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Executive Summary

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EXPANDING COMPETITION FOR FEDERAL GRANTS

CHRISTOPHER YABLONSKI

Under the leadership of President George W. Bush, who has made competitive bidding for the provision of government services a priority, the Administration has begun to take steps to expand competition for federal grants. This is good policy. Not only does competitive bidding for federal monies promote basic fairness, but it also encourages greater efficiencies and cost savings—up to 50 percent, according to the Bush Administration. With billions of dollars awarded each year in federal grants, the need for efficiency and accountability is significant.

In 2001 the government gave out more money by federal grant (\$325 billion) than it did by federal contract (\$235 billion). Although about two-thirds of the money awarded by federal contract was subject to the competitive bid process, a similar analysis of federal grants is not possible. There simply are no mechanisms in place to establish how many federal grants, in what total amounts, were put out for competitive bids.

Without true competition and accountability, “discretionary” grant programs can become less than discretionary, locking many potential applicants out of the process. Grant funds can be subject to congressional micromanagement, such as earmarking; programs may choose to restrict appli-

cants to those that have already received grants in the past; or agency staff may ignore the language of the authorizing statute to follow the non-binding guidance of appropriators.

The U.S. Department of Labor (DOL) is leading the way in competing out previously noncompetitive grants, notably in the Senior Community Service Employment Program (SCSEP). For a quarter of a century, the Employment and Training Administration had doled out 80 percent of this program’s money to just 10 preferred “national sponsors” at the expense of smaller organizations located closer to the target population. This month, DOL announced the first-ever national grant competition for \$342 million of the \$445.1 million Congress appropriated for SCSEP in FY 2002.

President George W. Bush began taking steps to improve access to grants for non-traditional grant-

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ees in his Faith-Based and Community Initiative. His Administration identified grants that require past receipt of federal funds and removed some of these requirements from its solicitations for grant applications—a good way to open doors and increase competition. But there is more that can be done.

The Office of Management and Budget (OMB) proposed several steps to improve federal grant-making in general that also would expand competition for grants. For example, OMB proposes (1) standardizing and simplifying audit requirements for prospective grantees; (2) making it easier to obtain the 501(c)(3) nonprofit tax status that is required for many grants; and (3) creating a uniform electronic portal for all federal grants.

These changes alone, however, will not bring about increased competition in noncompetitive grant programs, such as SCSEP or the following:

- **Job Access Program.** For FY 2000 and FY 2001, program administrators at the Federal Transit Administration ignored the authorizing legislation that requires full and open competition and instead sole-sourced the grants according to the non-binding recommendations of congressional appropriators. Congress approved \$25 million in new spending in FY 2002, in addition to the \$100 million available to the Department of Transportation for this program through the Highway Trust Fund.
- **Susan Harwood Training Grants.** Managed by DOL's Occupational Safety and Health Administration, this program limits participation to past federal grantees. Last year, DOL rescinded a set of over-budget Clinton-era grant awards and later reissued the grant applications under tighter budget limitations. But DOL failed to strike the requirement for past receipt of federal funding. Recent DOL appropriations acts do not mention Harwood grants specifically, yet the program will distribute an estimated \$11.2 million in grants this year under prior statutory authority.
- **Hazardous Waste Worker Training Program (HWWTP).** This program, operated by the

National Institutes of Health (and formerly known as Superfund Worker Training), was designated six years ago as one of the “Top Ten Political Slush Funds” by Heritage analysts because it gave its grants to politically influential labor organizations. Most of these same groups continue to receive funding today because of built-in preferences for previous awardees. Recent appropriations acts do not mention the program, yet it will distribute an estimated \$25 million in grants this year under statutory authority.

- **Fund for the Improvement of Post-Secondary Education (FIPSE).** Congress earmarks more than 80 percent of the money in this “discretionary” grant stream, overseen by the Department of Education's Assistant Secretary for Postsecondary Education, leaving less than one-fifth open to competition by qualified applicants. For FY 2002, it earmarked \$149.7 million. Though recent appropriations acts do not mention the fund specifically, FIPSE will distribute an estimated \$181 million in grants (including earmarks) this year under statutory authority.

Increasing Competition for Grants. To expand competition for federal grants, President Bush should end agency administrative preferences for large national grantees and for the non-binding recommendations of congressional appropriators when authorizing statutes require fair and open competition. Wherever practical, eligibility requirements for past grant experience should be removed. The President should challenge Congress to reduce the use of earmarks that choke agency discretionary grantmaking by threatening to veto any unwieldy appropriations bills. Outreach to non-traditional grant applicants in his Faith-Based Initiative was a good start to extend competitive sourcing to the universe of federal grantmaking, but there is much more that the President and Congress can do to broaden the pool of applicants and increase competition for federal grants.

—Christopher Yablonski is Manager of the Government Integrity Project at The Heritage Foundation.

EXPANDING COMPETITION FOR FEDERAL GRANTS

CHRISTOPHER YABLONSKI

Under the leadership of President George W. Bush, who has made competitive bidding for the provision of government services a priority, the Administration has begun to take serious steps to expand competition for federal grants. This is wise policy. Besides promoting basic fairness, competitive bidding encourages greater efficiencies and cost savings. According to the Administration, “Historically, the government has realized cost savings in a range of 20 to 50 percent when federal and private sector service providers compete to perform” various functions.¹

In the millions of federal procurement actions taken during fiscal year (FY) 2001, one-third (\$79 billion of the \$235 billion spent²) was awarded under circumstances other than full and open competition. A similar assessment in federal grantmaking, which awards about \$325 billion each year, is not possible, however, since no single central agency tracks government grants to the same degree.³ Thus, it is difficult to assess how efficient

and effective the government’s grantmaking activity has been.

Without accountability and competition, federal “discretionary” grant programs can become less discretionary than originally intended. For example, Congress itself has earmarked grant monies for special interests or groups, and program administrators have restricted grant applications to prior recipients. In addition, agencies have misinterpreted Congress’s intent or ignored the requirements in authorizing statutes to follow instead the non-binding guidance of appropriators.

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1. U.S. Office of Management and Budget, *The President’s Management Agenda: Fiscal Year 2002*, August 2001, p. 17, at http://www.whitehouse.gov/omb/budintegration/pma_index.html.
2. The term “contract actions” includes the awarding of new contracts and modifications of existing contracts.
3. U.S. Chief Financial Officers Council, *Federal Financial Assistance Management Improvement Act of 1999 Public Law 106-107: Initial Plan*, May 20, 2001, p. 2.

As this study will show, such problems have hampered competition for grants in programs like the Senior Community Service Employment Program (SCSEP), the Job Access Program, Susan Harwood Training Grants, and the Hazardous Waste Worker Training Program (HWWTP).

Clearly, there is room for the President and Congress to improve the grantmaking process, and expanding competition will be key. Notably, the Administration has begun taking steps to do so. For example, the U.S. Department of Labor (DOL) recently announced the first-ever national grant competition for \$342 million of SCSEP funds.⁴ Additionally, the Administration is opening up the grantmaking process to organizations that have not participated in grant activity through the President's Faith-Based and Community Initiative, and it has identified counterproductive and unnecessary funding requirements that act as barriers to their participation.⁵ Removing such requirements from agency solicitations for grant applications not only will increase competition for program grants, but also will lead to more cost savings and management efficiencies over time.

The White House Office of Management and Budget (OMB) has proposed several steps to improve federal grantmaking in general. Three of these suggestions—simplifying and streamlining certification requirements, making it easier to file for and obtain nonprofit status, and creating a uniform electronic portal for federal grants—would help expand competition. In light of such recommendations, the Administration should take immediate steps to expand the use of competitive bidding for grants across the federal government. Specifically, it should:

- **End administrative preferences for large national grantees** and allow more smaller, local organizations to compete for program grants;
- **End the practice of favoring non-binding recommendations** from congressional appropriators

where authorizing statutes require fair and open competition for grants;

- **Remove or reduce requirements for prior federal grant award experience** as a condition for the receipt of new grants wherever possible; and
- **Challenge Congress to reduce the practice of earmarking**, which chokes off agency discretionary grantmaking, by promising to veto any unwieldy appropriations bills.

COMPETITIVE VS. SOLE SOURCING

Federal contracting, or procurement, and federal grantmaking are distinct activities. Through contracting, the government purchases a product or service from a given vendor. Through grantmaking, it contributes funds or services to another entity in order to achieve a public policy goal.

A key component of President George W. Bush's initiative to improve efficiency and accountability across the government—which OMB introduced in August 2001 as *The President's Management Agenda*—is its focus on expanding fair and open competition for government contracts and allowing private vendors to compete with federal agencies to provide government functions. In the President's words, "Government should be market-based—we should not be afraid of competition, innovation, and choice. I will open government to the discipline of competition."⁶

Sole-sourcing, which is the practice of awarding a function, service, or product to a pre-selected provider without allowing others to bid, may sometimes be justified. Seeking bids from a given provider or providers may be the only realistic option for federal officials in matters of national security because contractors must obtain specialized security clearances. Certain programs may require expertise that is peculiar to only a handful of potential non-governmental partners. Such exceptions aside, however, the primary principles

4. Congress allocated \$445.1 million for SCSEP in FY 2002, with the program operating under a continuing resolution since October 1, 2002, when FY 2002 expired.

5. See White House Office of Faith-Based and Community Initiatives, *Unlevel Playing Field: Barriers to Participation by Faith-Based and Community Organizations in Federal Social Service Programs*, August 16, 2001, pp. 22–23, at <http://www.whitehouse.gov/news/releases/2001/08/20010816-3-report.pdf>. See also U.S. Office of Management and Budget, *The President's Management Agenda*, p. 36.

6. *Ibid.*, p. 17.

of government contracting and grantmaking should be to purchase the best product, provide the best service, and fund the best operation at the best price for the American taxpayer.

Competitive sourcing in federal contracting has expanded significantly over the past two decades. In FY 1982, for example, the federal government awarded just 37 percent of procurement dollars competitively.⁷ Today, the ratio is reversed. In FY 2001, the federal government awarded slightly less than two-thirds of federal procurement dollars with “full and open competition.” Of the total 11,410,869 contract actions worth \$234.9 billion, 98,121 actions worth \$79 billion were made under circumstances other than full and open competition.⁸ And of those, 18,907 actions worth \$19 billion were sole-sourced. More than one-third of federal procurement dollars still flow without full and open competition.

While about \$325 billion is targeted each year to the kinds of federal assistance thought of as grants,⁹ the government does not track its grantmaking activities with the level of sophistication that characterizes its tracking of contracts. OMB collects detailed figures on competition for contracts—including whether they are competed fully or sole-sourced—but similar government-wide figures do not exist for grants. The growing use of congressional earmarking alone¹⁰ suggests that federal grantmaking could use a tracking mechanism to assure that the practice does not undermine competition.

TAKING THE LEAD: DOL'S EFFORTS TO INCREASE GRANT COMPETITION

The Department of Labor is leading the way in competing out previously noncompetitive grants. For a quarter of a century, its Employment and Training Administration had doled out 80 percent of the money for the Senior Community Service Employment Program to just 10 preferred “national sponsors” at the expense of smaller organizations located closer to the target populations. Congress appropriated \$445.1 million for this program in FY 2002. This month, DOL has announced the first-ever national grant competition for \$342 million of those SCSEP funds.¹¹

The past use of noncompetitive grantmaking at the SCSEP is well documented. Created originally under the 1964 Economic Opportunity Act,¹² SCSEP offers job placement and community service jobs to unemployed individuals ages 55 and older, with pay at least equal to the local or national minimum wage. Each year, the program places or funds about 100,000 enrollees in such places as public libraries, parks, health clinics, and nutrition centers.

Congress reformed SCSEP's authorizing legislation—the 1965 Older Americans Act (OAA)—in late 2000, but by that time the program was already awarding over 90 percent of the \$437 million annual grant stream to just 10 national organizations.¹³ While regulations governing SCSEP grantmaking are pending and the new solicitation has been released, DOL continues to designate the following 10 organizations as official national sponsors of the program under existing arrangements:

7. Kevin M. Tansey, “Sole-Source Versus Competitive Contracting: Why a GAO Audit Guide Is Needed,” *GAO Review*, Winter 1984, p. 14.
8. Not all “contract actions” include the awarding of contracts. As used here, the term includes awards of new contracts and modifications of existing contracts. From information provided by facsimile from U.S. Office of Management and Budget, Office of Federal Financial Management, June 20, 2002.
9. U.S. Chief Financial Officers Council, *Federal Financial Assistance Management Improvement Act of 1999*, p. 2.
10. See section on Congressional Earmarking, below.
11. *Federal Register*, Vol. 67, No. 217 (November 8, 2002), pp. 68178–68200.
12. USC 2701 *et seq.*
13. As Congress debated reauthorizing OAA in 2000, the 10 national sponsors “receive[d] about \$400 million in grants to provide” employment to seniors. Carl Hulse, “Congress Clears Older Americans Act Hurdle,” *The Ledger* (Lakeland, Florida), November 26, 2000.

- American Association of Retired Persons Foundation (AARPF);
- Asociación Nacional Pro Personas Mayores (ANPPM) (National Association of Hispanic Elderly);
- Experience Works (formerly Green Thumb, Inc.);
- National Asian Pacific Center on Aging (NAPCA);
- National Center on Black Aged (NCBA);
- National Council on the Aging (NCOA);
- National Indian Council on Aging (NICOA);
- Senior Service of America (SSA) (formerly National Senior Citizens Education and Research Center or NSCERC);
- National Urban League (NUL); and
- U.S. Forest Service (USFS).

Five of these “national sponsors” have received money through the Older Americans Act and prior legislation since the mid- to late 1960s, when some of the grants were originally competed.¹⁴ In 1978, Congress extended OAA and required DOL not only to maintain that year’s funding levels to the national sponsors, but also to target some awards to groups that work with black and Hispanic elderly. The result was that the program administrators awarded the designation of “national sponsor” to ANPPM, NCBA, and NUL. Similar congressional action in 1989 forced DOL to target American Indians and Asians, resulting in national sponsor status for NICOA and NAPCA. Such preferences further limited the scope of competition for SCSEP funding.

In 1978, amendments to the OAA guaranteed that year’s level of funding for national sponsors until a compromise reauthorization in 2000. From 1978 to 1995, OAA split the SCSEP funding 55 percent to 45 percent between the existing national sponsors and the state governments. From 1978

on, Congress ignored the statute and used annual appropriations bills to hike the ratio to 78 percent to 22 percent in favor of national sponsors. As a result, SCSEP funding streams bore little resemblance to the actual populations of needy seniors around the country.

OAA’s expiration in 1995 and a scathing U.S. General Accounting Office (GAO) report issued that same year offered Congress an opportunity—its first in decades—to reform SCSEP.¹⁵ The GAO report highlighted inequitable funding across states and exposed gimmicks employed by the national sponsors to use the taxpayer funds on excessive overhead:

Under Labor’s regulations, expenditures that we believe to be administrative in nature may be charged to another cost category—“other enrollee costs”—thereby allowing the statutory 15-percent limit on administrative expenses to be exceeded.¹⁶ In program year 1994, this resulted in national sponsors’ budgeted administrative costs exceeding the 15-percent limit by over \$20 million. As a result, grant funds that could have been spent to finance additional program positions have therefore been improperly allocated.¹⁷

Though the report did not call into question the lack of competition in SCSEP grants, the GAO did take the DOL to task for exempting the national sponsors from a standard review board for non-competitive grants and contracts:

Labor’s procedures require that noncompetitive grants over \$25,000 be included in an annual procurement plan that is forwarded for approval by the responsible Assistant Secretary to the Procurement Review Board (PRB). The PRB, whose members include designees of the Chief Financial Officer and the Solicitor, as well as the Director of the

14. The first five national sponsors were Experience Works (1965), NCOA (1968), NCSC/NSCERC (1968), AARPF (1969), and USFS (1972).

15. U.S. General Accounting Office, *Department of Labor: Senior Community Service Employment Program Delivery Could Be Improved Through Legislative and Administrative Actions*, GAO/HEHS-96-4, November 1995.

16. 42 USC 3056(c)(3).

17. U.S. General Accounting Office, *Department of Labor: Senior Community Service Employment Program Delivery Could Be Improved*, p. 3.

Division of Procurement and Grant Policy, is “to serve as a senior level clearinghouse to review proposed noncompetitive and major acquisitions.” The PRB advises whether competition is appropriate for each acquisition and whether long-term relationships with the same organizations are consistent with Labor policies. However, Labor exempts title V awards and does not involve the PRB in reviewing the program’s annual grant renewal decisions. Labor officials did not adequately explain the reason for this exemption.¹⁸

Until recently, DOL consistently ignored unfavorable audits of the SCSEP national sponsors and continued to target them with funding. Even after OAA lapsed in 1995, DOL required national sponsors to apply only for noncompetitive extensions and grant renewals.¹⁹ In 1999, 2000, and 2001, DOL’s Office of Inspector General issued reports that called into question millions of dollars in claims by some of these sponsors during the late 1990s:

We audited the costs that the NCSC/ National Senior Citizens Education & Research Center, Inc. (NSCERC) claimed for reimbursement under its [SCSEP] grants for FY 1996.... We question \$2.8 million of the costs NCSC/NSCERC claimed for reimbursement in FY 1996. We also identified several areas in NCSC/ NSCERC’s administration of SCSEP where costs of about \$900,000 can be avoided without adversely affecting program operations.²⁰

We audited costs that the NSCERC claimed for reimbursement under its SCSEP grants for the period from July 1, 1996, to December 31, 1997. We questioned almost \$3.7 million of the costs NSCERC claimed for reimbursement under its grants and an additional \$2.2 million of lease buyout and moving expenses it claimed in a separate indirect cost submission.²¹

[We] conducted an audit of costs claimed by The National Council on the Aging, Inc. (NCOA)...for the periods July 1, 1997 through August 31, 1998, and July 1, 1998 through June 30, 1999.... The audit resulted in questioned direct costs of \$580,955 for FYs 1998 and 1999.²²

SSA, formerly NSCERC, deserves particular scrutiny as a prominent political advocacy operation. Over a period of 35 years, SCSEP awarded hundreds of millions of dollars to its Senior Alert, Industrious, Dedicated, Energetic Service (Senior AIDES) Program. Between 1995 and 2001, prior to reform of the Older Americans Act, more than \$326 million of the \$1.5 billion in SCSEP grants made to nonprofits was funneled through the Senior AIDES program. Until 1996, federal law allowed 501(c)(4) lobbying groups such as SSA’s now-defunct sister organization, the National Council of Senior Citizens (NCSC), to receive federal grants. NCSC had operated the Senior AIDES program at the same time it was actively lobbying to establish a Canadian-style single-payer health care system in the United States.

In many cases, SCSEP’s national sponsors have served as mere middlemen for subgrants awarded to local intermediary agencies and to the facilities

18. *Ibid.*, p. 11.

19. U.S. General Accounting Office, *Senior Community Service Employment Program: Status of National Sponsor Grants*, GAO/ HEHS-98-115R, April 17, 1998, p. 9.

20. See U.S. Department of Labor, Office of Inspector General, “National Council of Senior Citizens (NCSC) Program,” Report No. 18-99-011-03-360, September 24, 1999, at <http://www.oig.dol.gov/public/reports/oa/1999/18-99-011-03-360s.htm>, and “Audit of The National Council on the Aging, Inc.,” Report No. 02-02-202-03-360, February 11, 2002, at <http://www.oig.dol.gov/public/reports/oa/2002/02-02-202-03-360s.htm>. NCSC preceded NSCERC.

21. U.S. Department of Labor, Office of Inspector General, “\$6 Million in National Senior Citizens Education and Research Center’s Claims Questioned,” Report No. 18-00-006-03-360, March 29, 2000, at <http://www.oig.dol.gov/public/reports/oa/2000/18-00-006-03-360s.htm>.

22. U.S. Department of Labor, Office of Inspector General, “Audit of The National Council on the Aging, Inc.,” Report No. 02-02-202-03-360, February 11, 2002, at <http://www.oig.dol.gov/public/reports/oa/2002/02-02-202-03-360s.htm>.

that host enrollees themselves. Under a competitive grants regime, municipalities, nonprofit “Area Agencies on Aging,” and host facilities subgranted by a national sponsor are now able to apply for SCSEP funding directly.

The amendments to the Older Americans Act in 2000 improved SCSEP’s flexibility to some extent, and the Bush Administration is making headway in implementing the changes equitably. Beyond FY 2000 funding, the first \$35 million in SCSEP funds is divided 75 percent to 25 percent in the states’ favor. Over the \$35 million level, new funds are split 50/50 between the states and national sponsors.

There is some debate as to whether the two-year-old amendments to the Older Americans Act actually bind the Administration to fund national sponsors as exclusively as it has in the past.²³ It is surprising that some policymakers interpret a key section of the 2000 law as mandating funding to the current national sponsors:

The Secretary shall reserve the amounts necessary to maintain the fiscal year 2000 level of activities supported by public and private nonprofit agency and organization grantees that operate under this title under national grants from the Secretary, and the fiscal year 2000 level of activities supported by State grantees under this title, in proportion to their respective fiscal year 2000 levels of activities.²⁴

But this section of the new law dictates only what proportion of SCSEP funds goes to national grants versus state grantees. The language in question does not address the secretary’s discretionary authority to compete out national grants. DOL presumably has discretion to compete out these funds.

In addition to the new national grants competition, DOL has made improvements in how SCSEP is administered. DOL has clarified and further limited the administrative costs allowed for grantees by reducing the categories of grantee expenses that may be considered administrative.²⁵ The department also put SCSEP grantees on notice that it will strictly enforce performance standards mandated by the 2000 law.²⁶ In early 2001, DOL officials began a process for promulgating new regulations for the program’s award procedures. It is hoped that DOL’s efforts to improve and compete out SCSEP will break the monopoly of the national sponsors and bring in local organizations that could serve the target populations.²⁷

HOW COMPETITION FOR GRANTS IS LIMITED

Earmarking funds for special interests is just one way the amount of funding available for competitive bids for grants is limited. Congressional meddling in the grant awards process through appropriations or authorization restrictions is another that can tie the hands of program administrators and limit competition for grants. Too often, preferred grant recipients are able to take advantage of the system to corner the market on funding streams. This problem received attention in *The President’s Management Agenda* as well:

In some programs, year after year the same providers get the bulk of the funds, even though there is little or no evidence of results.... Some programs require applicants to demonstrate past receipt of government funds or to gain the cooperation or approval of public entities that are likely to see them as competitors.²⁸

23. In April 2002, six U.S. Senators wrote to Assistant Secretary of Labor Emily DeRocco complaining of rumors that DOL intended to threaten the status of national sponsors through full and open competition for SCSEP grants. Senators Tom Harkin (D-IA), Tim Hutchinson (R-AR), James Jeffords (I-VT), Edward Kennedy (D-MA), Barbara Mikulski (D-MD), and Arlen Specter (R-PA) argued that the 2000 reauthorization required DOL to maintain SCSEP funding to the 10 national sponsors and barred competitive sourcing. See John Samples and Ivan Osorio, “Big Government Swallows Its Opponents,” June 7, 2002, at www.cato.org/dailys/06-07-02.html (July 15, 2002).

24. Public Law No. 106-501, Title V, Section 506(c)1.

25. U.S. Department of Labor, Education and Training Administration, *Older Worker Bulletin*, No. 01-10, August 14, 2001.

26. U.S. Department of Labor, Education and Training Administration, *Older Worker Bulletin*, No. 02-8, May 22, 2002.

27. See, for example, U.S. General Accounting Office, *Department of Labor: Senior Community Service Employment Program Delivery Could Be Improved*.

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Candidates for Expanding Competition in Grantmaking

Grant Program	Department	Background
Susan Harwood Training Grants (CFDA Program No. 17.502)	Occupational Safety and Health Administration, Department of Labor (DOL)	An occupational safety program that limits participation to past federal grantees. In 2001, the Secretary of Labor rescinded a set of Clinton Administration over-budget grant awards, then later reissued the grants under tighter budget limitations and with the requirement regarding past receipt of federal fun.
Job Access Program (CFDA Program No. 20.516)	Federal Transit Administration, Department of Transportation (DOT)	For FY 2000 and FY 2001, DOT administrators ignored the authorizing legislation for program funds that requires full and open competition and instead sole-sourced the grants according to non-binding recommendations from the congressional appropriators.
Hazardous Waste Worker Training Program (CFDA Program No. 93.142)	National Institutes of Health, Department of Health and Human Services (HHS)	Has a record of awarding program grants to 10 politically active labor organizations. Most of these groups continue to receive program grants because of built-in preferences for previous grantees.
Fund for the Improvement of Post-Secondary Education (CFDA Program No. 84.116)	Office of the Assistant Secretary for Postsecondary Education, Department of Education	Congress specifically earmarks more than 80 percent of the funds in this discretionary grant stream, leaving less than one-fifth available for open competition by qualified applicants.

Source: Heritage Foundation analysis of appropriations bills and Census Bureau information.

Administrators too can limit competition by misinterpreting a statute. Such impediments to open and fair competition politicize a grantmaking process that should be focused on efficient outcomes and cost savings. The examples that follow are federal programs that limit competition to preferred providers but could easily open their grants to more non-traditional applicants. (See Table 1.)

Preferential Treatment

Job Access Program. The DOT's Job Access Program highlights the problem of congressional meddling in grant programs. The program offers grants to help welfare recipients move into the workforce

by providing transportation to their new jobs. In short, according to the GAO, Transportation Department officials have chosen to follow the guidance in appropriations act conference reports (which are usually non-binding congressional instructions for program funding) rather than the actual mandates in the program's authorizing statute.²⁹ Conference reports, which may carry political weight, usually do not hold the force of law.

The GAO reports that for FY 2000 and FY 2001 combined, DOT set aside \$125 million of the \$175 million in Job Access funding for earmarks listed in conference reports accompanying the appropriations acts.³⁰ DOT applied a competitive award pro-

28. U.S. Office of Management and Budget, *The President's Management Agenda*, p. 32.

29. U.S. General Accounting Office, *Welfare Reform: Competitive Grant Selection for DOT's Job Access Program Was Not Followed*, GAO-02-213, December 2001.

cess for the remaining \$50 million. This lopsided practice contravened the language of the 1998 Transportation Equity Act for the 21st Century (TEA-21), which specifically instructs DOT to award Job Access grants nationwide on a competitive basis.³¹

For FY 2002, Congress appropriated \$25 million for the Job Access Program, in addition to the \$100 million DOT may tap from the Highway Trust Fund for the program.³² Citizens Against Government Waste reports that Congress made 87 Job Access Program earmarks for FY 2002 totaling about \$108 million.³³ Using that figure, if DOT chooses to ignore the mandates in law again, earmarks will gobble up 86 percent of Job Access grants that should be competed out fairly.³⁴ Tabulations by Senator John McCain (R-AZ) are dire. He shows 92 conference report earmarks for the Job Access Program in FY 2002 that total almost \$210 million—nearly \$85 million more than the amount budgeted for the entire program.³⁵

Susan Harwood Training Grant Program. The Bush Administration, in a report titled *Unlevel Playing Field*, criticized DOI's Susan Harwood Training Grant Program administrators for limiting access to its grants:

Some Federal programs deliver further unfair advantage to previous Government grantees by building a bias into the application process. DOI's "Susan Harwood Training Grant" program funds groups to train employers and employees to recognize, avoid, and prevent workplace safety and health hazards. The program requires applicants to demonstrate not only topical and managerial experience but also

either past receipt of a Government grant or a firm commitment of collaboration from an organization that has managed Government funds previously.³⁶

The requirement for past grant funding tilts the playing field in favor of current recipients and undermines the purpose of holding grant competitions. Under this de facto seniority system, the same groups receive the funding, their relationships over time with the grantmakers become cozy, and they become key political supporters of the program funding them.

Under the Clinton Administration, the Susan Harwood Training Program also gave funds to politically influential and activist labor organizations. From 1996 through 2000, the DOL used the Harwood grants to transfer at least \$1.3 million in taxpayer money to such organizations as the AFL-CIO; the Association of Federal, State, County, and Municipal Employees (AFSCME); and the Communications Workers of America (CWA). Giving this money to such groups frees dues money for the lobbying activities of a few select organizations.

In March 2001, Labor Secretary Elaine L. Chao moved to protect DOI's long-term budget by rescinding \$4.8 million in Harwood three-to-five-year grants to 18 well-connected labor organizations. The next month, DOL reissued a broader solicitation for Harwood grant applications, and in October, it awarded \$10.6 million in one-year grants to 61 groups. About half of the new awards went to groups receiving Harwood grants for the first time. However, the April 2001 solicitation carried the same limitation as the August 2000 original solicitation had: "The applicant organization has administered, or will work with an organization

30. *Ibid.*, p. 3.

31. Public Law No. 105-178, Title III, Section 3037(g).

32. Public Law No. 107-87, Title 1.

33. Citizens Against Government Waste, *The 2002 Congressional Pig Book* (Washington, D.C., 2002) at <http://publications.cagw.org/publications/pigbook/pigbook.php3?pigyear=2>.

34. DOT responded to GAO's criticism by issuing an FY 2002-FY 2003 solicitation for grant proposals that indicates equal consideration of all applicants. It remains to be seen whether that will be the case.

35. Office of Senator John McCain (R-AZ), "McCain Objects to \$4 Billion in Porkbarrel Projects in FY'02 Transportation Appropriations Bill," December 4, 2001, at <http://mccain.senate.gov/dotconf02.htm> (June 17, 2002).

36. See U.S. Office of Management and Budget, *The President's Management Agenda*, p. 36. See also White House Office of Faith-Based and Community Initiatives, *Unlevel Playing Field*, pp. 22-23.

that has administered, a number of different Federal and/or State grants over the past five years.”³⁷ Regrettably, the April 2001 solicitation went out four months before completion of the *Unlevel Playing Field* report and *The President’s Management Agenda*, both of which highlighted such barriers to non-traditional grant applicants.

Vital Voices. Sometimes, however, even the current White House will reach down into a discretionary grant program to fund a pet project. Just last March, the Bush Administration engineered a \$300,000 DOL award to the Vital Voices Global Partnership to provide sewing machines and fabric for Afghan women.³⁸ DOL’s International Labor Affairs Bureau (ILAB) did not issue a standard solicitation for grant applications in advance of awarding the grant, instead awarding the money without competition at all. In fast-tracking Vital Voices through the award process, the Administration ignored several humanitarian groups already on the ground in Afghanistan.³⁹

Hazardous Waste Worker Training. The National Institutes of Health’s (NIH) Hazardous Waste Worker Training Program (HWWTP) repeatedly funds the same groups because of built-in preference for previous awardees. Having some preference for experience is understandable—training workers to clean up hazardous waste is a specialized task. However, HWWTP’s award requirements are tightly crafted in a way that happens to ensure continued funding for past recipients.

HWWTP got its start from the Superfund Amendments and Reauthorization Act (SARA) of 1986. That legislation extended the life of the less than effective Superfund program and established awards to promote hazardous waste remediation through NIH. HWWTP is an attempt to spur

Superfund remediation. As of 2001, the Environmental Protection Agency (EPA) had cleaned up and removed just 233 hazardous waste sites, though it lists 1,235 sites on its Superfund National Priority List.⁴⁰

Six years ago, analysts at The Heritage Foundation ranked HWWTP (formerly the Superfund Worker Training Program) as number eight on its “Top Ten Political Slush Funds” list.⁴¹ They found that in FY 1995, the program gave grants to 10 politically influential labor organizations: the George Meany Center for Labor Studies; International Association of Firefighters; International Brotherhood of Teamsters; International Chemical Workers Union; International Union of Operating Engineers; Laborers AGC Education Fund; Oil, Chemical and Atomic Workers Union/PACE; Service Employees International Union; United Auto Workers; and United Brotherhood of Carpenters.

At the time of the analysis, the taxpayer funding given to these labor groups under HWWTP made up 78 percent of its \$32 million in awards. A follow-up analysis of the program’s FY 2000 grants found that the list of awardees and their funding levels have changed little in five years. Eight of the original 10 groups received NIH funding for hazardous waste worker training in FY 2000. About 72 percent of the program’s \$33.2 million in FY 2000 awards flowed to politicized labor organizations. Although the program no longer gave funds to the Teamsters or the United Brotherhood of Carpenters, among the new recipients were the Center to Protect Workers’ Rights (over \$4.2 million) and the AFSCME Education and Training Institute (over \$702,000). (See Table 2.)

Earlier this year, NIH pumped \$6 million into the current HWWTP grantees because of the September 11, 2001, terrorist attacks. Congress had

37. *Federal Register*, Vol. 65, No. 160 (August 17, 2000), p. 50223, and Vol. 66, No. 75 (April 18, 2001), p. 19992.

38. The White House, “Celebrating a New School Year for the Children of Afghanistan,” at <http://www.whitehouse.gov/infocus/backtoschool> (August 27, 2002).

39. The United Nations Office for the Coordination of Humanitarian Affairs (OCHA) maintains an extensive list of humanitarian groups working in Afghanistan. See <http://www.reliefweb.int/w/rwb.nsf/vCEBS/70C661D3087D74CCC12565000456830?OpenDocument&StartKey=Afghanistan>.

40. “Congress Seeks Superfunding,” *Waste Treatment Technology News*, October 2001. The article describes the 233 removed sites as having been “judged completely cleaned up...while 540 additional sites are designated ‘construction complete,’ which means that measures to contain the toxic materials are in place and operating.”

41. Charles P. Griffin, “Top Ten Political Slush Funds,” Heritage Foundation *Backgrounder* No. 1069, March 4, 1996.

Organization	Funding Fiscal Year 1995	Funding Fiscal Year 2000
George Meany Center for Labor Studies	\$850,000	\$808,361
International Association of Firefighters	709,000	1,248,265
International Brotherhood of Teamsters	1,716,000	0
International Chemical Workers Union	3,319,000	2,228,900
International Union of Operating Engineers	2,532,000	2,989,878
Laborers AGC Education Fund	7,917,000	8,336,277
Oil, Chemical and Atomic Workers Union	2,898,000	2,259,983
Service Employees International Union	628,000	529,988
United Auto Workers	671,000	723,861
United Brotherhood of Carpenters	3,723,000	0

Note: The Oil, Chemical and Atomic Workers (OCAW) Union merged with the United Paperworkers International Union (UPIU) in 1999 to form the Paper, Allied-Industrial, Chemical & Energy Workers International Union (PACE International Union). As a successor to the OCAW, PACE continues to receive HWWTP grants.

Source: For FY 1995, see Charles P. Griffin, "Top Ten Political Slush Funds," *Heritage Foundation Backgrounder* No. 1069 March 4, 1996. For FY 2000, data from the U.S. Census Bureau's Federal Assistance Award Data System (FAADS) were used to tally FY 2000 Hazardous Waste Worker Health and Safety Training program grants to the Laborers AGC Education Fund; International Chemical Workers Union; Oil, Chemical and Atomic Workers Union; International Association of Firefighters; and United Auto Workers. Data from the U.S. Census Bureau's Single Audit Database were used to tally the FY 2000 grants to the International Union of Operating Engineers, George Meany Center for Labor Studies, and Service Employees International Union.

approved the money last year for cleanup of the World Trade Center site in New York City and in preparation for possible future attacks. NIH issued a notice of limited competition in January and distributed the money in May. The awards funded existing training programs on the ground in the New York City area. Not surprisingly, four of the six awardees are among those listed in Table 2: the Center to Protect Workers' Rights, International Association of Firefighters, International Union of

Operating Engineers, and Laborers AGC Education Fund.⁴²

NIH's stewardship of HWWTP leaves little room for a dynamic award process. The National Institute of Environmental Health Sciences, which administers the program, boasts of creating a "strong network of non-profit organizations that are committed to protecting workers and their communities" and offering education to "target populations of hazardous waste workers and emergency

42. According to a Heritage analysis of data available on the Center for Responsive Politics Web site, <http://www.opensecrets.org>, these labor organizations or their affiliates made over \$5 million in total soft money contributions to political parties in the 1998, 2000, and 2002 election cycles combined, with over 97 percent flowing to the Democrats. The International Association of Firefighters, for example, gave 91.3 percent of its donations over five and a half years to Democrats and 8.7 percent to Republicans.

responders.”⁴³ Historically, however, it has made no effort to tie worker training to remediation of Superfund sites.⁴⁴ In fact, in the first years of operation, regular accounting of awardees was not required.⁴⁵ HWWTP has had less effect in cleaning up hazardous waste than it has had in providing a steady stream of money to its awardees.

The most recent Request for Applications (RFAs) issued by HWWTP, while open to all applicants, gave more weight to any applicant whose officials had previous experience in administering federal grants.⁴⁶ This went far beyond the expected plea for previous experience with receiving hazardous waste worker training, giving an enormous advantage to current recipients. HWWTP’s orientation should be to stimulate the best Superfund site remediation possible through a more competitive, results-driven award process.

How Congressional Earmarks Limit Competition

President Bush and his advisors have called on Congress to cut back on earmarks, or “pork-barrel” spending mandated by appropriations acts and other laws.⁴⁷ By designating certain funds for pet projects, lawmakers micromanage agency spending decisions, particularly in the awarding of contracts and grants. Earmarks now account for the majority

of funding for some “discretionary” grant programs, leaving little room for open and fair competition.

Last year, Congress approved 7,803 earmarks for FY 2002, according to OMB.⁴⁸ This level marked a 21 percent increase over the number of earmarks approved for FY 2001 and a 600 percent increase over the number of earmarks imposed just six years ago.⁴⁹ Varying accounts place the dollar level of overall earmarks at \$15 billion to \$20 billion for FY 2002.⁵⁰ These different interpretations complicate any effort to break down annual earmarks in terms of contracts, grants, or other spending categories.

Moreover, not all earmarks mention a precise dollar amount, and many do not mention any grant or contract awardee specifically. Most earmarks become law through the appropriations process, either by their inclusion in one of the 13 annual appropriations bills or by being listed in the accompanying conference reports as instructions from congressional appropriators to agencies whose funding they oversee.

Tracking the awarding of contracts is easier than tracking earmarks that affect contracts. In FY 2001, the government awarded 35,161 contracts valued at \$6.6 billion under statutes that actually *barred* fair and open competition.⁵¹

It would be helpful if OMB or another federal oversight agency tracked grants similarly. Watchdog

43. Mission statement of NIH’s Waste Education and Training Program, at <http://www.niehs.nih.gov/wetp/about/mission.htm> (June 17, 2002).

44. U.S. Department of Health and Human Services, Office of Inspector General, *Superfund Financial Activities at the National Institute of Environmental Health Sciences for Fiscal Year 2000*, Report No. A-04-01-04000, October 31, 2001, p. 8, at <http://oig.hhs.gov/oas/reports/region4/40104000.pdf>.

45. U.S. Department of Health and Human Services, Office of Inspector General, *Superfund Financial Activities at the National Institute of Environmental Health Sciences for Fiscal Year 1993*, Report No. A-04-94-04545, June 18, 1995, at <http://oig.hhs.gov/oas/reports/region4/49404545.pdf>.

46. National Institute of Environmental Health Sciences, *Hazardous Materials Worker Health and Safety Training*, RFA No. ES-99-099, August 12, 1999.

47. OMB Director Mitchell Daniels, testimony before Committee on the Budget, U.S. Senate, February 5, 2002.

48. *Ibid.*

49. Alexander Bolton, “Bush Says Earmarking Harms Anti-Terror Efforts,” *The Hill*, April 10, 2002.

50. OMB Deputy Associate Communications Director Amy Call cited almost 8,000 FY 2002 earmarks worth “up to \$15 billion.” See Alan Fram, “House GOP Chairman Opposes White House Plan to Cut Lawmakers’ Hometown Projects,” Associated Press, February 6, 2002. Senator McCain’s office issued 10 press releases during the FY 2002 appropriations process that cited a total of \$14,898,690,265 in earmarks. See Senator McCain’s 2001 statements released on October 17 and 19, November 1, 8, and 15, and December 4 and 20, 2001, at <http://mccain.senate.gov>. Citizens Against Government Waste reported \$20.1 billion in FY 2002 earmarks in the Introduction to its 2002 *Congressional Pig Book*.

51. That is, whether the statutes in question were annual appropriations acts or permanent authorizing legislation.

groups tracking pork-barrel spending offer only imperfect approximations of congressional actions limiting grant competition. Using narrow definitions, there were from 700 to 850 grant-related earmarks in FY 2002 worth from \$1.1 billion to \$1.7 billion.⁵² Broader examinations of information from various sources suggest that up to half of all congressional earmarks may affect grant programs.

Earmarks often leave the Administration little discretion over grant programs that are fully intended to be discretionary. The Fund for the Improvement of Post-Secondary Education (FIPSE) at the Department of Education is particularly burdened by this micromanagement through the annual appropriations process. The fund is authorized under the 1965 Elementary and Secondary Education Act (ESEA) to support special demonstration projects. In the FY 2002 appropriations act, FIPSE bore 272 earmarks worth \$149.7 million, or 83 percent of its \$180.9 million appropriations.⁵³

Challenging congressional earmarks can be a political liability for any Administration, since Congress jealously guards its authority over spending. Beyond simply rebuking Congress for cordoning off grant money for pet causes, the Administration could take steps to expand competition for grants; the President in particular should be willing to veto appropriations acts that tie the hands of grantmakers.

RECENT IMPROVEMENTS IN FOSTERING GRANT COMPETITION

In addition to the changes in the SCSEP grant-making process, the Bush Administration has begun opening other grants to increased competition. The President's Faith-Based and Community Initiative is a driving force in the effort to remove impediments to potential grant applicants that traditionally have been locked out of the process. This is made clear in *The President's Management Agenda*:

In some programs, year after year the same providers get the bulk of the funds, even though there is little or no evidence of results.... Some programs require applicants to demonstrate past receipt of government funds or to gain the cooperation or approval of public entities that are likely to see them as competitors.⁵⁴

The President couches this argument on behalf of faith-based organizations (FBOs) and community-based organizations (CBOs) in terms of inclusion and nondiscrimination. Regarding federal grants, his initiative aims to reverse an "unnecessarily and improperly restrictive view" of such organizations within the social welfare bureaucracy.

Expanding competition in federal grant programs also counsels for outreach to non-traditional grant applicants. The President should extend his competitive sourcing initiative beyond federal procurement to the universe of federal grantmaking and vigorously oppose congressional micromanaging, especially the earmarking of funds for preferred groups.

Reaching Out to Non-Traditional Applicants

Early in his first term, President George W. Bush established centers at the Departments of Education (ED), Health and Human Services (HHS), Housing and Urban Development (HUD), Justice (DOJ), and Labor (DOL) to implement his Faith-Based and Community Initiative. Over the past two years, these centers have diligently set about removing restrictive language from their requests for grant proposals. Consider the following three examples:

- **The Justice Department's Serious and Violent Offender Reentry Initiative.** In June 2001, DOJ issued a \$79 million 25-grant solicitation under a Young Offender Reentry Initiative.⁵⁵ DOJ developed the solicitation with HHS and DOL during the final months of the Clinton

52. A search of earmarks reported by Senator McCain turns up 712 specifically designated as "grants," "loans," or "cooperative agreements" worth at least \$1.7 billion. A search of the Citizens Against Government Waste 2002 *Congressional Pig Book* database yields 859 earmarks worth \$1.1 billion.

53. Citizens Against Government Waste and Senator McCain agree on the number of FIPSE FY 2002 earmarks and the dollar value. See Citizens Against Government Waste, 2002 *Congressional Pig Book* and Office of Senator John McCain, "McCain Identifies Nearly \$1 Billion in Earmarks in Labor, HHS Appropriations Conference Report," December 20, 2001, at <http://mccain.senate.gov/lhhsconf02.htm> (June 17, 2002).

54. U.S. Office of Management and Budget, *The President's Management Agenda*, pp. 35, 36.

Administration. The goal of the initiative is to reduce recidivism by young ex-convicts through state and local parole programs. Bush Administration officials, in reviewing the grant applications, determined that the original solicitation was weak in program evaluation requirements and lacked housing and education components. DOJ retracted the original solicitation in November 2001 and then issued a new solicitation, called the Serious and Violent Offender Reentry Initiative, in January 2002.⁵⁶

HUD and ED joined the initiative, boosting funds to \$100 million. The new solicitation allows for broader participation, with up to 100 awards, and includes a heavy emphasis on reforming violent criminals and evaluating results.⁵⁷ The new solicitation also reached out to FBOs and CBOs by weighting applicants' proposed collaboration with those institutions.

- **The Labor Department's One-Stop Delivery System.** Authorized by the Workforce Investment Act of 1998,⁵⁸ the federal One-Stop career centers offer job referrals, counseling, training, and other employment services. In April 2002, DOL announced three separate grant competitions designed to expand participation of FBOs and CBOs in the One-Stop centers. The competitions offered a total of 25 grants of up to \$25,000 each to faith-based and community groups that offer One-Stop services, \$5 million in grants enabling the FBOs and CBOs to partner with the One-Stop system, and \$10 million in grants to states encouraging cooperation with faith-based and community groups.⁵⁹

- **Health and Human Services' Compassion Capital Fund.** In January 2002, Congress approved \$30 million for the President's Compassion Capital Fund. HHS administers the fund as a way to help FBOs and CBOs build their own capacity for fundraising and program evaluation. Most of the funds will be competed out to "intermediary" groups that will coordinate networks of these organizations. The intermediaries will also subgrant to FBOs and CBOs. The fund itself and the intermediaries act as a buffer and bridge to non-traditional applicants that have been excluded or steered away from public and private grantmaking processes. The technical assistance provided by the fund will enable many groups to compete for the first time for government, foundation, and corporate grants. The fund is open for business; a grant solicitation was published in the *Federal Register* in June.⁶⁰ HHS expects to award the grants later this year.

President Bush has championed legislation that would open doors to faith-based and community groups. He has lobbied to continue existing Charitable Choice protections in the 1996 Welfare Reform Law and to expand the protections for faith-based groups to all federal programs. These changes would increase participation by small, often faith-based, applicants.

Federal Financial Assistance Management Improvement Act Recommendations

The Bush Administration has responded well to the requirements of a 1999 law designed to simplify federal grants management. The Federal Financial Assistance Management Improvement Act solicited recommendations from OMB for "changes in law to

55. *Federal Register*, Vol. 66, No. 110 (June 7, 2001), pp. 30754–30767.

56. *Federal Register*, Vol. 67, No. 20 (January 30, 2002), pp. 4645–4647.

57. The original solicitation required grantees to outline program evaluation methods, but Justice Department appointees were unimpressed with the level of sophistication of evaluation in the first proposals they reviewed. The new solicitation set aside 10 percent of each grant for evaluation, delved more deeply into measures of criminal recidivism, and dictated uniform methods, such as the use of control groups for measuring each program.

58. Public Law No. 105–220.

59. U.S. Department of Labor, "Secretary Chao Unveils First Federal Grants Available to Faith-Based and Grassroots Organizations; Three New Sets of Grants Will Assist Faith-Based and Community Organizations Helping Americans Find Good Jobs," April 17, 2002, at <http://www.dol.gov/opa/media/press/opa/OPA2002234.htm>.

60. *Federal Register*, Vol. 67, No. 110 (June 7, 2002), pp. 39561–39570.

improve the effectiveness, performance, and coordination of Federal grant programs.”⁶¹ In May, OMB summarized the recommendations of an interagency committee (the Pre-Award Workgroup) in a report to Congress.⁶²

While not explicitly aimed at competition in grants, such legislative changes would serve to open up the grantmaking process to more applicants. Fortunately, reviewing federal grants practices under the 1999 law showed the Bush Administration that many impediments to access could be fixed without resort to new laws:

Initial agency responses suggest that many of the perceived roadblocks to grants streamlining, initially thought to be statutory impediments, may be agency or bureau regulations that can be addressed administratively.⁶³

Although the OMB recommendations stop short of addressing uniform standards for full and open competition, the May report makes several recommendations that would increase opportunities for participation in grant programs generally:

- **Standardize and simplify certification and assurance requirements.** Most grant programs require a myriad of certifications or assurances from applicants, covering such practices as limited lobbying activity and workplace safety. These requirements impede the process for all applicants and could be saved for the stage in the process when successful awards are approved. Certifications and assurances also bog down the pre-award for current grantees that have met the standards previously. OMB proposes to streamline and unify the certification and assurance requirements in order to reduce the administrative hassle for grant applicants.
- **Make 501(c)(3) tax status more attainable.** Many federal agencies require grant applicants

to prove they are nonprofit organizations by proving their status under Section 501(c)(3) of the Internal Revenue Code. Organizations filing under this status may receive tax-deductible donations. A nonprofit tax status requirement is prohibitive for many small or newer organizations because they lack the resources they need to apply for nonprofit tax status. OMB has proposed what is called an “EZ Pass” designation process for small nonprofits to receive 501(c)(3) tax status. The idea is encapsulated in charity-related legislation supported by the Bush Administration.⁶⁴

- **Create a uniform electronic portal for federal grants.** This idea goes a long way toward unifying and simplifying the practice of federal grantmaking for applicants, administrators, and researchers. Award applicants and current grantees would be able to apply for and manage their grants electronically. The linchpin of this effort will be assigning a single unique identifying code for each federal grantee. This practice is already standard for federal contractors. OMB has endorsed the concept and settled on the Data Universal Numbering System (DUNS) number assigned by the firm of Dun & Bradstreet.⁶⁵

BUILDING ON RECENT PROGRESS

Following DOI’s lead in competing out SCSEP grants, the President should continue to expand the focus of competitive sourcing in federal grantmaking. OMB’s recommendations are a good place to start. In addition to these steps, however, the Administration should:

- **End administrative preferences for large national grantees and allow more smaller, local organizations to compete for grants.** In the case of the SCSEP, several national sponsors merely pass on funds to smaller units or organizations that could just as well (or better) admin-

61. Public Law No. 106–107.

62. Mark W. Everson, former Controller of the Office of Federal Financial Management, U.S. Office of Management and Budget, letter to Senator Robert Byrd (D-WV), May 31, 2002, at http://www.whitehouse.gov/omb/grants/grant_simplification.pdf.

63. *Ibid.*

64. The CARE Act, H.R. 7, 107th Congress.

65. *Federal Register*, Vol. 67, No. 210 (October 30, 2002), pp. 66177–66178.

ister the grants directly. Fair and open competition would give subgrantees and regional consortia a shot at administering the program themselves. This change is a model for similar federal programs with large, entrenched grantees.

- **End the practice of favoring non-binding recommendations from congressional appropriators where authorizing statutes require fair and open competition.** Agencies should not be favoring conference report earmarks over the language of the authorizing statutes. For example, the Administration should make it clear that DOT should follow the letter of the TEA-21 law and compete out Job Access Program grants fairly, without prejudice to the suggestions of appropriators.
- **Remove or reduce requirements for prior grant award experience.** For example, the Administration should reform the Susan Harwood Training Grant Program requirement that forces applicants to demonstrate either past receipt of federal funds or a willingness to partner with entities that are past recipients. In the case of the NIH Hazardous Waste Worker Training Program, the Administration should remove the requirements that grantee organizations be staffed with employees who have administered the grants previously.
- **Challenge Congress to reduce the practice of earmarking by promising to veto any unwieldy appropriations bills.** The President should make clear that he will not sign any legislation laden with excessive earmarking that hampers the Administration's discretion over grantmaking funds. FIPSE at the Department of Education is just one program that Members of Congress often tap as a piggy bank for their pet projects back home. OMB has criticized this practice, which removes billions of dollars in federal grants from fair and open competition,

but public criticism is apparently not a sufficient remedy. The President should be ready to use his veto pen to protect his agencies' discretion in grantmaking and to source these grants competitively.

CONCLUSION

President Bush and Congress should do more to apply the principles of competitive sourcing to federal grantmaking activities. The President's blueprint for competition in procurement—*The President's Management Agenda*—is a good template to follow. His broadening of access to federal funds in his Faith-Based and Community Initiative and to federal grants in the Senior Community Service Employment Program, as well as OMB's recent recommendations for improving federal grantmaking, are making some headway toward achieving the goal of increased competition in grant programs.

The Administration is on the right track, stressing improved access to grants, efficiency, and uniformity. However, it could seek more vigorously to compete out programs such as the Labor Department's Susan Harwood grants, the Transportation Department's Job Access grants, NIH's Hazardous Waste Worker Training Program, and the Department of Education's Fund for the Improvement of Post-Secondary Education. President Bush should encourage congressional discipline by vigorously opposing excessive congressional earmarking and promising to veto any appropriations bills that are burdened by it.

Taking such steps, the President would indeed make competitive sourcing in grantmaking a priority of his tenure. This policy would lead to cost savings and greater efficiencies, delivering a better value to Americans for their tax dollars and better results for those whom the grants are intended to help.

—*Christopher Yablonski is Manager of the Government Integrity Project at The Heritage Foundation.*