

Washington Update



GAO REPORT CITES GRANTS MANAGEMENT ISSUES IN DISTRESSED MUNICIPALITIES

The U.S. Government Accountability Office has released a report examining the way federal grants are handled in distressed municipalities, citing the federal government's substantial interest in local government fiscal health as a result of the grant funds it sends to state and local governments. In fiscal year 2014 alone, the federal government provided state and local governments nearly \$577 billion in federal grants. The report, entitled "Municipalities in Fiscal Crisis: Federal Agencies Monitored Grants and Assisted Grantees, but More Could Be Done to Share Lessons Learned," outlines recommendations and lessons learned and directs the U.S. Office of Management and Budget to collect

and share them with other federal agencies and local governments.

In the report, GAO notes: "Similar to the federal and state sectors, local governments are facing long-term fiscal pressures. In cases of fiscal crisis, municipalities may be required to make significant cuts to personnel that may impact their oversight of federal grants."

The report identifies challenges that selected municipalities in fiscal crisis experienced when managing federal grants and steps taken by those municipalities, and also reviewed the monitoring processes that federal agencies used to oversee selected grants to selected municipalities. GAO conducted site visits to four municipalities in fiscal crisis: Detroit, Michigan; Flint, Michigan; Camden, New Jersey; and Stockton, California.

The report found that diminished capacity of the selected municipalities in fiscal crisis hindered their ability to manage federal grants in four ways:

Reductions in human capital capacity through the loss of staff greatly reduced the ability of some cities to carry out grant compliance and oversight responsibilities.

The loss of human capital capacity also led to grant management skills gaps.

Decreased financial capacity reduced some municipalities' ability to obtain federal grants.

Outdated information technology systems hampered municipalities' ability to oversee and report on federal grants.

The full report can be found at www.gao.gov/products/GAO-15-222.



STATE TREASURERS APPEAR ON C-SPAN

Tennessee State Treasurer David Lillard and Washington State Treasurer James McIntire appeared on C-span last Wednesday to discuss the fiscal health of states and the impact of Congress on state budgets. The session, entitled “The Fiscal Health of States,” was held in conjunction with the National Association of State Treasurers’ Legislative Conference held in Washington D.C. The C-span session touched on a number of topics, including pension fund issues, state 529 education savings plans, municipal bond issues, and the overall economy.

The video of the session can be found at www.c-span.org/video/?324901-6/washington-journal-david-lillard-james-mcintire-fiscal-health-states.

THE WEEK AHEAD: EASTER RECESS

The House and Senate begin their two-week Easter recess today. The next Washington Update will appear on Monday, April 20.

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