistance programs, and encourage the use of electronic application and reporting process.

This is bipartisan legislation that has the support of politicians, state and local governments, and non-profit organizations across the spectrum. Simply put, this is good, common sense government. This bill will provide a valuable service by simplifying the process of applying and administering federal grants.

Some non-profit organizations have urged that we simplify the process even further. I would like to place into the record a letter of support from OMB Watch. This letter expresses their support for the legislation, while noting that there is still unfinished business to be done by simplifying the different application and reporting requirements that non-profit organizations face from state, local and federal government. Perhaps this committee can take up this issue at a later date.

I support this legislation, and commend Chairman Horn for holding this hearing. The Senate has already acted on similar legislation, and I believe this committee should continue to move the legislation forward. This bill will let local governments and non-profit organizations spend less time on paperwork, and more time doing the work that improves people's lives..

Mr. HORN. OK, gentlemen, do you want to get back to work here?

Mr. PORTMAN. Now, you can hear from the real pros. Well, you've heard Mr. Portman, the author, and some comments from both of us here. Do you have some other suggestions you'd like to work into this legislation that you think we can strengthen it?

Mr. MARTIN. Mr. Chairman, you asked the question about section 5 and what changes might seem appropriate——

Mr. HORN. This is Duties of the Director?

Mr. MARTIN. Right, yes, sir.

Mr. HORN. Starting on page 5 and——

Mr. MARTIN. I have here a copy of, I guess, your first draft with some dark markings on it that I assume is OMB's, what they would take out. And if this—and I don't know where the final bill stands, if it includes these OMB omissions, taking things out or not.

But I would strongly suggest that in this language—the OMB adds a bunch of words, and there are two, in particular, that would assist OMB in not changing its behavior, not doing anything, saying, "Yes, Minister," and the two words are "model" and "appropriate." Those are fuzzy enough that they can—and then they knock out all the reporting requirements in the end.

Those two words, "model" and "appropriate," are in here; "model" is in here about 10 or 15 times. And when I talk about this list, this 168-page list, just an index of all of these, just the common rules, they have model rules for those 168. But that's what's wrong with them, they're just a model. Every agency then changes it to fit their specific thing that they want.

We need the common rules. A common rule is a rule where OMB tells a lead agency—for example, in the relocation assistance, most of the money came from HUD. OMB directed HUD to write a common rule for relocation assistance. And every agency that was involved in giving money or had laws related to relocation assistance, even without money, was one of HUD's—a HUD task force to develop the common rules on relocation assistance.

They all agreed that they would all use the same rule and let HUD be the lead agency to interpret any misconceptions about it from any grantee. So that every grantee in the Nation, when they get to relocation assistance, they—that the same procedure applies to every Federal agency.

Now, we don't need a model relocation assistance rule that is different for every agency; we need the common rule.

Drug-free workplace, you can imagine the chaos if there was a model drug-free workplace, rather than a common rule where the agencies are forced to agree on one rule for a drug-free workplace.

We have a common rule for a drug-free workplace, relocation assistance, suspension and debarment with regard to procurement practices, so that any procurement of Federal goods, there's the exact same suspension and debarment rules for every department and agency that is clear to everybody in the procurement business.

We have a common rule for the protection of human species in research that every agency understands. And circular 102 is a common rule; as I mentioned earlier, circular 102 is not followed very often.

Now, there are 71 other rules in this index that I showed you. I don't think you were here, Mr. Kucinich, but I left a copy for the committee. The last time it was—they updated it in 1989 and found there were 68, and they found 9 more, so now we have 77. The last time we even looked at the list was 1989. This was the last overall report, 1985, the last time they've looked at all of these.

These are just the 77 rules that apply to every nickel of Federal money. And when we're dealing with financial reporting, it's not a matter of morals and who's right and who's wrong, the facts of the case; these are—we're dealing with facts when you're talking about administrative management. And there's no—there's not a lot of room for debate and argument there, the facts are the facts, that's why they can be standardized and made common.

So in this section 5, I would delete every time it said "model" and "appropriate."

And I noticed down in No. 7, they want to say "may" instead of "shall"; as long as they "may," they don't have to tell you anything.

And then down in No. 2, 7—it's—let me see, (c)2, (c)2 says—now (c)2, all of us in State and local government, that's our section. That's the only section we get specifically in the whole thing, and they crossed out the whole section.

And I don't know what their problem is with us, but it says "lead agency official designates to consult with appropriate State and local officials." Is that the "appropriate" ones, only the ones they want to talk to, or does that mean me, who I have to report to, both Republican and Democratic Governors? And I can't tell one official one thing, and the other something else, or I'm fired in a few seconds. And I can only tell a Republican Governor and a Democratic Governor the same thing at the same time. So when I say something, it can't be my thoughts; it has to be what they both agreed on.

And that's true of the mayors, the county organization and the city organization. And, Mr. Kucinich, I'm sure you participated in the city organization, and you know they work. And they crossed out—it says, "consultation with us shall be according to the procedures outlined in UMRA, the Unfunded Mandates Reform Act." We worked with you all and with your leadership, we got major changes in UMRA, and consultation process is one of the most important; and they want it crossed out.

I would suggest not only UMRA, but the Paperwork Reduction Act, that your directions to OMB—and this must be consistent with UMRA for State and local government, UMRA, Paperwork Reduction Act, the President's Executive order on regulatory reform and review, and the current Executive orders on federalism, both Reagan's and Clinton's—not the proposal, the current ones. OMB is supposed to be coordinating all of this. So maybe they should be told to make them all consistent, especially when it comes to consultation with the elected officials that I work for.

Mr. HORN. You're showing me in the air, that draft. Is that from OMB, or is that your interpretation of OMB? Because I would love to have a Xerox of it.

Mr. MARTIN. You can. You can have it. I don't know where I get these things, but they come in off the western edition of the Village Voice at Union Station at about 2:30 p.m. This is a copy of OMB's

letter to you, suggesting what to take out and put in; and in the back of it is their version of the bill that they want, with all of the "maybes" and "mays" and "models."

And models aren't going to do us any good; we have our own models.

Mr. HORN. Well, I appreciate that. And believe me, we've noted those points, and they will be taken care of.

We now have the other coauthor of this legislation, the Honorable Steny Hoyer of the State of Maryland, and we thank you for coming. We know this has been a very tragic and busy day for you, Mr. Hoyer.

We will patch all of this up in the hearing so there's some consistency here, and Mr. Martin's and Mr. Kilmartin's testimony will be lumped after the two Members from the House.

STATEMENT OF HON. STENY HOYER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MARYLAND

Mr. HOYER. Thank you very much, Mr. Chairman, for allowing me to proceed at this time. And I know I've interrupted your hearing; I was offering an amendment in the Appropriations Committee and was arguing that amendment, and it was just voted upon and, therefore, I was late. I apologize.

But, Mr. Chairman, Mr. Horn, I am pleased to be here with you and Mr. Kucinich, my good friend and hall-mate, whose office is next to mine. I would like to begin by thanking——

Mr. KUCINICH. If I may, Mr. Chairman, before Mr. Hoyer begins, I would like to welcome him and indicate to him, I'm going to have to leave in a couple of minutes for a meeting with Mr. Stokes that has been scheduled for a long time. And I appreciate your being here.

Mr. HOYER. I thank the gentleman for making sure that I do not conclude that it is the quality of my statement that impels him to leave. Thank you.

I am pleased to join your conversation today about ways to make our Federal programs work better and more efficiently. Over the years, Congress has created hundreds of categorical programs to help communities and families deal with the many issues confronting them. Each of these programs was created with its own rules and regulations to deal with a particular problem. The Federal Government has created hundreds of different taps through which assistance flows and communities' programs and families must run from tap to tap with a bucket to get the help they need.

I appreciate your leadership, Mr. Chairman, in holding this hearing on H.R. 3921, and I am very pleased to join my good friend, Rob Portman, who has worked so diligently on this issue and many others—the IRS reform being the most recent effort in which he has been so successful. So I am pleased to be working with him on this issue.

I believe that a concerted Federal effort to rationalize and coordinate programs for children and families and others is long overdue. This effort should help to eliminate Federal red tape, which we all talk about, but have such difficulty getting at, and unnecessary regulation.

I would be ungrateful to the administration if not observing that they have done a lot to reduce red tape and to reduce very substantially, as you know, Mr. Chairman, the Code of Federal Regulations. But obviously, there is still a long way to go. It should give the local programs the flexibility they need to address local problems. Reform should create incentives for program coordination which serve kids, and families, and communities better, while making more efficient use of our own resources.

My wife Judy, Mr. Chairman, when she was alive, worked for the Prince George's County School System. She used to tell me about children in her program with certain problems, and she felt very strongly that the staff shouldn't have to run around figuring out which programs that child qualifies for and how to make the child's needs fit the money, as opposed to the other way around. Programs should provide money which is flexible enough to allow program staff to concentrate on what they know best, taking care of children, or serving communities.

As an appropriator, I am particularly concerned that our tax dollars be spent efficiently and effectively. I know that Senator John Glenn shares that view and, of course, this legislation is his legislation in the Senate. And he has been involved with this, along with Senator Hatfield, for some years, as you know, Mr. Horn.

Mr. HORN. Yes.

Mr. HOYER. In 1994, I asked the Department of Education to convene a working group on coordinated services to make recommendations for such Federal effort. The working group which we appropriated $500,000 in the Labor, Health Appropriations Subcommittee. It met through 1995, and included Federal employees and people from State and local governments and organizations across the country. In response to the recommendations of that group, I introduced the Family Services Improvement Act, H.R. 1480, in the 104th and the 105th Congresses.

As you know, H.R. 3921 was originally introduced in the Senate by Senator Glenn. His staff spent many years seeking the views of nonprofit organizations on how to provide greater flexibility in Federal financial management programs while improving, or at least maintaining, program performance. The bill requires the Office of Management and Budget to work with other Federal agencies to establish a uniform application for financial assistance from multiple programs across multiple Federal agencies, ways to simplify reporting requirements and administrative procedures and electronic methods for applying for and reporting of Federal financial assistance funds.

Agencies are also required by this legislation to establish a process for consultation with State, local and tribal governments and nonprofit organizations over their implementation of the bill's requirements.

I would like to spend the remainder of my time briefly focusing on two areas on which H.R. 3921 focuses as well. First, and most importantly, I applaud the interdisciplinary nature of the legislation, which I think is critical. The primary message of the working group is that no effort to make services to families more effective and efficient will succeed unless the programs which meet different aspects of family needs are coordinated with each other.

One of the things that I have done as a member of the Appropriations Committee, Mr. Chairman, is to talk to, in particular, Secretary Shalala, Secretary Riley and Secretary Reich, and the new Secretary of Labor, Secretary Herman, with reference to the coordination of their services.

There are other agencies, of course, such as Transportation and HUD and Justice, and you can, as a matter of fact, name almost every department, including the Department of Defense.

The local folks are confronted with an incredibly complicated myriad, numbers of ways to get to efforts to help local people, which, of course, is why we adopt the program. But the bureaucratic difficulty that confronts our local governments is overwhelming sometimes, and to the extent that they can coordinate, we believe that they will have a better chance.

But we also believe that we need to put pressure on the Federal Government to coordinate itself, because now there is very little discussion, relatively speaking, among the providers of different programs, which are nevertheless very closely related, but come from different departments.

The Federal Financial Assistance Management Improvement Act directs the Director of OMB to establish interagency coordination of the collection of information and sharing of data so that we do not multiply the requests for data from the Federal Government. If we can have just one request for data that can then be shared by the Federal Government, it seems to me that will, frankly, contribute to the ease in both the local and Federal structures.

Agency heads must develop a single information release form, in my opinion, to facilitate the sharing of information across multiple Federal programs, essentially what I have been saying as one of the goals of my bill. While this does not allow for consortia to effectively coordinate services, it is an important step in the right direction.

I would also like to highlight the approach that the Portman-Hoyer bill takes to fix federally created problems. In my opinion, the Federal Government has the responsibility of fixing the problems it has created. Under the legislation, the OMB is responsible for overseeing the efforts to eliminate regulations and simplify requirements. I think that is critically important.

One of the reasons I think that the COPS program has worked pretty well, if you talk to my local law enforcement agency, they will tell you it is a simple form and it is turned around quickly. And that has made a big difference for them. We ought to apply such criteria for all programs.

I believe that the interdisciplinary nature of this bill will add a much-needed focus on the coordination of program requirements both within and across Federal departments.

Before I close, Mr. Chairman, I would like to mention that I strongly support this bill in its current form. This legislation has been developed over a significant period of time by a bipartisan group of Members of Congress.

Finally, I would like to thank Congressman Portman for his leadership, as I did at the beginning on this important piece of legislation. It has been a pleasure, I want to say, to work with him and with his staff. I appreciate the bipartisan spirit in which this subcommittee is proceeding, and thank you for this invitation to share my views with you.

[The prepared statement of Hon. Steny Hoyer follows:]

I would like to begin by thanking Chairman Horn and Ranking Member Kucinich for inviting me here today. I am pleased to join your conversation about ways to make our federal programs work better and work more efficiently.

Over the years, Congress has created hundreds of categorical programs to help communities and families deal with the many issues confronting them. Each of the programs was created with its own rules and regulations to deal with a particular problem.

In some areas, where local needs don't fit the problems covered by our categorical programs, our services for children and families are vastly inadequate. In other areas, services overlap and duplicate each other.

Case workers spend far too much time dealing with red tape and paperwork, juggling multiple programs with multiple eligibility criteria, application processes and service requirements. The federal government has created hundreds of different taps through which assistance flows – and communities, programs and families must run from tap to tap with a bucket to get the help they need.

I appreciate your leadership in holding a hearing on H.R. 3921 because I believe that a concerted federal effort to rationalize and coordinate programs for children and families is long overdue. This effort should help to eliminate federal red tape and unnecessary regulation. It should give local programs the flexibility they need to address local problems. It should create incentives for program coordination which serves kids and families better while making more efficient use of our resources.

My wife, Judy, worked for the Prince George's County School system. She used to tell me about children in her program with certain problems. She felt very strongly that the staff shouldn't have to run around figuring out which programs that child qualifies for and how to make the child's needs fit the money coming from the federal government. The programs should provide money which is flexible enough to allow program staff to concentrate on what they know best: taking care of children.

As an appropriator, I am particularly concerned that our tax dollars be spent efficiently and effectively. In 1994, I asked the Department of Education to convene a working group on coordinated services to make recommendations for such a federal effort. The working group was headed by Jeanne Jehl from the San Diego public schools, who is here in the audience today and whom I would like to thank for her outstanding work.

The working group, which met through 1995, included federal employees and people from state and local governments and organizations across the country. In response to the recommendations of that working group, I introduced "The Family Services Improvement Act" in the 104th and the 105th Congress.

As you know, H.R. 3921 was originally introduced in the Senate by Senator John Glenn. His staff spent a year seeking the views of non-profit organizations on how to provide greater

flexibility in federal financial management programs while improving or maintaining program performance. The bill requires the Office of Management and Budget (OMB) to work with other federal agencies to establish a uniform application for financial assistance from multiple programs across multiple federal agencies, ways to simplify reporting requirements and administrative procedures, and electronic methods for applying for and reporting of federal financial assistance funds. Agencies are also required to establish a process for consultation with state, local and tribal governments and non-profit organizations over their implementation of the bill's requirements.

I would like to spend the remainder of my time focusing on two areas on which H.R. 3921 focuses. First, and most importantly, I applaud the interdisciplinary nature of the legislation. The primary message of the working group is that no effort to make services to families more effective and efficient will succeed unless the programs which meet different aspects of family needs are coordinated with each other.

"The Federal Financial Assistance Management Improvement Act", H.R. 3921, directs the Director of OMB to establish inter-agency coordination of the collection of information and sharing of data. For example, OMB, in coordination with agency heads, must develop a single information release form to facilitate the sharing of information across multiple Federal programs, as is one of the goals of my bill. While this does not allow for consortia to effectively coordinate services, it is an important step in the right direction.

I would also like to highlight the approach that the Portman/Hoyer bill, H.R. 3921, takes to fix federally created problems. In my opinion, the federal government has the responsibility of fixing the problems it has created. Under the legislation, the OMB is responsible for overseeing the effort to eliminate regulations and simplify requirements. I believe that the interdisciplinary nature of this bill will add a much needed focus on the coordination of program requirements both within and across federal departments.

Before I close, I would like to mention that I strongly support the Portman/Hoyer bill, H.R. 3921, in its current form. This legislation has been developed over a significant period of time by a bipartisan group of Members of Congress.

Finally, I would like to thank Congressman Portman for his leadership on this important piece of legislation. It has been a pleasure to work with him and his staff.

I appreciate the bipartisan spirit in which this subcommittee is proceeding and thank you for your invitation to testify before the subcommittee this afternoon. I look forward to working with you in the future, and will be happy to answer any questions which you may have.

Mr. HORN. Do you have a couple of minutes? I would like to ask you a question if you do.

Mr. HOYER. Sure.

Mr. HORN. I know you're pressed.

Mr. HOYER. We're voting in the committee, so I will get back soon.

Mr. HORN. It's just one question. I think we need to do something about it. In reference to the costs to implement the bill, we have a Congressional Budget Office estimate of the short-term cost over the next 5 years. This estimate ranges roughly from $5 to $10 million over this 5-year period.

I wonder whether there is any estimate that you're aware of that gives a range of cost increases or decreases to the grantees, not just the Federal Government? It's possible there may be savings to grantees, which I think we all agree, if this was adopted, even in the current form, this would still happen. And is the Federal Government in the long run, through streamlining grant management processes and taking advantage of technological advancement, going to, in a sense, have to pay less for the Federal coordination when we're simplifying these forms? I would think it works to everybody's benefit in your legislation.

Mr. HOYER. Mr. Chairman, I don't have specific costs analysis on that, maybe the staff does. I don't know whether we do or not. But certainly we will look at that, and I know your staff will as well. And we will work with them on that because I think that is very important. But certainly my presumption is, as yours is, that both the local and the Federal—and when I say local I'm including State and local governments—and the Federal Government will ultimately save significant sums.

Frankly, we can look at whether or not—for instance, Head Start, Title 1, Even Start, Healthy Start, all of the other programs which essentially are looking at early childhood education of economically deprived children. They all have a similar focus, but are not—dysfunctional to the extent that they are not integrated as fact. As you know, some of those programs are run by the Department of Education, some run by the Health and Human Services Department, and not necessarily articulated together.

If they were, clearly, it seems to be that the local school system or community organization that tries to access resources for those programs has got to save money. The group that I referred to that was set up in the 1994 legislation to look at these urged local groups to form consortia so that you put a Head Start group together with an Even Start. That might be in the Board of Education in the Community Action Committee running a Head Start. If they work together, they would save money, and the Federal Government presumably would save money, because they would be dealing with one organization, the consortia.

But I think your premise is correct. But we need to pursue so that if it does cost to implement, it would I think clearly be offset by the savings that would be affected and we ought to have that, and I don't have it right now.

Mr. HORN. Well, we thank you. Does my colleague have any questions?

Mr. KUCINICH. No.

Mr. HORN. Well, thank you for staying and sharing your thoughts with us. We appreciate your hard work.

Mr. HOYER. Thank you. Thank you.

Mr. HORN. OK. Gentlemen, return to the table, and we will patch your testimony up so it looks like you never left it. But what is your thinking now? You've heard the two authors of the bill. Anything else for the good of the order that would help us improve the legislation?

Mr. KILMARTIN. I would offer a couple more thoughts, Mr. Chairman. Let me tell a couple of stories that help illustrate the point and I think are instructive to the task that we're trying to accomplish here. Recently—all of these Federal grant programs have to do a single audit and last year the Census Department said they would create a data collection form going on top of your single audit.

They created this collection form without consultation or any advice from any of the grantees. It is my understanding that in the first year over 90 percent of all the submissions have been rejected, because people didn't fill out the form correctly. Well, that suggests to me there are two things: Either 90 percent of the State and local grantees are unintelligent, or there's something wrong with the form. I would like to think it's the latter.

And I point that out as a simple anecdote that illustrates the failure of having the framework to communicate. Another story which perhaps is relevant to your thinking here as well. When we were implementing the Cash Management Improvement Act a few years ago, which is to exchange your Federal moneys back and forth in a timely way, I decided in Massachusetts that we would centralize and automate our end of the deal.

So we spent about $1 million and I reduced, I had roughly about 30 full-time equivalents and reduced that down to 6, by centralizing and automating our half of the Federal funds exchange, which saved us slightly in excess of $1 million a year. I spent $1 million of the capital investments, or a 100 percent recapture of investment in less than a year and the rest is all profit.

Now, in the Federal side, at that stage they had 12 Federal payment programs. The U.S. Treasury came forth. They were going to do the automated system application for payment. All the States said great, the Feds are going to move from, you know, 12 payment systems to one. Well, instead, the Treasury couldn't get the Federal agencies to use that system. They actually asked us in the States to help them persuade Federal departments to use the central treasury payment mechanism, because I think that they were trying to promote the same type of economy and efficiency that my anecdote on the State side illustrated.

If I had a 600 percent ROI on just my half of the deal, imagine what the Feds would have had, had they done a similar thing. This anecdote is not determinative to your question, but I think it is insightful to this notion of cost-benefits. There's over hundreds of billions of dollars exchanged; according to the Census Bureau, $1.3 trillion in 1995 in Federal assistance programs. I don't know how much of that goes into administration, and all I'm talking about is simply the funds transfer aspect. But if we can improve that by 1/10 of 1 percent, that's tens of millions of dollars of a cost savings,

most of which I think is going to be in the Federal side and a fair amount will be on the recipient side as well.

So the opportunities for a huge cost savings would be here. I haven't done the study. It's not my job. But I'm sure if somebody did, one would entertain huge savings, which I guess takes me to my final comment, if I may.

I did get a quick read of the OMB testimony and I sort of characterized it as the traditional statement, if it's not broken, don't fix it. Well, I think as you hear from folks in this room and most people in the street, if this Federal grant domain isn't broken, it sure can be improved.

And I would not take advantage of the opportunities for improvement. And I really think that that takes leadership, which is why I was suggesting before what we need to do is build the framework where we have the communication from the stakeholders, and at the leadership level as well as the agency level, which is the suggestion about paragraph 9.

Mr. HORN. Any comments on that, Mr. Martin?

Mr. MARTIN. If they're made to coordinate with the Paperwork Reduction Act, maybe they can use the specific performance measure of how much paperwork is reduced, and that will be a measure of—if they have to coordinate it with the Paperwork Reduction Act, maybe they can have a specific performance measure, which they like to give us, would be how much paperwork is reduced through electronic filing. And that would be a direct cost savings for everybody involved, including the multiple copies that you don't want.

Mr. HORN. That's correct. Yeah, I think we will remedy that situation, to say the least.

Let's see. Go ahead. Do you have any further questions?

Mr. KUCINICH. I want to thank the gentlemen for appearing. And, you know, I think it's obvious that this is an issue or a subject which has the potential of making a contribution to making the government work more efficiently, not only from the standpoint of administration, but from those that are participating in the programs. I think it would be interesting also, Mr. Chairman, if we had a means of reaching out to various grant applicant communities and getting their input, as far as an assessment almost—you know, both of us having worked in universities, at the end of various semesters, the professors will have to distribute to the people in the class assessments——

Mr. HORN. Student evaluations.

Mr. KUCINICH [continuing]. Student evaluations, and you would have to—and then they evaluate you. And it would be interesting to have the people who are involved in these grants have an opportunity to evaluate the performance of the grantors.

Mr. HORN. Yes, that's a good suggestion. That happened to be one of my first reforms, by the way.

Mr. MARTIN. That's the only reason why they have the Cash Management Act. That's the only reason why they have the common rules for debarment, lobbying the Federal Government, debarment and procurement, relocation assistance. They were strongly pushed by the National Governors' Association, and the National Association of State Budget Officers and the Comptrollers, Treasurers and Auditors, I'm sure have a million ideas for you.

Mr. HORN. Along the line of the ranking member's comment on getting the views from other perspectives, are there any you can think of, other than the one that was just mentioned, the actual recipient of the grants?

Mr. MARTIN. There are at least 12 bills on regulatory reform circulating on the Hill right now, and all of them are active, not to mention the hassle over the federalism Executive order. Our organizations are supporting almost every one of those bills, the mayors, the Governors and legislators. They have gone through and have been scrubbed already by bipartisan groups of elected officials, Governors, mayors on behalf of other Governors.

And the only reason we can be here today, and even be here, we never testify and couldn't get a Governor today, is that they've already told us that we can come and say that they want what you're doing and much more. On a regulatory reform, they want paperwork reduction, they want consultation. They want a standardized auditing and accounting; that's another bill that's floating.

They want to get rid of these advisory committees. You've got almost 1,000 of them, with 37,000 people serving on them that cost $180 million a year, and none of us can figure out why you need any of them. There's a bill in the Senate that sunsets them all. We love it.

Mr. HORN. This is advisory committees to Federal programs, I take it?

Mr. MARTIN. Right. All the friends of the program create advisory committees and get the Federal Government to pay them to come in and talk about what they like about it and they get paid two ways and they never—you don't need all of these advisory committees. Governors don't want to be on any of them. They give you their advice without being paid.

Mr. HORN. Well, I understand their concern. But I also understand the national government's concern to get input from people that reflects various areas of the constituency. Now do the Governors say, hey, just call us, don't call anybody else?

Mr. MARTIN. No, no. But my suggestion is you don't have to pay people to get their advice.

Mr. HORN. I've been on a number of boards where they've paid you nothing, except they did pay your airplane fare to get here, in my case 3,000 miles away.

Mr. MARTIN. That's fine. If you're——

Mr. HORN. Frankly, every board I've been on I found a very constructive thing. It wasn't just a toady for the administration. In fact, one I helped write the law on it; we selected the director, ultimately; we gave three recommendations to the Attorney General. If he or she didn't like it, fine, they could have us go back to it. But it never happened. They picked one of the three each time.

Mr. MARTIN. The Senate bill wouldn't actually require all of that, it would at least give them a good scrubbing.

Mr. HORN. Well, it's, as I say, hard to tell on that, which ones. That's why I think we ought to be looking at what were the recommendations they made, did anybody carry them out, that kind of thing. And I did raise that question a few months ago when we had the advisory committee issue before us, that I'd like to see specific recommendations. What happened to them, did they make a

difference in public policy, did they make a difference in people's lives, et cetera. And you're right on that. And we need to pursue that much further to see if we've got some that are just wasting time.

Any last comment, Mr. Kilmartin?

Mr. KILMARTIN. Well, I think the point you just raised is a good one. I'm not sure if the answer can be legislated, but somebody needs to think about it. And the question was like who from the stakeholder community ought to be involved in the consultation process and you don't want to get so tied up in this Federal Advisory Committee Act stuff. You know, this FACA thing that takes you at least 2 years to have the first meeting. But on the other hand, you don't want to leave out people as well.

So obviously the Governors, the budget officials, the auditors, the comptrollers, the treasurers, the counties. These would be obvious people to consult with, and there would be others as well. I guess I don't really have an answer for you, other than I think that's an area that needs to be thought about. If we do create the framework whereby we have the input, how do you select the invitees, I guess is one way to frame the question.

Mr. HORN. Well, we would welcome the views of the auditors, the Governors, and I know you're all organized, the lieutenant governors are organized, the secretaries of State, the attorneys general, the treasurers, on and on and on. In a sense, I'm sure the Governor some days comes out of his office and wonders where are all of his people have gone. Well, they're in Washington having a meeting.

When I was a university president, we found there were 60 different national associations to which people on the campus belonged and we were paying the dues to. And I remember one president going outside his door and he couldn't find a soul in the administration building. All the high level people were elsewhere, at either cherry blossom time or what else. But that's when the hotel rates go up, by the way, in this town.

Mr. MARTIN. Mr. Chairman, if I may, one of the most important sections of UMRA, the Unfunded Mandate Reform Act, is the exemption of elected officials at all levels of government from FACA. I know no Governor, no mayor, no elected official that wants to serve on some FACA committee and be governed by all of those rules and regulations.

They don't need—they make these views known free of charge on the 9 o'clock news every other night, and they do not want to be covered by FACA. I think FACA is very important if you have scientific committees and other committees, but not to deal with elected officials.

Mr. HORN. Well, as I say, we would welcome the views of the Governors on that. I know you conduct these committees with bipartisanship; both Democratic and Republican Governors cochair them usually. Just ship up their views to us so we can be aware of these things. We would appreciate it.

Mr. MARTIN. Thank you, sir.

Mr. HORN. We thank you gentlemen for the time and have a safe trip home.

We're going to thank the staff now that prepared this hearing and then we will close it out. We have J. Russell George, the staff director and chief counsel; Dianne Guensberg, who's to my left, is a detailee and a very able auditor from the General Accounting Office, and has worked with us for the last, what, 6 months, 9 months. It seems like 10 years, I realize, but we keep them busy, that's for sure. Matthew Ebert, our clerk; Mason Alinger, our staff assistant, and we've had a lot of eager beaver interns to help out this summer: Betsy Damus, Mark Urciuolo, Solomon Bartel, David Graff and Frank Cruz.

And for the ranking member's staff, we have Brian Cohen, professional staff member; Jean Gosa, a staff assistant for the minority; and Cindy Sebo, the court reporter. Very good.

OK. We thank you all. And with that, this hearing is adjourned.

[Whereupon, at 3:24 p.m., the subcommittee was adjourned.]

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