

PROPOSED: A NEW WAY OF WORKING WITH STATES AND LOCALITIES

Providing more flexibility to states and localities
and creating more accountability will significantly
improve federal program results.



✚ By Andrew Feldman

If you are a public manager at the state and local level, you have likely seen firsthand that the federal government's relationship with state and local governments focuses on compliance, not outcomes. The federal government needs a new relationship with states and localities that emphasizes evidence-based approaches and flexibility in exchange for stronger accountability for results.

Why is this important? Because billions of grant dollars flow from the federal government to states and localities. Also, many federal policies are implemented at the state and local levels. The federal government's relationship with states and localities is a critical opportunity to advance results-focused government. Yet today, there are serious barriers to stronger state and local performance. In particular, the federal government:

- has a heavy focus on tracking compliance with rules, not on accountability for results
- too often does not encourage or require evidence-based approaches
- makes it challenging for states and localities to address certain policy issues when there is a maze of overlapping programs, each with different rules and reporting requirements
- provides too few opportunities for states and localities to innovate to find new ways of tackling policy challenges.

To significantly improve results in government, the nation needs to reinvent how the federal government works with state and local governments around issues that cross federal agency lines. Important improvements in this area will require a high-level champion in the Trump administration to make those reforms a reality. As a former governor who has invested political capital in reforming government, Vice President Mike Pence would be an ideal person to lead this effort. His office could partner with the White House Office of Management and



Budget (OMB), which would bring unique knowledge about agencies to the table and help institutionalize reforms beyond the Trump administration.

Goals of the Initiative

Today, many federal programs and policies implemented at the state and local levels are overly prescriptive, focused on compliance rather than outcomes, and have few incentives for continuous improvement through the use of evidence and data. Because a significant portion of federal policy is implemented at the state and local levels, making government more results-focused cannot be done simply by changing internal federal operations. It also requires giving state and local partners the ability and incentive to focus on results.

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An intergovernmental reform initiative could work to:

- reduce unnecessary requirements that inhibit state and local innovation
- encourage a shift in focus from monitoring states' and localities' compliance to tracking outcomes
- add incentives to federal competitive grant programs (which are smaller but more flexible than larger formula grant programs) for states and localities to build and use evidence about what works
- add incentives and flexibility in federal formula grant programs—large funding streams that flow to states and localities—to focus those dollars on what works.

Components of the Initiative

An intergovernmental reform initiative could advance those goals through a multipronged approach. Four specific ideas are presented here.

1. Create a model for collaboration on a high-priority issue with strong bipartisan support.

In many policy areas, there are a range of overlapping federal programs and funding streams, each with its own rules and reporting requirements. While all of these may be valuable, they can make it difficult for state and local officials to craft coherent policy responses to specific policy challenges. The administration should help by creating a model for what improved collaboration across levels of government could look like.

To do this, the administration should choose a policy priority that involves federal, state, and local partnerships to achieve shared objectives. Examples include addressing the opioid epidemic, improving services for veterans, and strengthening early childhood programs. The administration should work with state and local partners to find ways to bridge existing programs and allow for more flexibility in addressing that policy priority, while also creating stronger accountability for outcomes, not just for inputs or outputs. This balance of more flexibility and accountability for results could demonstrate a bipartisan way to improve government at all levels.

Specific strategies could include taking these actions:

- Expand waiver authorities to enable states and localities to test innovative approaches, while requiring rigorous evaluations to determine if those approaches are successful and cost effective.
- Have philanthropy and academic researchers work with government on shared learning agendas and rigorous experimental evaluations to build the body of evidence about what works.
- Launch Performance Partnership Pilots around the priority issue. These types of pilots, which also involve waivers, are specifically designed to help jurisdictions pool a portion of different federal funding streams to better serve a specific population. In 2014, Congress authorized the first set of

10 Performance Partnership Pilots focused on serving disconnected youth. Today, three rounds of pilots have been launched, allowing communities to pool federal discretionary funds in exchange for a commitment to measure and track specific cross-program outcomes.

Taking these steps would help create a high-profile example of best practices in intergovernmental innovation and performance improvement. That example, in turn, would encourage other agencies to explore outcome-focused strategies with their state and local partners.

2. Require that every federal agency undertake a “spring cleaning” of their grant programs, removing unneeded reporting requirements and identifying ways to refocus grants and contracts on results.

Grant making is an important way in which the federal government achieves outcomes for the American people. If you want to make government more results-focused, therefore, you need to make grants more results-focused. In particular, this initiative should require that every federal agency take stock of its current portfolio of grant programs. (Alternatively, if more feasible, the initiative could start with a set of volunteer agencies in the first year to achieve some quick wins, then broaden the initiative in future years.)

Just as we need to periodically get rid of clutter in our homes that we do not use, agencies need to (but rarely do) examine what reporting requirements have been added over time that are not useful or reliable and thus can be simplified or eliminated. The initiative also would involve finding ways to modernize grants and contracts by making them more evidence based and outcome focused. The goal is to maintain accountability for tax dollars, while acknowledging that accountability to taxpayers and citizens



also means focusing on results and giving grantees the necessary flexibility to achieve those results.

Specifically, the initiative should ask agencies to answer these questions about their grants and contracts:

- What compliance-focused reporting requirements do we currently impose on our grantees? In other words, what data are we currently collecting?
- Which requirements actually inform oversight and improvement efforts? In other words, what data do we really use?
- Could the grants be made more focused on outcomes by, for example, adjusting goals, milestones, and reporting requirements?
- For competitive grant programs, could we add incentives for using or building evidence by designating competitive preference points related to evidence? Do we currently have the capacity to oversee that process?
- For formula grant programs, could we create stronger incentives and needed flexibility for states and localities to focus their formula funds on evidence-based approaches?
- For both competitive and formula grants, what barriers prevent grantees from allocating funds to effective strategies, and what could we do to remove these?

Each agency would be asked to report on its findings and create an action plan with proposed changes based on those findings. Agencies should be asked to focus on changes they can make with existing authority, and also to list important changes that would require congressional action. The initiative would then work with agencies to support these changes and track progress.

This type of spring cleaning would modernize grant making, which is long overdue. It also would represent a unique contribution of the Trump administration to creating better and more result-focused federal, state, and local partnerships.



3. Encourage state and local grantees to use their program dollars to conduct data analyses and program evaluations to facilitate continuous improvement.

Would a successful business operate without closely and regularly examining how the business is doing across a range of indicators? The answer, of course, is no. The federal government, on the other hand, spends billions of dollars on programs administered at the state and local levels, but it typically does not encourage those jurisdictions to undertake data analysis and program evaluation using program funds. In some cases, federal agencies may even tell grantees that using program funds for data analysis and evaluation is not allowed. As a result, too many state and local partners fly blind, without analytics for continuous improvement.

To ensure federal funds are spent effectively, the Trump administration should provide guidance to federal agencies through a presidential or OMB memo that asks agencies to make jurisdictions and grantees aware that (in most cases) they can use program funds for data analysis and evaluation. The memo also could encourage agencies to consider creating (with congressional approval) a budget set aside, or pooled funding, for evaluation activities. This is another way that agencies can support state and local partners with data analysis and evaluation. Currently, a few agencies have this authority, such as the Departments of Labor (a 0.75 percent set aside) and Education (pooled evaluation funding for K-12 programs).

4. Allow broader use of waivers to encourage innovation, while requiring rigorous evaluation of the results.

To support state and local innovation, especially in social policy areas such as human services, health, workforce, and education, the administration should allow for wider use of waiver authority to enable jurisdictions to modify existing program rules.



Increased waiver authority, for example, could enable jurisdictions to blend federal funding streams to better serve specific populations, such as unemployed youth, individuals struggling with opioid addiction, or infants and young children at risk of falling behind before they enter school. It also could allow jurisdictions to try out new strategies for achieving particular policy goals and identify unproductive activities.

Any new waiver authority should come with protections for vulnerable populations and a quid pro quo to help the nation learn what works. Every new approach taken with expanded waiver authority should be required to undergo a rigorous evaluation to determine how well it works and whether it is cost effective. Jurisdictions could use program funds to conduct the evaluations.

An evaluation requirement is critical for understanding if innovative solutions or policies are worth continuing or even expanding to other parts of the nation. It is analogous to a private sector company encouraging regional offices to develop better ways to serve clients. Any successful business would want to analyze the results to learn from different approaches. Likewise, the federal government should ensure that it has the data and evidence to determine whether specific waivers are improving outcomes.

Expanded waiver authority combined with a rigorous evaluation requirement has an important precedent. In the 1990s, the Department of Health and Human Services allowed states to deviate from federal welfare rules to test new approaches. However, they were required to conduct rigorous impact evaluations (mostly randomized controlled trials) to determine if those approaches were effective in promoting employment, reducing poverty, and other goals. The

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learning from those evaluations helped inform broader welfare policy. The same approach could promote innovation and learning in other areas.

Bottom Line

In launching an intergovernmental reform initiative, the Trump administration would have a valuable asset: a growing movement, championed by both Republicans and Democrats, to improve program results and get more “bang for the buck” from federal spending through the use of evidence, data, and innovation. The movement has roots in the Bush administration and was expanded by the Obama administration. Its bipartisan support was underscored by the 2016 launch of the Commission on Evidence-Based Policymaking, sponsored by Republican Speaker of the House Paul Ryan and Democratic Senator Patty Murray.

The administration has the opportunity to build on these efforts by refocusing the federal government’s relationship with states and localities on evidence and outcomes. Doing so would benefit millions of Americans and increase the return on investment from current spending.



Andrew Feldman is a Visiting Fellow at the Brookings Institution and hosts the [Gov Innovator podcast](#).