



Federal grants are the key to constraining bureaucracy

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"The bureaucracy is a circle from which no one can escape." — Karl Marx

According to popular lore, someone — a guy in a parking garage — once famously said, "Follow the money." That would be good advice for President Trump's son-in-law, Jared Kushner, who has been given the task of "taming" the federal bureaucracy.

Study: Media jobs, salary, soar 38% in DC, crash 22% nationally

Efforts to rein in bureaucracy have been tried before, without success. Kushner's Office of American Innovation is tasked with creating "a SWAT team of strategic consultants" who can get the government to run more like "a great American company." One can't help but suspect that it will just become its own ever-growing bureaucracy. Welcome to the Monkey House.

It's not that this isn't a worthy goal, but if history is a guide, the bureaucracy isn't likely to lose numbers or influence through streamlining or workforce reduction. According to one source, 20th Century American presidents put forth at least 11 proposals for overhauling the federal Leviathan. Yet, here we are.

To bring about true transformation, Kushner instead should focus on the money and how it's delivered — namely the grants-in-aid system.

This funding mechanism has grown from \$7 billion in 1960 prior to Lyndon Johnson's Great Society to an estimated \$660 billion today — about one-sixth of the federal budget. Wisconsin receives about 30 percent of its revenues from Washington, D.C., and this is no anomaly.

Grants-in-aid represent more than 1,100 federal aid programs, each with its own rules and regulations. They make up the largest item in the federal budget after Social Security and national defense, and allow officials in the nation's capital to micromanage state and local affairs, often without congressional approval. If local officials don't play by federal rules, they stand to lose the money. Think sanctuary cities or gender-neutral bathrooms in schools.

The money is sent by states to Washington, D.C., and then back, minus what's consumed by layers of bureaucracy. Each dollar is cataloged, inspected and audited by corps upon corps of

accountants, auditors, attorneys and financial advisors at all three levels of government — and then back again.

Rather than being "free" money, federal grants usually drive up state and local spending; all that counting, check-writing and auditing costs money. For instance, research by the Wisconsin Policy Research Institute shows that it cost almost \$54 million in the 2015-'16 school year for the Wisconsin Department of Public Instruction to pass about \$824 million in federal grants to the state's 424 local school districts. That's \$54 million in education funding that's not getting to the classroom. And there's "bureaucratic skim" at the local level as well that has never been tallied in aggregate at a statewide or federal level.

Streamlining the grants system — or doing away with it altogether — would mean less need for a vast bureaucracy, making it easier to reduce the government workforce.

Providing federal funds through block grants, which provide monies to states and localities with limited strings attached, is another option that would trim spending and provide state and local governments more autonomy. Block grants also would reduce the influence of lobbyists in the funding process.

Grant funds are "channeled through hundreds of offices," said Chris Edwards, director of tax policy studies at the Cato Institute in Washington, D.C., and editor of DownSizingGovernment.org. "And hundreds and hundreds of lobbyists descend on Washington to fight for all the little slices of that \$660 billion. It would be much harder for a lobbyist to fend off budget cuts" if funds were awarded in large lump sums as block grants.

Of course, don't expect bureaucrats to help. It's in their interest to maintain the status quo, as it is for politicians who take credit for spending the money on grant-funded programs but aren't held accountable for the outcomes. This is especially true for Democrats, for whom the bureaucracy represents a permanent constituency.

If Trump and Kushner are serious about draining the Beltway swamp, the quickest, most effective and lasting way might be to eliminate the grants-in-aid regime that produces so much of the bureaucratic mire. If they don't follow the money, the outcome will likely resemble the last 11 "streamlining" attempts.