Research Article

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Local Management of Federal Grants:
Determinants of Awards and Government Capacity

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A key interaction between federal and local governments comes from intergovernmental transfers and grants-in-aid. Popular grant programs include Community Development Block Grants (CDBGs) and Federal Transportation Formula Grants. Intergovernmental grants are a critical tool for local development, planning, and sustainable public finance. However, many funds awarded to local governments are difficult to spend, with some remaining unspent after the grant cycle. This study examines the factors that help determine the success of federal grant awards at the local level, and the drivers of local governmental capacity in grant management. A survey of 243 local government units was conducted to answer these important questions. A logistic regression that predicts localities' ability to obtain at least one grant shows that grants are targeted to places with higher levels of local need, larger localities, and capacity, which also drive grant awards. Furthermore, a factor analysis shows that several descriptive elements of grant management capacity statistically cluster together. An OLS regression on these drivers of governmental capacity shows that larger places and previous experience in obtaining grants are positively associated with grant management capacity in local governments.

Keywords: Fiscal Federalism, Government Capacity, Grants, Intergovernmental Relations, Local Government

The history and trajectory of intergovernmental relations within the United States are dynamic and ever-changing. Grants are a crucial element of the complex federal-to-local intergovernmental relationship and are both ubiquitous and essential for financing subnational governance (Boex & Vazques, 2004; Lago, Lago-Penas, & Martinez-Vazques, 2024). The scheme of grants goes by a variety of names and diverse conceptual understandings like 'third-party federalism' (Lago et al., 2024), 'indirect governance' (Collins, Andrew, & Khunwishit, 2015), and 'laboratory federalism' (Garzarelli & Keeton, 2018). Scholars have further applied a contracting framework drawing on the concepts of transaction cost theory when examining intergovernmental grants (Collins et al., 2015; Collins & Gerber, 2006), while others note the

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importance of local context (Bickers & Stein, 2004). Given this diverse understanding, more research that considers the determinants of federal grant awards *and* the ability of localities to optimize the use of federal grant funds is necessary (Barbera et al., 2024; Sprague, Wilson, & Cain, 2018).

Owing to a historical lineage dating back to the late nineteenth century, the contemporary grant system was and continues to be, complex, disjointed, and uncoordinated. For instance, the Federal Congressional Research Service (Lawhorn, 2019) calculates that there are an estimated 1,616 federal grant funding opportunities open for applications from states, localities, territories, and tribal nations, and, in fiscal year 2022, federal grants equaled $1.2 trillion (GAO, 2024). While this may indicate ample resources available for subnational governments to apply for and use, public-sector practitioners note numerous challenges in the current system of federal grants (GAO, 2012), highlighting the need for additional research in this area. However, the concepts of both *how* and *why* management matters are far less understood. The following are the two research questions considered in this study:

1) What determines federal grant awards to local governments across the U.S.?
2) What drives the level of a local government's capacity to manage federal grant funds?

Theoretical Underpinnings of Local Grant Management

This literature review is divided into three subsections. First, fiscal federalism theory is used to show the broad foundations of the intergovernmental grants-in-aid system in the U.S. The second section examines research on the distribution of federal grant funds nationwide. Finally, the ability of localities to manage grant funds is discussed by consulting the government capacity literature.

Fiscal Federalism

'Cooperative localism' describes the model intergovernmental mixing of an explicit, nationally defined set of public policy objectives filtered down to the local level considering its context (Davidson, 2007). This *best-of-both-worlds* model is a mutual, bi-directional concept that starkly contrasts with the 'fend for yourself federalism' embodied by the Reagan Administration (Rocco & Kass, 2022). The latter occurs when subnational governments are left on their own in governing matters, federal government centralization increases, and pressures are applied by federal policies such as mandates and the preemption of subnational government authority (Lawhorn, 2019). This has led to increased intergovernmental competition levels, exacerbating inequality (Collins & Gerber, 2008; Davidson, 2007; Lowe, Reckhow, & Gainsborough, 2024). However, in recent years, federal intergovernmental transfers have increased (Rocco & Kass, 2022), and theory notes the benefits of a strong central government, as it is better positioned to raise revenues and to target funds to provide approximately equivalent levels of public services across different local units.

The local management of these funds has its theoretical foundation in fiscal federalism since grants are a key element of the federal-to-local relationship. In decentralized governments, the provision of public goods is theorized to be the most efficient if delivered at the subnational

level due to interlocal competition (Tiebout, 1956). Furthermore, grants are an imperative fiscal policy tool designed to address wicked public-sector problems that may emerge when jurisdictional fragmentation results in negative external spillovers. (Lawhorn, 2019). Federal grants should increase horizontal fiscal equalization (Oates, 1990) and reduce subnational inequality. However, the achievement of these outcomes is not guaranteed.

The idea intergovernmental grant system ought to be practical and pragmatic, responsive to local needs and practitioners, and based on the logical, functional theory of federalism. Such a system may stimulate public sector efficiency, increase citizens' voices (Tiebout, 1956), promote subnational policy experimentation and innovation (Garzarelli & Keeton, 2018), and allow for a pragmatic and transparent sorting of governmental functions among different levels according to their capacity (Barbera et al., 2024). For instance, local governments are optimally positioned to deliver developmental services, such as economic development and planning, while the federal/central government best addresses redistribution. This system is reinforced by Musgrave and Musgrave's (1989) ideal multipronged public finance policy scheme that establishes a stable economic environment that ensures an equitable distribution of public goods/resources. Hence, intergovernmental grants are an important, consequential public policy that needs to be better understood by scholars, practitioners, and citizens alike.

Grant Awards

The literature examining federal grant policy may be understood as a continuum. Early scholars examined the distribution of federal grant funds across the country using a top-down analytical lens. Stein (1981) and Bickers and Stein (2004) referred to these early studies as the 'supply side.' Frequently referred to as 'pork barrel' politics (Gilbert & Specht, 1974), supply-side studies emphasize the importance of the federal government and variables like Congressional-level partisanship in determining the distribution of federal grant funds. However, scholarship reveals the myopic nature of the supply-side literature, as one fundamental assumption made is that all local governments are homogeneous with no corresponding meaningful differences when determining grant awards (see Bickers & Stein, 2004). This assumption was flawed, and studies shifted the scholarly discourse to account for certain 'demand side' considerations, such as various characteristics of local grant recipients. This evolution in our understanding of federal grant distribution makes the addition of local-level factors, such as levels of need (e.g., unemployment, poverty, and race; Lee, 2021), varying administrative resources (Shybalkina, 2023), rurality (Helpap, 2023), political recourses and wealth (Sprague et al., 2018), and/or various local management institutions (Barbera et al., 2024; Collins et al., 2015; Collins & Gerber, 2008). By further accounting for local, demand-side considerations, scholars arrived at a deeper level of analytical and theoretical richness in this area.

However, this necessitated the question: Are federal grant funds being allocated to places with the highest levels of need? An early examination of this relationship was given by Hedge (1981) who showed that places with relatively low levels of need are *more* likely to be awarded grants, a relationship further confirmed by others (Rich, 1989). Furthermore, several contemporary studies illustrate that this relationship endures for the current grant system (Dull & Wernstedt, 2010; Lee, 2021). In other words, more capable localities with lower levels of need were more likely to receive grants, a phenomenon Sprague, Wilson, and Cain (2018) labeled the 'local capacity bias,' which is the topic of the next section.

Capacity: From Human Resources to a 'Black Box'

Local resources, which Hedge (1981) sub-divides into fiscal, administrative, political, and governmental capacities (Barbera et al., 2024), are significant to consider as they allow for the buying into the federal 'grantsmanship' system. Gargan's (1981) early work argues that capacity should not be understood only from a management perspective as it is too reductive and leads to measurement and endogeneity concerns, producing public inefficiencies. In other words, there is no 'one size all' capacity paradigm.

When examining the issue of governmental capacity at the state level, Bowman and Kearney (1988) were the first to illustrate the importance of conceptualizing capacity as a multidimensional concept that includes various elements and show that capacity must be defined by its actual policy application and set within its governmental context. Gergan (1981) further wrote that its capacity may be "determined by the context- social, economic, and political- of a particular community" (p. 652). Hall (2008a) expanded this to the local level and articulated that "capacity is no longer viewed in general terms, but is specific to a policy goal, a program, or a task. It comprises multiple dimensions that can be measured independently to better portray the actual capabilities of an organization" (p. 111) since local organization matters.

In alignment with Gargan (1981), the capacity theory assumes that local governments vary in their ability to deal with public problems and their capacity levels (Rich, 1989). However, assigning a numerical value and measuring capacity has been a perennial challenge (Barbera et al., 2024; Hou, Moynihan, & Ingraham, 2003). Some have found it useful to understand capacity from a resource management perspective (Gargan, 1981; Honadle, 1981), which theorizes capacity as a finite stock of resources that must be managed across different governmental functions. Furthermore, the outer boundaries of capacity have been expanded to encompass social considerations like local civic resources and advocacy for social and economic equity (Lowe et al., 2016). Capacity has long been understood to be essential to delivering public services, and its importance escalates in times of turbulence and crisis (Barbera et al., 2024).

Nevertheless, the scholarly consensus notes that capacity is an integration of discrete, interrelated inputs. Applying the notion of 'black box' theory (Andrews & Boyne, 2010; Hou et al., 2003; Moynihan & Ingraham, 2004) capacity, should be understood not as a single variable but the combination and interaction of multiple inputs. Elements of governmental capacity are derived from several categories: human and staff resources (Donahue, Selden, & Ingraham, 2000; Helpap, 2023), financial resources of public institutions (Hall, 2008b), organizational structure (Barbera et al., 2024), and management systems (Andrews & Boyne, 2010). Capacity can also be internal and/or external to the local governmental unit. Popularly used proxy measurements for internal capacity include staffing levels, public expenditures (Bowman & Kearney, 1988), and a wide variety of local management and planning practices (Donahue et al., 2000). External capacity measures used in the literature measure local communities' social, political, and economic contexts (Gargan, 1981; Helpap, 2023). It is important to consider other administrative (Shybalkina, 2023) and organizational factors (Andrews & Boyne, 2010). This high level of complexity and obscure nature of 'capacity' illustrate the utility of using a 'black box' theoretical model of understanding.

Furthermore, the association between public-sector institutions and governmental capacity cannot be understated (Barbera et al., 2024). Perhaps best articulated by Honadle (1981), "capacity is reflected in institutions. In fact, capacity building means institutionalizing or embodying strengths [with]in an organization" (p. 578). Descending from this high level of

Table 1. Local Grant Management Capacity, Survey Questions

Survey Question	% Yes
Do you have a dedicated grants management staff within a centralized department that assists other departments with grant-making and/or grants management?	25%
Is there a standard set of processes and procedures that guide how every department handles grants?	33%
Do you have a grants policy that has been adopted by your governing board (e.g., city council, county board)?	31%
Do you have a grants procedures manual for staff?	28%
Did your local government complete a single audit [in] FY 2017?	57%

Source: Local Government Grant Management Survey, Government Finance Officers Association (GFOA), and The Lincoln Institute of Land Policy (2018)

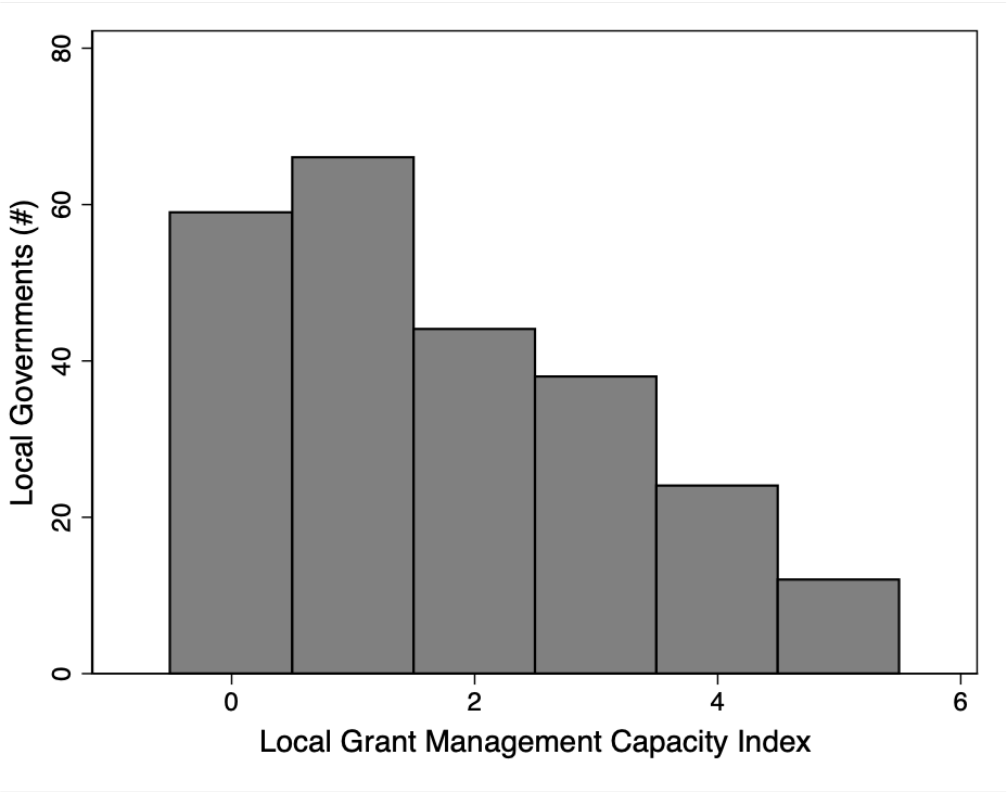
abstraction, actual tangible inputs of local grant management capacity are as simple as providing staff technical training or assistance (GAO, 2015; Handley, 2008; Keegan, 2023) or having a clear set of formal rules, procedures, or regulations (Hou et al., 2003).

One final element of capacity is time. Capacity may wane and wax over time for various reasons, including refining capacity by creating and building staff institutional knowledge (Hall, 2008b; Honadle, 1981) and previous experiences with certain policy processes. Federalism is also relevant given the relationship between federal and state-level policies and local government capacity (Collins & Gerber, 2006). The drivers of grant awards and local capacity are unknown, and this paper seeks to fill this scholarly gap.

Data and Method of Analysis

The data utilized in this local grant management analysis were drawn from several authoritative sources; chief among them was a web-based, self-administered survey of local government financial managers (administered from September to October 2018). The motivation for this survey was a report published by the Government Accountability Office (GAO, 2015), which identified millions of federally appropriated grant funds to the local level that were ultimately left unspent at the end of the corresponding funding cycle. In fiscal year 2015, expired local grant funds totaled an estimated $994 million (Berlin, 2017). The survey was designed based on a series of focus groups and a pilot study (Na Li et al., 2017). Based on this qualitative information, stories of various troubles plaguing local government officials were articulated. However, stories are anecdotal and are far from a comprehensive, representative examination of the relevant issues. The survey instrument was created with the Lincoln Institute of Land Policy and the Government Finance Officers Association (GFOA). The universe of survey respondents comprised GFOA's current list of members. A total of 557 local chief financial officers around the U.S. received our survey, and 243 responded (44%). Survey questions addressed a variety of grant management practices and local policies, asked about four particular federal programs, and measured the levels of staff capacity. Several independent and dependent regression model variables were derived from the survey, and we will start by outlining the dependent variables in this analysis.

Figure 1. Grant Management Capacity Index Distribution



Source: Local Government Grant Management Survey, Government Finance Officers Assoc. (GFOA) and The Lincoln Institute of Land Policy (2018). N = 243 local governments.

Dependent Variables

Local capacity is difficult to define or measure (Bowman & Kearney, 1988; Collins & Gerber, 2006; Gargan, 1981; Rich, 1989; Shybalkina, 2023; Sprague et al., 2018). As a result, the survey asked a series of questions regarding best practices for local grant management (GFOA, 2013, 2022a, 2022b) to measure the institutionalization and organization of local grant management capacities. To account for this, respondents were directed to indicate what capacity measures are present in their locality. The five capacity measures are represented in the dataset as dummy variables (yes=1; otherwise =0). A factor analysis was conducted to explore the clustering of these variables, and an index was created by taking the sum of all the indicators (Cronbach's alpha = 0.635; mean = 1.75; range = 0-5). Table 1 shows a descriptive breakdown of these indicators, and a distribution of the index is shown in Figure 1.

Respondents were asked if their locality received federal funds from the following programs:

- **Head Start:** Head Start grants are awarded through the U.S. Department of Health and Human Services (HHS) and were established in 1965 (Herbst & Kose, 2024). The focus of this program is to assist in funding early childhood educational opportunities and providing educational and health services to

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economically disadvantaged children and parents. In fiscal year 2022, the program allocated $11 million and served 833,000 children, pregnant women, households, and family-care homes (Office of Head Start, 2022). This policy is redistributive and aims to target the country's poorest regions. It provides grant writing assistance to increase local government units' abilities and/or capacity, increasing service quality and other desired policy objectives (Herbst & Kose, 2024).

- **Community Development Block Grants (CDBG):** This program was established in 1974 as a special revenue-sharing project (Handley, 2008) to provide federal financial support to community development and foster local development efforts. The following localities are eligible for funds: 1) principal cities of a Metropolitan Statistical Area; 2) metropolitan cities with populations of at least 50,000; and 3) qualified urban counties with populations of at least 200,000 (excluding the population of entitled cities within their borders). CDBGs have been studied extensively (Collins & Gerber, 2006, 2008), and in a study of small municipalities, Collins, Andrew, and Khunwishit (2015) show an inverse relationship between grant awards and local levels of need and governmental capacity.
- **Brownfield Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Grants:** According to the U.S. Environmental Protection Agency (EPA), a "brownfield" is "a property, the expansion, redevelopment, or reuse of which may be complicated by the presence or potential presence of a hazardous substance, pollutant, or contaminant" (EPA, 2024). Eligibility for this grant primarily relies on having these sites within any jurisdiction. Regardless of the local context and project, grant funds are capped at $200,000 (Dull & Wernstedt, 2010). Local leaders might desire these funds because eliminating brownfields has increased the value of local property tax bases (Sullivan, 2017). However, regarding equity, these sites are more likely to be in minority, poor neighborhoods. Scholars studying the distribution of these funds have a negative correlation between funds and the level of local capacity (Dull & Wernstedt, 2010).
- **Urbanized Area Formula Grant Program:** The final grant program in this analysis allocates federal resources for localities to improve their transportation systems. It has been further strengthened by the Infrastructure Investment and Jobs Act of 2021 (Keegan, 2023). In fiscal year 2023, $7 billion was available (Federal Transit Administration, 2023). This program is allocated according to a federally set formula that includes local-level variables such as transit revenues, passenger miles, and the total amount of local route miles (Keegan, 2023). A local match is also required for this program, and the federal portion of total net costs may not exceed 80% (Federal Transit Administration, 2023). Publicly owned and operated transit systems within "urbanized areas" above 50,000 in population are eligible to apply with a designation from the corresponding state governor.

A variable is included in this analysis to account for whether a local government received *any* of the four grants listed (which served as the dependent variable in the logistic regression, Model #1, obtaining one grant = 1; otherwise = 0). The total number of grants obtained by each locality is also included as an independent variable in Model #2. As reflected in Table 2, 55.6%

Table 2. Descriptive Statistics

Dependent Variables		% Yes		
Grant Awarded (binary)[1]		56		
	$\bar{X}$	SD	Min	Max
Grant Management Capacity[1]	1.75	1.8	0	5
Independent Variables		% Yes		
Municipality (binary) [1]		73		
Metropolitan (binary) [2]		89		
Managerial Form of Government (binary) [1]		50		
	$\bar{X}$	SD	Min	Max
Population (ln)[3]	10.71	1.56	5.17	15.47
White Population (%)[3]	77.7	15.2	24.6	100
Unemployment (%)[3]	6.0	2.6	0	15.9
Local revenue (per capita) [4]	$3,018	$14,014	$90	$2,890
Federal Grants Received (#)[1]	0.8	0.8	0	3

Note: N = 243

[1] Local Government Grant Management Survey, GFOA and The Lincoln Institute (2018).

[2] Rural-Urban Continuum Code (2013).

[3] The American Community Survey (2017 – 5-year estimates).

[4] Survey of State and Local Government Finances (2017).

of respondents received at least one of these grants. Furthermore, 35.4% received only one grant, 17.7% received two, and 2.5% received three. No response was received from all four grants.

Independent Variables

Table 2 provides a comprehensive breakdown of the descriptive statistics for all the model variables included in this analysis that fall into the following categories:

- **Place:** The theoretical shift from the top-down (Gilbert & Specht, 1974) to a more supply-side understanding of grant awards (Stein, 1981) emphasizes the importance of the various characteristics evident among the many diverse local government units. Given the dissimilarities between municipal and county governments, survey respondents were asked to indicate whether their locality was a municipality (e.g., a city, town, or village), and a dummy variable showing municipalities (73%) is included in the model. Similarly, in light of previous studies that show the importance of rurality in the awarding of federal grants (Helpap, 2023), a dummy variable, based on the 2013 Rural-Urban Continuum Code delineations made by the U.S. Department of Agriculture, is included in the model to indicate localities located within a metropolitan statistical area.
- **Need:** Recall a rational, functional-based system of fiscal federalism that needs intergovernmental grants to address issues of horizontal cross-jurisdictional equalization and equality (Morgan & Shih, 1991). Grant funds would be targeted to the highest level of local need. While this positive relationship has been found empirically in older work (Stein, 1989), more recent scholarship (Dull & Wernstedt, 2010; Lee, 2021; Lowe et al., 2024) shows the exact opposite, with a

negative relationship between grant awards and the local level of need. The following proxy measures of local needs are used in the literature: demographics (Collins & Gerber, 2006; Lee, 2021); unemployment levels (Collins & Gerber, 2006; Lee, 2021); and income levels (Collins et al., 2015). Both models use the percentage of the white population and the unemployment rate to account for need.

- **Local Capacity:** Next, we examine the possible drivers of grant awards and local capacity. Even though capacity is difficult to measure, this analysis attempts to peak further within this 'black box' by breaking capacity into its discrete parts. One possible driver of capacity is the locality's population since larger governmental units tend to have more resources at their disposal (Helpap, 2023). Hence, the natural log transformation of the total population for each locality was included in both regression models (U.S. Census Bureau, 2017). Next, regarding fiscal capacity, local revenues offer the ability to "buy into" the federal grant process and/or bear the associated transaction costs (Collins & Gerber, 2006). To account for this, local revenue was included in the model and normalized by calculating it per capita. Lastly, understanding how and why "management matters" (Hou et al., 2003) is important, and management has been empirically shown to positively associate with local grant awards (Collins et al., 2015). To account for this in the models, a dummy variable is included for professionally managed localities (50% of respondents).

Structure of Regression Equations

This section presents two regression model equations, and the dependent variables differ from Model #1 to Model #2. This difference in response variables is operationalized and outlined below, but many independent variables are the same across both models.

Model #1. Predicting Federal Grants Awards

To better align the present analysis with both foundational (Rich, 1989) and contemporary (Hall, 2008b) scholars, the initial analysis is structured to predict the ability of local governments to obtain federal grants. As shown by Collins and Gerber (2006, 2008), there is both a selection and a zero-inflated bias in this regard. Several scholars have attempted to minimize these empirical and methodical issues using a zero-inflation negative binomial (ZINB) method (Collins et al., 2015). Others utilize logistic regressions where the dependent variable (=1) represents a locality being awarded a federal grant (Collins & Gerber, 2006; Lowe et al., 2016). In response, the initial model in this paper is structured as a logistic regression that predicts the ability of localities to be awarded at least one of the four grants included in the survey. This initial regression model illustrates the specific elements of the grant management process that differentiate local governments from obtaining federal funds. Capacity was included in the model as a dependent variable. The structure of the logistic regression equation predicting the local awards of federal grant funds is presented in Equation 1 (Model 1). Since odds ratios are reported to interpret the set of results, a logit-linked function is utilized:

1) $P(Y=1|X) = log\ (\frac{Y}{1-Y}) = \beta_0 + \beta_1 Muni + \beta_2 Metro + \beta_3 Manager + \beta_4 Capacity + \beta 5 lnPop + \beta_6 White + \beta_7 Unemploy + \beta_8 Rev$

P(Y=1|X): The probability of the outcome variable (*Y*), i.e., grant award, equals one given the values of this series of independent variables (*X*):

Model #2. Predicting Local Grant Management Capacity

"Local governments in the U.S. vary in their ability to deal with problems" (Gargan, 1981, p. 649), and "some cities may have a greater capacity to secure grant funds" (Rich, 1989, p. 198). However, the literature does not respond convincingly to these statements and/or consider their proper measurement. In the tradition of Bowman and Kearney (1988), this study considers several discrete policy elements particular to local grant management. It builds on the work of Hall (2008b) and Collins and Gerber (2006) to identify and measure this construct better. The work by Hou, Moynihan, and Ingraham (2003) advises the structure of Model #2, given their understanding of capacity as being reflected in formal rules, regulations, and policies. In addition, the dependent variable in Model #2 is formed from the summation of five explicit local government practices, rules, or regulations in the survey as they directly apply to the local management of federal grant funds. These elements are then aggregated to form a capacity index, the dependent variable in Model #2. Equation #2 is used for this OLS regression to predict the local government grant management capacity and is structured as follows:

2) $Capacity = \beta_0 + \beta_1 Muni + \beta_2 Metro + \beta_3 Manager + \beta_4 LnPop + \beta_6 White + \beta_7 Unemploy + \beta_8 Rev + \beta_9 Grant\ Awards + \varepsilon$

Results

Table 3 shows the results for Model #1, which reports the odds ratios and coefficients for each independent variable, and Table 4 presents the results for Model #2.

Model #1 shows that none of the place characteristics–e.g., being a municipality and/or being in a metropolitan area, are significantly related to the probability of grant awards. While the variables have been shown to correspond to locally awarded federal grants (Helpap, 2023), these initial results do not support those conclusions. Next, the calculated grant management capacity index failed to meet the threshold of $p<0.05$. However, given the parsimonious nature of the model, it should be noted that capacity and ability to obtain at least one grant are positively associated with the $p<0.06$ threshold. This finding indicates the importance of capacity. Similarly, larger local governments, in terms of total population, are also not significant at the $p<0.05$ threshold but are significant at the $p<0.07$ level; both capacity proxies show that capacity matters.

Furthermore, the percentage of the white toral population, a proxy variable for need, is negatively related to the probability of obtaining grants. This means that places with higher levels of need (according to the inverse of % white population) are positively associated with the likelihood of obtaining federal grants (coefficient = -0.03). Similarly, unemployment is

Table 3. Logistic Regression Results

Variable	OR	Coef.
Municipality	1.67	0.51
Metropolitan	0.85	-0.16
Managerial Form of Government	0.82	-0.2
Grant Management Capacity	1.24[t]	0.21[t]
Population	1.32 [t]	0.28[t]
White Population	0.97*	-0.03*
Unemployment	1.16*	0.15*
Local Revenue	1.00	0.00
Constant	0.12	-2.14
N	243	
Pseudo R^2	0.1331	
Log-Likelihood	-144.72	

[t] p < 0.1; * p < .05; ** p < 0.01; *** p < 0.001

Table 4. OLS Regression Results

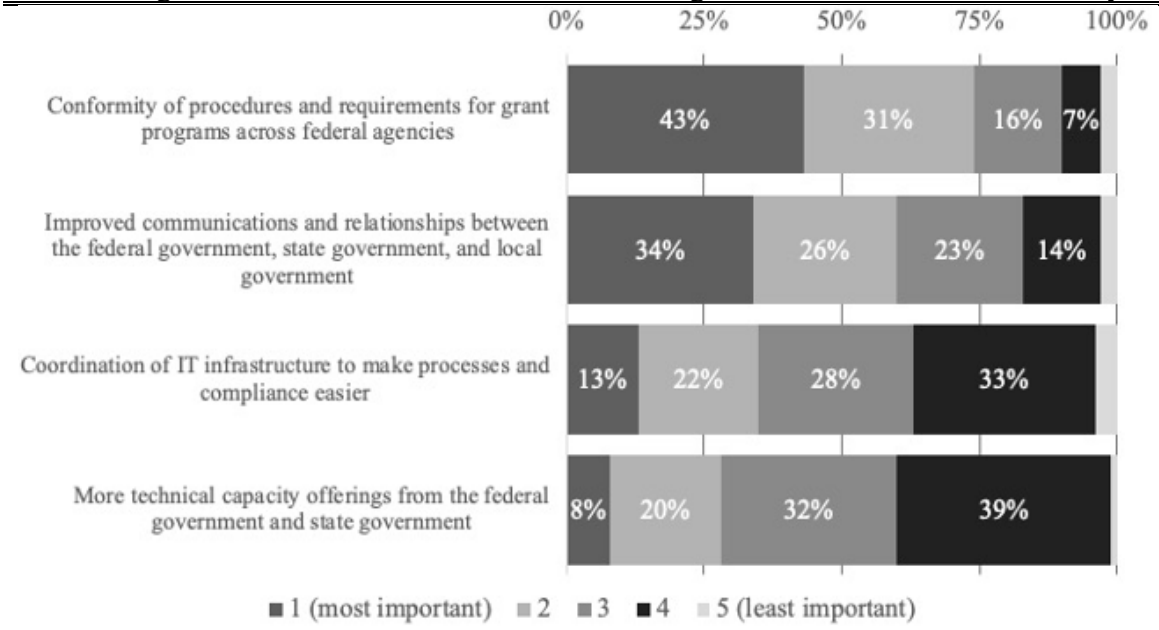
Variable	Coef.	SE
Municipality	-0.23	0.24
Metropolitan	-0.01	0.27
Managerial Form of Government	0.03	0.17
Population	0.44***	0.08
White Population	0.00	0.00
Unemployment	0.01	0.03
Federal Grants Received	0.25*	0.11
Constant	-3.05	0.89
N	243	
Adjusted R^2	0.27	
Root MSE	1.26	
MEAN VIF	1.44	

* p < .05; ** p < 0.01; *** p < 0.001

positively related to the probability of obtaining at least one of the four grants. These two findings differ from several other studies (Collins et al., 2015; Lee, 2021) but support the conclusion that these federal grant programs are being designed successfully to target places with higher levels of need.

The main difference between Model #1 and Model #2 is that the grant management capacity variable is the dependent variable. An additional count variable is located on the independent variable side to represent the total number of federal grants localities received out of the four listed on the survey. Again, the place characteristics are insignificant when predicting grant management capacity. Next, the total population variable (a proxy for capacity) is positively associated with local government grant management capacity at the 0.001 threshold. Unsurprisingly, this result shows that larger localities are more likely to have higher local grant

Figure 2. Local Practitioners' Desired Changes to Federal-Local Grant Policy



Source: Local Government Grant Management Survey, Government Finance Officers Assoc. (GFOA) and The Lincoln Institute of Land Policy (2018). N = 243 local governments.

management capacity levels. Lastly, as expected, the total number of grants received positively relates to grant capacity (0.05 level). This indicates that receiving more grants drives local government grant management capacity.

Discussion and Policy Recommendations

Per Model #1, perhaps most surprising is a positive relationship between local needs (e.g., percent of non-white and unemployment) and federal grant awards. Lee (2021) found a negative relationship between these variables, and. in the study of Brownfield grants, Dull and Wernstedt (2010) also found this negative relationship. While the results concur with Rich (1983), this is a departure from contemporary literature. In addition, these results show an association between the two proxy measures for local government capacity (significant at $p = 0.06$ and 0.07, respectively) and locally awarded federal grants. Sprague, Wilson, and Cain (2019) conceptualized this relationship as the 'local capacity bias' in government grantsmanship, where localities with more capacity are *more* likely to be awarded federal grants. Lowe, Reckhow, and Gainsborough (2016) articulate an upshot of this. Their study of localities in Florida notes that reliance on high-capacity localities in a competitive system of intergovernmental grants "could exacerbate inequalities within and between regions" (p. 38). This highlights the multidimensional, intercorrelated effects of need, capacity, and the ability of local governments to obtain these federal grant funds.

In Model #2, two variables are significant at the $p = 0.05$ threshold in predicting the five-element local grant management capacity index. First, as the total population increases, so does the local government's capacity to manage federal grants. This indicates an interconnected

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relationship between different government capacity considerations. Next, the total number of grants received is also positively related to the grant capacity index, and this has been shown in other analyses of local grant management (Collins & Gerber, 2006; Lowe et al., 2016; Shybalkina, 2023; Sprague et al., 2019). However, while these studies use crude measures of capacity, this index better measures discrete policy-level aspects, management, and staff levels. In the 2018 survey, we wanted to capture any future policy recommendations local government practitioners recommend (see Figure 2). Respondents could rank a series of possible changes to the federal-local grant system on a scale of 1 (most important) to 5 (least important). Of these desired policy changes, "conformity of procedures and requirements for grant programs across federal agencies" was the most important reform for 43% of respondents, and 31% indicated this reform as the second most important. The next most emphasized reform was to "improve communications and relationships between the federal government, state government, and local government." Neither coordination of IT infrastructure nor more technical capacity offerings garnered above 50% for the most or second-most important ranking.

In summary, these findings show that local governments aspire to partner with federal and state governments to improve the federal-to-local grant process. Nevertheless, it takes all three partners to resolve the concerns raised in this analysis. Furthermore, capacity building, which is important in the literature, does not seem as important when asking local government practitioners. Instead, they desire improved vertical intergovernmental coordination and conformity across the currently uncoordinated, disjointed system of federal grant opportunities.

Conclusion

Where does this leave local government financial managers regarding their ability to be awarded federal grants, and how may it help increase local government grant management capacity? To start, grant awards are driven by local levels of need, capacity, and total population, a proxy for general governmental capacity. While others have shown that local needs and federal grant awards are negatively related, the results show the opposite relationship. These findings indicate that the policy design of the federal grant programs measured in this analysis targets places with higher levels of need. This is especially important to emphasize because CDBG, Head Start, and Brownfield grants are specifically designed to address areas with higher needs and allocate resources accordingly. Future work could consider a more comprehensive array of grant opportunities open to local governments to examine further the possible relationships between grant awards, needs, capacity, and previous experience in obtaining federal grants. The results show the interrelationships between variables that capture capacity and support the broader 'black box' understanding of capacity (Andrews & Boyne, 2010; Hou et al., 2003; Moynihan & Ingraham, 2004).

What can be done to improve the federal-to-local grant policy process within the U.S.? Congress recently passed the Grant Reporting Efficiency and Agreements Transparency (GREAT) Act of 2019 (GAO, 2024). On April 4, 2024, the Office of Management and Budget issued additional clarifications and guidelines regarding intergovernmental grants and articulated a foundation for improving the process (Office of Management and Budget, 2024). The goals of these two actions taken by the Federal Government are to modernize the system of grant recipient reporting, reduce the burden and compliance costs for recipients (i.e., transaction costs), and strengthen the oversight structure and overall management of federal-to-local grant funds

(GAO, 2024). These rules and legislation aim to reduce the 'local capacity bias' in the grant management process that many argue for in the literature (Sprague et al., 2019). Only time will tell if these changes achieve their desired policy objectives. Future scholars should examine the possible implications and impacts of these new federal policies on how local governments manage federal grant funds to inform intergovernmental grant policy further.

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