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Testimony of Hudson Hollister
Executive Director, Data Coalition

**Transforming Federal Grant Reporting:
Reducing Compliance Costs, Delivering Transparency¹**

Chairman Palmer, Ranking Member Raskin, members of the Subcommittee: thank you for inviting me to testify.

The federal government awarded over \$700 billion in grants in Fiscal Year 2017.² If the federal grant system were a private company, it would be the world's largest, with almost fifty percent more revenue than Wal-Mart. The overwhelming majority of these funds goes to state and local governments, both directly and through sub-grants by state agencies.

To ensure grantees' accountability for their use of taxpayers' money, grant awards trigger a complex array of reporting requirements. These reporting requirements are administered separately by thousands of grant program offices, spread across dozens of grantor agencies, and governed by hundreds of different laws.

¹ This testimony incorporates excerpts from two research reports published by the Data Foundation, an independent nonprofit think tank, with the Data Foundation's permission:

- Jenata Spencer and Hudson Hollister, *Transforming Federal Grant Reporting: Open the Data, Reduce Compliance Costs, and Deliver Transparency*, Data Foundation, December 2017, www.datafoundation.org/transforming-federal-grant-reporting-2017.
- Priya Mhatre and Matt Rumsey, *Transforming Federal Grant Reporting: Current Challenge, Future Vision*, Data Foundation, June 2018, www.datafoundation.org/transforming-federal-grant-reporting-paper-2018.

² A search on USASpending.gov, the federal government's spending transparency portal, reveals an aggregate figure of \$718,933,041,093 for grants awarded in FY2017. This figure excludes direct payments, loans, and other forms of assistance.

Grant reporting is a document-based affair. Grantees fill out forms and submit those forms to grantor agencies. Some agencies have implemented grant management systems that collect these forms via electronic upload. But even in electronic systems, the forms are still PDF documents--electronic versions of the paper forms that they replaced.

Document-based grant reporting has two basic problems. First, it does a poor job of delivering transparency to agencies, Congress, and taxpayers. There is no central repository of all the information that grantees report to grantor agencies, nor any feasible way to create one. There is way to aggregate the entire government's, or even an entire agency's, grant reports to ensure compliance, discover outliers, screen for fraud, or compare performance.

Second, grantees sustain unacceptable compliance costs. Grantees must manually fill out reporting forms, often providing the same information multiple times.

By replacing document-based forms with standardized data, the federal government can resolve both problems. First, standardized data would allow transparency: easy comparisons across programs and across government. Second, standardized data would allow grantees to compile and submit their information automatically and more cheaply.

This solution is not the same thing as creating a single, government-wide reporting system or portal. Even after replacing forms with standardized data, grantor agencies and program offices will still be able to operate separate grant management systems if they choose. But data standardization will allow information to be pulled from those systems automatically and easily aggregated for agency-wide and government-wide transparency. And data standardization will allow grantees' software to pre-populate required data fields and automatically deliver data to multiple grantor agencies' and program offices' systems, wherever it is needed. In other words, a transformation from document-based reporting to data-centric reporting will bring transparency and facilitate automation without centralizing all grant management.

A transformation from document-based to data-centric reporting requires three steps. First, the White House, working with grantor agencies and grantees, must clearly define the data elements that are most commonly used in grant reports, and publish these data elements as a *taxonomy*. Second, the White House must make the use of the taxonomy mandatory for all grant programs. Third, all grantor agencies must begin collecting grant reports as data, rather than documents, encoded using the taxonomy.

In early 2018, this Committee and the Administration both took major steps toward the documents-to-data transformation. First, on February 6th, 2018, this Committee favorably reported the Grant Reporting Efficiency and Agreements Transparency Act, or GREAT Act, H.R. 4887, which will require exactly the three steps I mentioned. Congresswoman Virginia Foxx and Congressman Jimmy Gomez deserve credit for championing this crucial reform. However, it is our understanding that the Congressional Budget Office has yet to conduct a final scoring. Without a CBO score, there has been no opportunity for consideration by the full House.

Second, on March 20th, 2018, as part of the President's Management Agenda, the White House announced a Cross-Agency Priority Goal, or CAP Goal, on "Results-Oriented Accountability for Grants." Under this CAP Goal, the White House Office of Management and Budget, working with the Departments of Health and Human Services and Education, has committed to creating a taxonomy of the data elements most commonly used in grant reports, with a deadline of the end of this fiscal year. That is the first of the necessary three steps in transforming grant reporting from document-based to data-centric. We eagerly await the publication of the first version of this taxonomy.

The Data Coalition represents 46 data companies all working to make our government more efficient and transparent. Our companies' solutions can deliver transparency in grant data and automate grantee reporting, but only if the federal government transforms the process from document-based to data-centric. Without (1) a government-wide taxonomy, (2) imposed on a mandatory basis and (3) used by every grantor agency, there is no way for data companies to create analytical tools or automation solutions that work for more than one grant program.

We applaud the White House and the Departments of Health and Human Services and Education for initiating the CAP Goal on Results-Oriented Accountability for Grants. But we nevertheless believe that a Congressional mandate is necessary to ensure that the transformation takes place. Without a Congressional mandate, it will be difficult for the federal government to take the remaining two steps: making the taxonomy mandatory and implementing it in every grant program. Therefore, we look forward to the House's consideration and passage of the GREAT Act, its ultimate passage by the Senate, and Presidential approval.

I look forward to the Subcommittee's questions.