



THE ALTERNATIVE TO EARMARKS
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PROTECTING FEDERAL FUNDING FOR LOCAL GOVERNMENTS

The Ferguson Group, LLC (TFG) is a Washington D.C. based government relations firm that has represented local government agencies, non-profits, and institutions of higher learning before Congress and the Administration for 28 years. TFG presents the following study to demonstrate the impact that federal funding has on the viability of local governments.

The purpose of the study is not to revitalize the earmarking process, but to illustrate the vital importance of directing federal funds to local priorities by way of competitive grants, loans, loan guarantees, or formula funds.

The State of Local Governments

According to the U.S. Census Bureau, there were approximately 89,400 local governments in 2007. These included about 3,000 county governments; 19,500 municipal governments; 16,500 townships; 13,000 school districts; and 37,400 special districts.

The economic stress on local governments is greater now than during any other recession since the Great Depression. Local governments face increased demands for services due in part to rising rates of unemployment. In addition, local governments are experiencing ballooning budget deficits caused by an abrupt, recession-driven decrease in revenue collections. These declining revenues have forced local governments to make deep cuts to their workforces and the essential services they provide to their citizens. Many more public servants could lose their jobs in the next year as local governments wrestle with lower revenue collections and a sharp decline in the availability of federal funds, particularly as the last of the federal stimulus funds are distributed. Clearly, one of the greatest threats to the national economic recovery is the economic collapse of local governments. Continued federal financial support for local governments is an essential element to the nation's near- and long-term economic recovery.

The federal government has long been a partner with local governments, supplementing local budgets through earmarked funds, competitive grants, loans, loan guarantees, and formula funds. This study demonstrates that, in the absence of congressionally-directed spending (or earmarks), Congress and the Administration must ensure that funds are widely and fairly distributed to local governments across the country.

Lessons Learned from Fiscal Year 2007

In fiscal year (FY) 2007, Congress passed a continuing resolution to fund the federal government at FY 2006 levels with no direction from Congress on how the federal agencies should allocate those funds. In other words, there were no earmarks. Funding decisions were left to the individual federal agencies, and this proved disastrous for most local government agencies.

How were local government agencies affected by the FY 2007 funding decisions?

- For many of the popular programs typically available to local governments through earmarking, the competitive grant process resulted in a drastic cut in the number of funded projects; the federal agencies **drastically cut the number of grants awarded and allocated funding to only a select few entities.**
- For some traditionally earmarked programs, many local governments **were not invited to apply for the competitive grant funding** thereby eliminating the opportunity to receive direct federal assistance for specific needs.
- Funding traditionally earmarked by Congress as a direct grant to local governments was given to State administering agencies to distribute by formula or in the form of loans and loan guarantees, not grants.
- For certain programs, funding decisions were made by the agency's local district offices with **no input from communities or notification / solicitation of local projects.**

While an argument can be made that the distribution of larger amounts of grant funding to fewer jurisdictions can potentially have a greater impact, the impacts to many more jurisdictions that have historically received these funds, albeit in smaller amounts, can be devastating. We believe that a stronger argument can be made that federal funding, when distributed in smaller amounts to many jurisdictions, has a multiplier effect and generates important local activities and projects that could never have been afforded by these communities. In general, only the largest jurisdictions benefited when federal funding was administered by the various federal agencies in FY 2007.

General Recommendations

In the absence of congressional earmarks in FY 2011 and FY 2012, Congress must ensure that federal funds are widely distributed to meritorious projects across the country; not just to a select few projects. Local governments of all sizes are in need of federal assistance. Many smaller communities do not have the political influence to ensure that the federal agencies recognize and address their needs. Congress should include legislative direction in the FY 2011 continuing resolution and FY 2012 spending bills that:

- Requires federal agencies, when distributing the FY 2011 and FY 2012 funding competitively, to ensure an equitable geographic distribution of funds, an appropriate balance in addressing the needs of urban and rural communities, and that no more than 10 percent of the funds are awarded to a project in a single State;
- Requires that funding that has historically been awarded as a direct grant through the earmark process, be maintained in that form as opposed to being converted to an interest bearing loan, distributed by formula or diverted to other programs not available to local governments; and
- Requires federal agencies that utilize their local district offices to devise agency spending plans to solicit input on project needs from local governments and project sponsors within their districts.

The following chart provides a historic view of the distribution of funding under major accounts and programs that have traditionally benefited local governments through Congressionally-directed spending (earmarks). The chart also outlines specific recommendations on how to ensure local governments have access to critical federal funding in future years through agency directed competitive grants. We present these recommendations as a starting point and look forward to working with Congress on final solutions.

Specific Program Recommendations

Program	FY 2006	FY 2007	FY 2008	Recommendation
Bus and Bus Facilities	<p>Funding was earmarked by Congress.</p> <p style="text-align: center;"><i>Total = \$371,700,378</i> <i>Projects = 441</i> <i>Average = \$842,858</i></p>	<p>FTA distributed Bus and Bus Facility funding through a competitive grant process in which they awarded only 7 grants to recipients located in 5 states.</p> <p style="text-align: center;"><i>Total = \$438,000,000</i> <i>Projects = 7</i> <i>Average = \$62,571,428</i></p>	<p>Funding was earmarked by Congress.</p> <p style="text-align: center;"><i>Total = \$251,844,100</i> <i>Projects = 316</i> <i>Average = \$796,975</i></p>	<p>FTA should host an open grant competition to ensure a maximum number of meritorious projects are funded. FTA should take into consideration any legislative intent that Congress has provided. FTA should allow grantees to use up to 20% of the award amount for operating expenses, as was permissible with 5309 ARRA funding.</p>
COPS Technology Program	<p>Funding was earmarked by Congress.</p> <p style="text-align: center;"><i>Total = \$129,904,000</i> <i>Projects = 424</i> <i>Average = \$305,000</i></p>	<p>DOJ invited select agencies to compete for COPS Technology grants, and awarded grants to only 37 law enforcement agencies in 25 states and one U.S. territory.</p> <p style="text-align: center;"><i>Total = \$159,000,000</i> <i>Projects = 37</i> <i>Average = \$4,297,297</i></p>	<p>Funding was earmarked by Congress.</p> <p style="text-align: center;"><i>Total = \$205,366,000</i> <i>Projects = 566</i> <i>Average = \$364,938</i></p>	<p>DOJ should host an open grant competition to ensure a maximum number of meritorious projects are funded. DOJ should take into consideration any legislative intent that Congress has provided.</p>

Program	FY 2006	FY 2007	FY 2008	Recommendation
Economic Development Initiative (EDI)	<p>Funding was earmarked by Congress.</p> <p><i>Total = \$311,130,690</i> <i>Projects = 1,126</i> <i>Average = \$276,315</i></p>	<p>Congress did not provide earmarks for EDI projects; however, this had no impact on the CDBG grant program for both entitlement and non-entitlement communities.</p> <p><i>Total = \$0</i> <i>Projects = 0</i> <i>Average = \$0</i></p>	<p>Funding was earmarked by Congress.</p> <p><i>Total = 183,055,899</i> <i>Projects = 741</i> <i>Average = \$247,039</i></p>	<p>It is recommended, if there are no EDI earmarks that funds equivalent to the amount provided for EDI earmarks in the most recent adopted budget be transferred to HUD's competitive grant programs to allow local communities to further leverage funds for their community and economic development activities.</p>
Edward Byrne Grants	<p>Funding was earmarked by Congress.</p> <p><i>Total = \$191,352,000</i> <i>Projects = 402</i> <i>Average = \$476,000</i></p>	<p>Funding was distributed through a competitive grant process. While no official investigation was conducted, the process DOJ used to evaluate grant applications was questioned by at least one Member of Congress.</p> <p><i>Total = \$150,000,000</i> <i>Projects = 228</i> <i>Average = \$657,894</i></p>	<p>Funding was earmarked by Congress.</p> <p><i>Total = \$187,521,290</i> <i>Projects = 451</i> <i>Average = \$415,790</i></p>	<p>Encourage equal and fair distribution of funding. Ensure funding is awarded through a competitive grant process and not sent directly to the formula program. Advise DOJ to evenly distribute funding.</p>

Program	FY 2006	FY 2007	FY 2008	Recommendation
Training and Employment Services (TES)	<p>There were no earmarks in FY 2006, it appears the funding was allocated to the WIRED Initiative which administers grants to select regional workforce and economic development programs.</p> <p><i>Total = \$0</i> <i>Projects = 0</i> <i>Average = \$0</i></p>	<p>There were no earmarks in FY 2007, it appears the funding was allocated to the WIRED Initiative which administers grants to select regional workforce and economic development programs.</p> <p><i>Total = \$0</i> <i>Projects = 0</i> <i>Average = \$0</i></p>	<p>Funding was earmarked by Congress.</p> <p><i>Total = 44,370,000</i> <i>Projects = 150</i> <i>Average = \$295,800</i></p>	<p>Encourage equal and fair distribution of funding. Ensure funding is awarded through a competitive grant process that is open to all local governments and not restricted to pre-determined regions.</p>
Transportation and Community and System Preservation (TCSP)	<p>Funding was earmarked by Congress.</p> <p><i>Total = \$51,893,358</i> <i>Projects = 94</i> <i>Average = \$552,057</i></p>	<p>FHWA distributed TCSP funding through a competitive grant process, but the funding was limited to 7 projects in 6 states.</p> <p><i>Total = \$55,000,000</i> <i>Projects = 7</i> <i>Average = \$7,857,142</i></p>	<p>Funding was earmarked by Congress.</p> <p><i>Total = \$54,985,650</i> <i>Projects = 102</i> <i>Average = \$539,075</i></p>	<p>FHWA should distribute TCSP grants to as many meritorious applicants as possible. FHWA should also set aside funding for projects whose total cost is under \$10 million.</p>

Program	FY 2006	FY 2007 Funding	FY 2008	Recommendation
Bureau of Reclamation Water and Related Resources	<p>Funding was earmarked by Congress.</p> <p><i>Total = \$601,450,920</i> <i>Projects = 162</i> <i>Average = \$3,712,660</i></p>	<p>USBR made funding decisions based on the President’s budget request and a few “must do” projects. Ultimately, the list was very similar to the list of congressional priorities. The Water 2025 grant program also received an increase in funding in FY 2007.</p> <p><i>Total = \$878,623,000</i> <i>Projects = 177</i> <i>Average = \$4,964,000</i></p>	<p>Funding was earmarked by Congress.</p> <p><i>Total = \$878,623,000</i> <i>Projects = 177</i> <i>Average = \$4,964,000</i></p>	<p>Fully fund the WaterSMART grant program, boost the availability of funding under Title XVI, the Water Reclamation and Reuse Program, and make funds available on a competitive basis for additional high priority initiatives. Encourage regional USBR offices to work closely with local projects sponsors to solicit proposals.</p>
Fund for the Improvement of Education (FIE)	<p>Earmark funding was redirected to other Ed programs with a small amount reserved to fund 5 continuing projects.</p> <p><i>Total = \$11,668,140</i> <i>Projects = 5</i> <i>Average = \$23,33,628</i></p>	<p>Earmark funding was redirected to other Ed programs with a small amount reserved to fund 3 continuing and 2 new projects.</p> <p><i>Total = \$16,050,610</i> <i>Projects = 5</i> <i>Average = \$3,210,122</i></p>	<p>Funding was earmarked by Congress.</p> <p><i>Total = \$201,138,000</i> <i>Projects = 384</i> <i>Average = \$523,797</i></p>	<p>Ed should award FIE funding for as many meritorious local education projects as possible, focusing on important national priorities such as after-school care, early childhood education, and mentoring. Establish a competitive grant program to reach these goals.</p>

Program	FY 2006	FY 2007 Funding	FY 2008	Recommendation
Energy Efficiency and Renewable Energy	<p>Funding was earmarked by Congress under the Energy Supply & Conservation Projects account.</p> <p><i>Total = \$220,000,053</i> <i>Projects = 147</i> <i>Average = \$1,496,599</i></p>	<p>Funding was distributed in accordance with a spending plan devised by DOE that launched the President's Solar America Initiative (SAI) by increasing DOE funding for solar energy by \$77 million, funding for research and development of biomass and biorefinery systems by \$110 million and for building technologies by \$36 million over FY 2006 levels.</p> <p><i>SAI Corporate Awards</i> <i>Total = \$51,600,000</i> <i>Projects = 13</i> <i>Average = \$3,969,231</i></p> <p><i>SAI Community Awards</i> <i>Total = \$2,600,000</i> <i>Projects = 13</i> <i>Average = \$200,000</i></p>	<p>Funding was earmarked by Congress.</p> <p><i>Total = \$186,700,716</i> <i>Projects = 181</i> <i>Average = \$1,031,495</i></p>	<p>Use funding traditionally earmarked to EERE projects to fund competitive grants to local governments, as authorized by the Energy Efficiency and Conservation Block Grant (EECBG) Program.</p>

Program	FY 2006	FY 2007 Funding	FY 2008	Recommendation
Corps of Engineers General Investigations and General Construction	<p>Funding earmarked by Congress.</p> <p><i>Investigations</i> <i>Total = \$84,420,000</i> <i>Projects = 315</i> <i>Average = \$268,000</i></p> <p><i>Construction</i> <i>Total = \$2,177,858,000</i> <i>Projects = 307</i> <i>Average = \$7,094,000</i></p>	<p>FY 2007 funding was distributed in accordance with a work plan developed by the Corps of Engineers in conjunction with the Office of the Assistant Secretary of the Army (Civil Works) and the Office of Management and Budget.</p> <p><i>Investigations</i> <i>Total = 162,916,000</i> <i>Projects = 279</i> <i>Average = \$583,000</i></p> <p><i>Construction</i> <i>Total = \$2,336,461,000</i> <i>Projects = 260</i> <i>Average = \$8,955,000</i></p>	<p>Funding earmarked by Congress.</p> <p><i>Investigations</i> <i>Total = \$102,346,958</i> <i>Projects = 266</i> <i>Average = \$384,763</i></p> <p><i>Construction</i> <i>Total = \$2,082,416,853</i> <i>Projects = 323</i> <i>Average = \$6,447,111</i></p>	<p>Establish a competitive program that would make federal resources available for any authorized purpose, including, but not limited to, projects otherwise scheduled to receive funding in the president's budget request and environmental infrastructure projects. Encourage USCOE and its regional offices to work closely with local project sponsors as they prioritize funding needs.</p>

Program	FY 2006	FY 2007	FY 2008	Recommendation
Health Resources and Services Account (HRSA) – Health Facilities, Construction, and Equipment	<p>Funding was distributed to annual discretionary programs under the Health Resources Services Agency. While most of these programs are competitive in nature, local governments are not eligible to receive funding under many of them. No funding was made available for health care facility construction needs on a competitive basis</p> <p style="text-align: center;"><i>Total = \$0</i> <i>Projects = 0</i> <i>Average = \$0</i></p>	<p>Funding was distributed to annual discretionary programs under the Health Resources Services Agency. While most of these programs are competitive in nature, local governments are not eligible to receive funding under many of them. No funding was made available for health care facility construction needs on a competitive basis</p> <p style="text-align: center;"><i>Total = \$0</i> <i>Projects = 0</i> <i>Average = \$0</i></p>	<p>Funding was earmarked by Congress.</p> <p style="text-align: center;"><i>Total = \$309,889,398</i> <i>Projects = 889</i> <i>Average = \$195,000</i></p>	<p>Encourage the distribution of funding through a competitive grant process that includes local governments as eligible applicants. Eligible projects under the program would include the construction and rehabilitation of new and existing health care facilities.</p>

Program	FY 2006	FY 2007 Funding	FY 2008	Recommendation
Juvenile Justice	<p>Funding was earmarked by Congress.</p> <p><i>Total = \$104,907,000</i> <i>Projects = 363</i> <i>Average = \$289,000</i></p>	<p>Funding was distributed on a non-competitive basis in a multi-stage process. The first round of funding (\$74 million) was only awarded to 17 organizations who were invited to apply. The second round of funding (about \$40 million) was awarded through a controversial competitive grant process. The OJJDP office was heavily criticized for its method of grant distribution which was performed late in the fiscal year, included short solicitation periods, and did not adequately weigh the peer review process. No funding was awarded to local governments.</p> <p><i>Total = \$113,000,000</i> <i>Projects = 28</i> <i>Average = \$4,035,714</i></p>	<p>Funding was earmarked by Congress.</p> <p><i>Total = \$187,931,570</i> <i>Projects = 376</i> <i>Average = \$499,818</i></p>	<p>DOJ should competitively award juvenile justice funding to local projects that focus on established congressional priorities such as at risk youth, child abuse prevention, and after school care.</p>

Program	FY 2006	FY 2007 Funding	FY 2008	Recommendation
State and Tribal Assistance Grants (STAG)	<p>Funding was earmarked by Congress.</p> <p><i>Total = \$199,999,970</i> <i>Projects = 257</i> <i>Average = \$778,210</i></p>	<p>Funding was redirected back to the Clean Water State Revolving Loan Fund and Drinking Water Revolving Loan Fund and administered by each state through low interest loans.</p> <p><i>Total = \$0</i> <i>Projects = 0</i> <i>Average = \$0</i></p>	<p>Funding was earmarked by Congress.</p> <p><i>Total = \$135,000,040</i> <i>Projects = 280</i> <i>Average = \$482,143</i></p>	<p>Create a nationwide competitive grant program that awards funding to local governments and public water agencies for water infrastructure improvement projects.</p>
Surface Transportation Program (STP)	<p>Funding was earmarked by Congress.</p> <p><i>Total = \$599,999,811</i> <i>Projects = 796</i> <i>Average = \$1,500,000</i></p>	<p>Funding was distributed to state departments of transportation by a pre-established formula. State departments decided how funding was distributed to specific projects.</p> <p><i>Total = \$0</i> <i>Projects = 0</i> <i>Average = \$0</i></p>	<p>Funding was earmarked by Congress.</p> <p><i>Total = \$332,979,206</i> <i>Projects = 392</i> <i>Average = \$849,437</i></p>	<p>DOT should use the STP earmark set-aside to increase funding for TIGER Grant program. The TIGER Grant program received \$600 million in FY2010, yet received over \$19 billion in applications for funding.</p>

About this report:

This report was created by professionals of The Ferguson Group (TFG), a federal government relations consulting firm in Washington, DC. Our findings are based on in-depth analysis of the FY 2006, FY 2007, and FY 2008 annual appropriations bills, the FY 2007 Continuing Resolution, annual federal agency budgets, agency grant announcements and funding notices, and interviews with agency staff.

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