

MEMO #17

LEVERAGING THE SYNERGY OF FEDERAL-STATE-LOCAL PARTNERSHIPS THROUGH GRANTS: Shared Governance in our Federal System

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Virtually all major public initiatives in recent decades have been fashioned to leverage our federal system, relying on states and local governments for most facets of public programs. Many of our greatest public service successes and failures flow directly from the strengths and weaknesses inherent in the unique American shared governance system. Most often, our intergovernmental governance efforts are “mixed bags” of state innovation, intransigence, and inertia. But recent developments in federal grant practices have the potential to generate more intergovernmental policy successes.

Our next President, together with Congress and Judicial Branch actors, can benefit from lessons learned from our prior experiences, and from current governance innovations. Leveraging the participation of state and local governments raises unique challenges, but success generates enormous rewards. The challenge: there is no pat formula for optimal governance sharing. The reward: invaluable policy innovation and learning that will move us further toward national goals.

Strengths and Weaknesses of our Shared Governance System

At its best, a public effort built around our shared governance system invokes the powers of states to craft and tailor services to their populations’ unique needs, thereby generating innovative practices and policies that can inform the federal government and other states. But to marshal this synergy, federal initiatives have to overcome the fact that state reactions to national policies will range from enthusiastic adoption to active resistance, and everything between. The key point for our next set of federal leaders is that success *is* achievable, but will require serious commitment through a set of dedicated fiscal and human resources.

The recent Flint water crisis represents a shared federal-state-local governance failure that no one wants to repeat. When the City of Flint changed its drinking water source under fiscal stress, Michigan’s State Department of Environmental Quality, responsible for ensuring safe water for all state citizens, neglected to follow a common water safety protocol, but told the federal Environmental Protection Agency (EPA) that they had done so (Barry-Jester 2016). Michigan surely did not intend to pipe contaminated water into Flint’s households, but the resulting water disaster illustrates that the incentives driving states and local governments, combined with pressure on their resources and capacities, can thwart federal program goals such as those embodied in the Safe Water Drinking Act. 24

Yet on the other hand, the strength of a federal-state shared governance system comes through in the State Child Health Insurance Program (SCHIP), which has been largely non-controversial, and has greatly expanded health insurance coverage for low-income children since its inception in 1997.⁴⁹ Despite reaching 93% of the nation’s children with SCHIP insurance by 2012, the underlying “price of federalism” (Peterson 1995) - variations across states in how program costs and benefits are distributed - means that 2012 child uninsurance rates ranged from 5% in the most proactive states to over 15% in the least. This disparity is especially troublesome because, as with many of our public programs, the least generous states contain hefty shares of the population.

It is easier to generate states’ support for child health insurance, as compared to environmental regulation, which often runs into headwinds from some states’ desires to reduce regulation for their industries. States appreciate programmatic and funding flexibility, as exemplified by the many program waivers that have proliferated since the early 1990s. However, some states can and do revert to past practice if resources are not dedicated to preventing policy “slippage. Recent examples include the resegregation of our states’ public schools, and the proliferation of state-imposed voting constraints (Wines, 2016) enacted since 2013’s *Shelby County v. Holder* decision, which weakened the Voting Rights Act’s enforcement provisions. It seems clear that in these examples, federal policy decisions have not adequately motivated states and local governments, and federal-state conflicting goals have undermined federal objectives.

How to Achieve Success in Shared Governance – Evidence-Based Grants

One of the most promising new approaches to enhancing the synergy of our shared governance system builds on recent advances in data collection, standardization, and analytics to make “evidence based” decisions in the allocation of federal grants designed to foster national goals. Built on the essential principle that scarce resources should be devoted to the most successful strategies for solving a public problem – so that we can get the “biggest bang” for the federal “buck” – evidence-based grant strategies have the potential to target resources to public service models that are most effective, while also preserving state and local innovation. Evidence-based grants are targeted at program models that, after comprehensive, objective, and rigorous evaluation, have been judged as most effective. When evidence does not support program models, resources are targeted to pilot programs that offer the potential for success, and that will be judged by the same evaluation standards. This approach incentivizes gradual progress toward effective programs and service models. It does not ignore programs that “don’t work,” but instead offers resources to programs trying to solve problems, gradually winnowing the range of program models to those that are most successful, based on shared evaluation standards.

Earlier iterations of the “performance” movement led to destructive rewards and sanctions for public programs, such as public school closures and teacher dismissals under No Child Left Behind. Using performance metrics for funding allocations that ignore such critical elements as the deficits suffered by students that enter school less academically prepared, or other “environmental” factors is bound to, and did, create incentives to “cheat” to avoid failure and/or achieve success. Evidence-based grants, assessed through comprehensive evaluation that accounts for the wide range of factors that affect individual behavior and program success, can avoid this problem.

⁴⁹ Relatively generous federal reimbursements to states, combined with reasonable amounts of program design flexibility, drove combined Medicaid-SCHIP child insurance coverage to a record high of 93% nationwide by 2012 (Rudowitz et.al. 2014).

Under the evidence-based approach that has been adopted for several federal grant programs, “tiered evidence” grants are based on the level of evidence grantees provide for their underlying service delivery approaches. Smaller grant awards are used to test new and innovative service models; while larger awards are used to fund service models with the strongest evidence of effectiveness. (GAO, 2016, Introduction), Tiered evidence grants require evaluation, and dissemination of results, in order to further build bodies of evidence on service model effectiveness. To support this approach, the Obama Administration launched a “Social and Behavioral Sciences Team” (SBST), comprised of behavioral science experts from a range of federal agencies charged with helping grant officials to best use social science research evidence in their grant decisions. Through SBST efforts, evidence-based grants have led to higher rates of: family health insurance coverage; student college attendance and education loan effectiveness; military service member retirement saving; veteran use of education and career counseling; and small farm credit access (U.S. Office of Management and Budget, 2016).⁵⁰

The U.S. Governmental Accountability Office (GAO, 2016) has recently concluded that tiered-grant strategies are most successful if:

- The granting agency has a stable, funded central evaluation office to facilitate and disseminate program assessment data and evidence;
- Evaluation continues throughout the grant’s life cycle;
- Resources are allocated to build both agency and grantee capacity in data collection and evaluation; and
- Federal funders build collaboration among grantor and grantee organizations to share evaluation results and data from evidence-based service strategies.

Under these conditions, evidence-based grants have the greatest potential to effectively target grant dollars to public programs with the most successful intervention models while preserving state and local program innovation.

Moving toward Improved Program Performance across Levels of Government

Given the information outlined above, the next administration should take the following steps to best leverage the innovation and creativity embodied in our federal system:

1. Use Existing Models that Work

A primary strength of our federal system is that we can cherry-pick from volumes of approaches to public problems. New grant strategies, built on evidence about public intervention models, and “tiered” to fund effective interventions and spur innovation, will allow the next administration to best stretch the federal dollars needed for intergovernmental programs.

⁵⁰ To illustrate, the SBST incorporated multiple studies in their technical advice on simplifying the Free Application for Federal Student Aid (FAFSA).

2. Help States to Build Adequate Capacity to Further Specified National Goals

One of the most important determinants of success in the federal-state shared governance system is the adequacy of states' and local governments' fiscal and administrative systems to fulfill expectations. Evidence-based and tiered-evidence grants address capacity directly, allocating resources for state and local governments to build their evaluation infrastructures to more accurately measure program performance and thereby contribute to the evidence needed to best target public efforts.

3. Understand and Work Around Individual State Incentives that Impede Federal Goals

Federal leaders need to determine what drives individual states, and fashion corresponding incentive packages to enhance cooperation. Political will is essential to targeting incentives to those states requiring more support and capacity to fully participate in federal initiatives.

4. Be Prepared for Setbacks and be Flexible in Order to Address them

Even the best planning for shared governance won't head off all unforeseen challenges. The implementation of federally funded intergovernmental programs is notoriously complex and fraught with unanticipated events that no one sees coming, even when initial policy steps seem to be exactly "right." For example, there has been significant state pushback on the "Common Core" standards for K-12 education, even though the standards were developed by a group of governors, state school superintendents, and education specialists, and the policy's planning process was heavy on the stakeholder consultation and engagement that are considered critical to successful policy implementation (Cassidy, 2015; McCardle, 2014).⁵¹ National leaders can address this setback by re-thinking the testing expectations and adjusting implementation timelines in order to provide relief to states under siege from parents, teachers, and their elected representatives over the intensity of high-stakes testing and constantly shifting performance expectations. Evidence-based curriculum models should be encouraged, and tiered grant strategies can spur innovative approaches to achieving common core expectations.

Conclusion

The American federal system of shared power offers benefits that are well worth the effort when national leaders want to engage its synergies in order to put policy ideas into action. The information above provides some insights into how to enhance such efforts. In order to cover all the bases involved in successful shared governance, genuine commitment will be absolutely essential. That commitment should include, at a minimum, the assignment of knowledgeable, flexible, creative individuals to oversee current and future national initiatives built around the federal system, including evidence-based grant strategies that have enhanced program performance. Our next President, together with Congress, must build a cadre of specialists in relevant policy areas that: have the knowledge required to best tap into the strengths of our federal system; can be readily deployed to support intergovernmental action; can use evidence to allocate grant resources most effectively; and can adapt deftly when obstacles

⁵¹ Despite early adoption by over 45 states, there is growing push-back, due in part to the "test fatigue" associated with the earlier "No Child Left Behind" program. While the benefits of common core standards are recognized in state adoption decisions, the required curriculum and teaching practice adjustments, when combined with resistance to testing, are proving to be a significant barrier to the national standards movement (Cassidy 2015, McCardle 2014).

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