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May 2014

Competing for Federal Grant Dollars in Nevada

CYNDY ORTIZ GUSTAFSON AND JENNIFER OUELLETTE

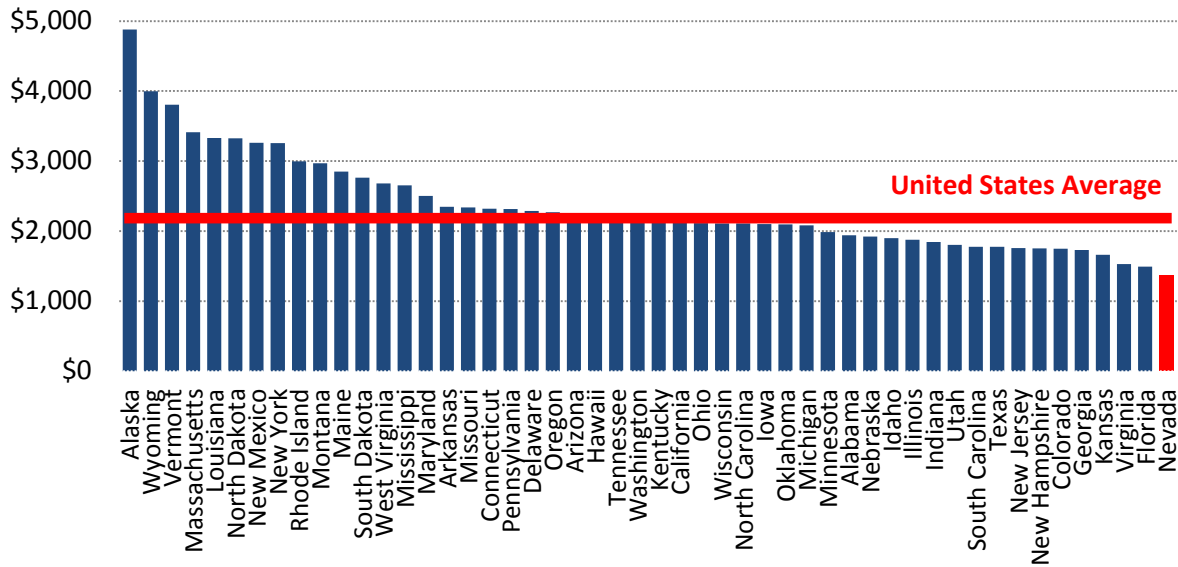
Federal grant funding in Nevada accounts for 19 percent of statewide federal funding, or roughly \$3.7 billion a year¹. Federal grant funding consists of (1) formula based aid and, (2) competitive discretionary grant dollars. In the latter category Nevada is encouraged to substantially improve its performance and secure more federal resources for its citizens.

Nevada is 50th out of 50 states in securing federal formula and grant funding, ranking behind all other states and most territories (which would make us 52nd or 53rd behind states and territories) in competing for and obtaining competitive grants and formula funding². Over the course of the last ten years, Nevada ranked 50th in federal grant expenditures every year, with the exception of two years (2005 and 2008), when Nevada claimed the 49th spot.³ Nevada is failing by every measure, and the cost is dramatic. This failure affects Nevada's quality of life measures, our efforts to provide high quality education for children and college students, the ability to attract new and innovative businesses to the state, and the capacity to invest in economic development and infrastructure projects, healthcare initiatives, public safety improvements, and services for veterans and seniors. This poor performance weakens Nevada and it has for decades.

As noted, federal grant funding represents 19 percent of Nevada's overall federal funding. The majority of Nevada's federal funding (59 percent) consists of direct payments to qualifying individuals for programs such as Social Security payments, federal retirement and disability benefits, veterans' benefits, unemployment benefits, and student loan assistance⁴. The remaining 22 percent of Nevada's federal grant funding covers salaries and wages for federal employees and procurement contracts⁵ (payments to the private sector for services, including defense spending).

The issue of Nevada's federal competitiveness, or lack thereof, is not a conservative or liberal issue, especially when the state leaves \$1.5 billion dollars⁶ of federal funding on the table every year. That equates to roughly 15.5% of Nevada's annual budget.⁷ Excluding Medicaid, Nevada could secure an additional \$529 million dollars each year⁸ in federal funding if the state met the average funding received by neighboring western states. Numbers like these ought to transcend party lines and should be significant enough to mobilize action across political parties and institutions. The opportunity to secure these federal funds can serve as a vehicle to induce meaningful change to our bureaucratic infrastructure and to generate needed action at the state and local levels.

Federal Grant Expenditures per Capita by State (FY 2010)



Source: United States Census, U.S. Department of Commerce, Consolidated Federal Funds Report for Fiscal Year 2010, issued Sep 2011

Barriers to Obtaining Federal Grant Funding in Nevada

To understand how Nevada can address and remove the barriers that frustrate and prevent the acquisition of federal funding, it is essential to explore the motives behind the state's continued inability to capture federal dollars—why isn't Nevada trying to increase its share of federal grant funding? Interviews with key state officials who possess knowledge of prior funding applications identified qualitative factors that add to the story of Nevada's failed attempts to receive federal funding.

Nevada is a swing state, one with profound social and economic needs. These ingredients offer the perfect recipe for increased federal funding. Yet, Nevada continues to remain woefully behind in obtaining its fair share⁹.

The primary reasons for this include:

1. **Match Requirements:** Medicaid is the largest federal funding stream Nevada has historically failed to capture. Additional federal funding opportunities are not pursued due to the state's inability to provide the matching funds

required to apply for federal grants. The majority of interviewees for this study cited the lack of a certified match as the primary obstacle in obtaining federal funding. When asked to cite specific examples, community leaders expressed considerable apathy. The inability to match federal funding is so routine that officials often do not bother to consider this path as a viable course of action. In fact, many interviewees chose not to provide an example of a grant they declined to pursue because there were so many¹⁰. As one individual noted, "If a grant comes across the desk that has a match - it goes in the trash." This disconcerting stigma, that Nevada does not match funds for federal programs or lacks the capacity to do so, eliminates any incentive to seek new sources of federal funding.

2. **Structural Incompatibility¹¹:** Structural incompatibilities exist at multiple levels across the state and hinder the competitive funding process, resulting in a stagnant grant approval process, and the failure to secure millions of dollars in revenue for the state. Barriers to the

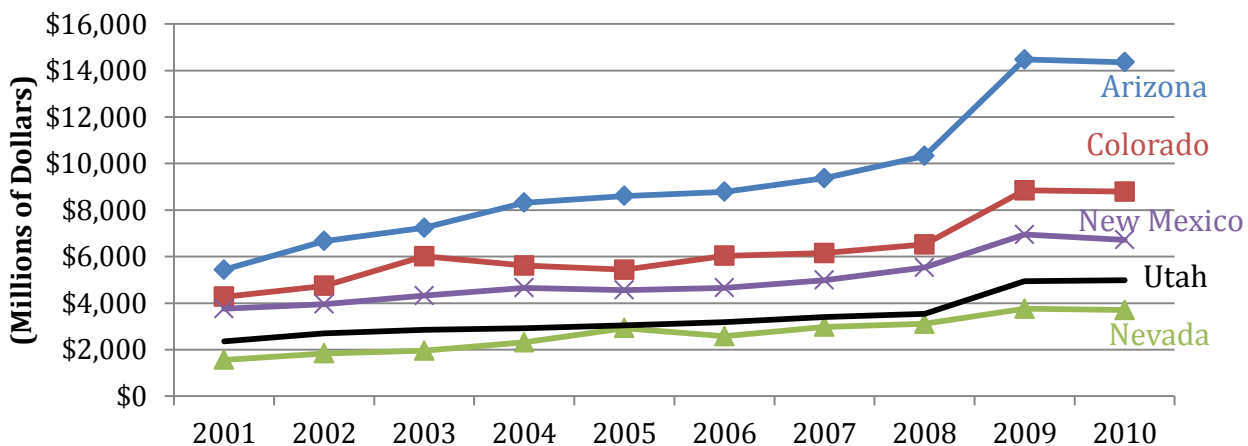
implementation of efficient and effective grant processes cited by department heads and key stakeholders included a difficult to navigate and ultimately costly Legislative Interim Finance Committee (IFC) process and the Home Rule (also referred to as Dillon’s Rule) statute that stymies local innovation and ties the hands of city and county leaders who are not empowered to apply for federal funds. Local officials must work with state officials and departments to apply for federal funding, and do not have the autonomy of local officials in other states. Interviewees cited these structural impediments and stated that these factors often result in lost funds, the inability to reapply for funds, and significant inefficiencies in how funding is spent, stating that, “by the time expenditures are approved, there are only six months left in the grant to perform a year’s worth of work.”

3. *Capacity*¹²: Further exacerbating the factors above, Nevada lacks enough qualified, experienced grant writers and grant administrators to design and implement competitive and sustainable grant projects. Moreover, many

individuals expressed frustration about the level of administration, evaluation, and reporting requirements that accompany federal funding, with the belief that the cost of utilizing federal funding is prohibitive. Sadly, many agencies have either not been able to spend down the federal awards or had to return the entire grant due to an inability to manage the funds. This damages the state’s reputation and its ability to apply for competitive funding in future years.

To date no organization has quantified just how much money Nevada is leaving in Washington, DC for other states to consume. This report examines federal grant funding comparisons between Nevada and neighboring states including: Arizona, Colorado, New Mexico, and Utah. Strategic Progress compiled all federal grant funding for these five states and compared the top ten largest funding streams for each federal agency across neighboring states on a per capita (per person) basis. Strategic Progress chose this methodology to ensure a balanced approach to the issue – it is unrealistic to assume that Nevada can move from 50th to something closer to the national average in a short period of time.

Historical Federal Grant Expenditures by Neighboring State, (2001 - 2010)

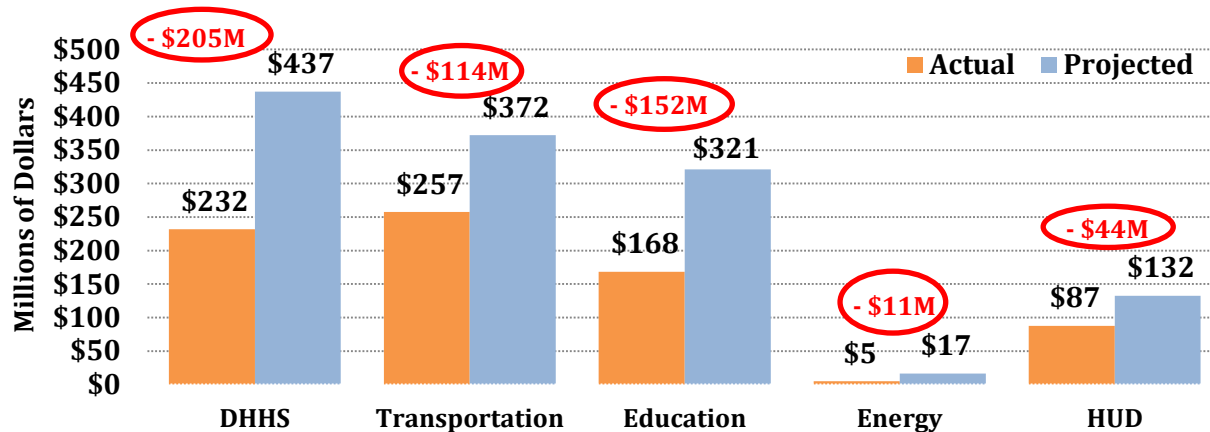


Source: United States Census, U.S. Department of Commerce, Consolidated Federal Funds Report for Fiscal Year 2010, issued September 2011

It is noteworthy to consider just how far behind Nevada is in receiving federal grant funding and in what areas the state underperforms, – that is, the sectors in which Nevada does not invest its resources. This says a great deal about our priorities as a state. The only agency where Nevada significantly outperformed regional neighbors in obtaining grant funding was from the Department of Labor; however, this is mostly due to unemployment payments as a result of the

severity of the Great Recession. The state’s weakest funding areas are within health and human services, education, and housing and urban development. Had Nevada received the same per capita amount of federal grant funding as its regional neighbors on average, the state would have received an additional \$529 million in 2012 (excluding Medicaid)¹³. The bulk of missed federal grant funding opportunities lie within the following federal agencies:

Nevada Federal Grant Expenditures, Actual vs. Regional Projections (FY 2012)



Source: Strategic Progress LLC, *Competing for Federal Dollars in Nevada*, February 2013, available at www.acceleratenevada.org

In each category in the graph above, the deficits are startling. For the Department of Health and Human Services (DHHS), if Nevada received as much federal funding as our western neighbors averaged in 2012, the state would have acquired another \$205 million for our children and families. In education Nevada would have secured an addition \$152 million over 12 months. Nevada would have acquired \$114 million in additional transportation funds to grow our economy and bring more jobs and people to the state. The cumulative costs for failing to bring these dollars to Nevada are staggering and should not be underestimated.

This analysis specifically excludes Medicaid funding; however, adding Medicaid in at the same level as our neighboring states produces significantly different estimates. Nevada could have received an additional \$1 billion in federal funding each year from Medicaid. In total,

when compared to similar neighboring states, Nevada leaves behind a minimum of \$1.5 billion in federal funding every year¹⁴.

Governor Sandoval announced his intention to expand Medicaid coverage for the state in accordance with the Affordable Care Act in December 2012¹⁵. This will alleviate a significant portion of the Medicaid funding gap going forward. However, how can Nevada target that additional \$529 million every year? What specific funding streams are ignored? State spending comparisons demonstrate that Nevada is woefully behind our neighbors in obtaining formula grants as well. Formula grants are allocations of money to states in accordance with distribution formulas prescribed by law or administrative regulation, usually based on population.

Federal Grant Expenditures, Actual vs. Regional Projections by Funding Stream (FY 2012)

Agency	CFDA Program Title	Grant Type	2012 Actual	2012 Projected	Difference
DHHS	Medical Assistance Program	Formula	\$1,112,591,233	\$2,086,237,843	-\$973,646,610
Transportation	Federal Transit Capital Investment Grants	Formula	\$21,087,754	\$131,136,981	-\$110,049,227
DHHS	Children's Health Insurance Program	Formula	\$15,986,922	\$104,815,246	-\$88,828,324
DHHS	Head Start	Project	\$17,084,206	\$75,658,882	-\$58,574,676
Education	Special Education Grants to States	Formula	\$65,564,664	\$110,251,438	-\$44,686,774
DHHS	Temporary Assistance for Needy Families	Block	\$57,189,521	\$95,396,012	-\$38,206,491
Trans	Federal Transit Formula Grants	Formula	\$17,216,569	\$55,236,034	-\$38,019,465
Education	Impact Aid	Project	\$2,160,479	\$28,201,473	-\$26,040,994
Education	Title I Grants to Local Educational Agencies	Formula	\$41,753,144	\$64,556,740	-\$22,803,596
DHHS	Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, Public Housing Primary Care, & School Based Health Centers)	Project	\$9,133,029	\$22,971,312	-\$13,838,283
Education	Rehabilitation Services Vocational Rehabilitation Grants to States	Formula	\$15,367,493	\$29,063,422	-\$13,695,929
DHHS	Child Care Mandatory & Matching Funds of the Child Care and Development Fund	Block	\$36,734,331	\$48,582,228	-\$11,847,897
HUD	Indian Housing Block Grants	Formula	\$26,119,891	\$36,012,584	-\$9,892,693
Education	Higher Education Institutional Aid	Project	\$0	\$8,412,952	-\$8,412,952

Agency	CFDA Program Title	Grant Type	2012 Actual	2012 Projected	Difference
Transportation	Formula Grants for Other Than Urbanized Areas	Formula	\$7,067,198	\$14,161,603	-\$7,094,405
DHHS	Low-Income Home Energy Assistance	Block	\$11,208,659	\$18,297,384	-\$7,088,725
Education	Improving Teacher Quality State Grants	Formula	\$12,308,013	\$16,710,135	-\$4,402,122
Labor	Trade Adjustment Assistance	Formula /project	\$2,646,906	\$6,229,450	-\$3,582,545
HUD	Community Development Block Grants/State's program & Non-Entitlement Grants in Hawaii	Formula	\$2,221,269	\$5,065,004	-\$2,843,735
DHHS	Adoption Assistance	Formula	\$17,595,587	\$19,272,712	-\$1,677,125
Transportation	Capital Assistance Program for Elderly Persons & Persons with Disabilities	Formula	\$684,820	\$2,337,750	-\$1,652,930
Labor	Senior Community Service Employment Program	Formula /project	\$472,321	\$2,047,942	-\$1,575,621
Transportation	Job Access Reverse Commute	Formula	\$329,183	\$1,866,355	-\$1,537,172
Labor	Native American Employment & Training	Formula	\$445,531	\$1,873,756	-\$1,428,225
Education	Career & Technical Education -- Basic Grants to States	Formula	\$8,736,685	\$10,052,159	-\$1,315,474
HUD	Emergency Shelter Grants Program	Formula	\$293,797	\$1,150,473	-\$856,676
Education	Twenty-First Century Community Learning Centers	Formula	\$7,643,861	\$8,337,383	-\$693,522

Agency	CFDA Program Title	Grant Type	2012 Actual	2012 Projected	Difference
HUD	Shelter Plus Care	Project	\$2,944,752	\$3,543,062	-\$598,310
Justice	National Institute of Justice Research, Evaluation, and Development Project Grants	Project / co-op	\$0	\$593,816	-\$593,816
Justice	Edward Byrne Memorial State & Local Law Enforcement Assistance Discretionary Grants Program	Project / co-op	\$610,000	\$956,030	-\$346,030
Transportation	Metropolitan Transportation Planning	Formula	\$0	\$292,846	-\$292,846
Labor	Labor Force Statistics	Co-op	\$942,915	\$1,217,021	-\$274,105
Transportation	Alcohol Impaired Driving Counter measures Incentive Grants I	Formula	\$1,011,778	\$1,112,009	-\$100,231
Total			\$1,515,152,512	\$3,011,650,039	-\$1,496,497,527

Source: Strategic Progress LLC, *Competing for Federal Dollars in Nevada, February 2013*, available at www.acceleratenevada.org

The following funding streams show where Nevada is capturing a greater share of federal grant funding than its neighbors. This table

presents a clear picture of Nevada priorities – (1) corrections, (2) aid to the unemployed, and (3) airport infrastructure improvements.

Regional Funding Streams Where Nevada Outperforms (FY 2012)

Agency	CFDA Program	Grant Type	2012 Funding per 100 Residents					Avg	NV vs. Avg
			AZ	CO	NM	NV	UT		
Justice	Juvenile Accountability Block Grants	Project / co-op	\$8	\$5	\$12	\$35	\$11	\$14	66%
Justice	Rural Domestic Violence, Dating Violence, Sexual Assault, & Stalking Assistance	Project / co-op	\$14	\$24	\$40	\$69	\$16	\$33	61%

Agency	CFDA Program	Grant Type	2012 Funding per 100 Residents					Avg	NV vs. Avg
			AZ	CO	NM	NV	UT		
Justice	Crime Victim Compensation	Project	\$11	\$86	\$32	\$112	\$65	\$61	53%
Justice	Violence Against Women Discretionary Grants for Indian Tribal Governments	Project	\$33	\$0	\$22	\$27	\$0	\$16	49%
Labor	Occupational Safety & Health	Formula	\$29	\$0	\$36	\$112	\$110	\$57	47%
Labor	WIA Dislocated Workers	Formula	\$309	\$260	\$221	\$491	\$201	\$296	38%
Justice	Violence Against Women Formula Grants	Project	\$39	\$0	\$58	\$70	\$52	\$44	37%
Justice	Juvenile Justice & Delinquency Prevention Allocation to States	Project	\$8	\$0	\$19	\$14	\$14	\$11	36%
Labor	Unemployment Insurance	Formula	\$686	\$874	\$1,078	\$1,311	\$981	\$986	29%
DHHS	Child Support Enforcement	Formula	\$527	\$882	\$997	\$1,129	\$625	\$832	26%
Justice	Edward Byrne Memorial Justice Assistance	Project	\$90	\$83	\$133	\$131	\$83	\$104	24%
Transport.	Airport Improvement Program	Formula /project	\$1,152	\$1,389	\$1,223	\$1,690	\$2,328	\$1,556	20%

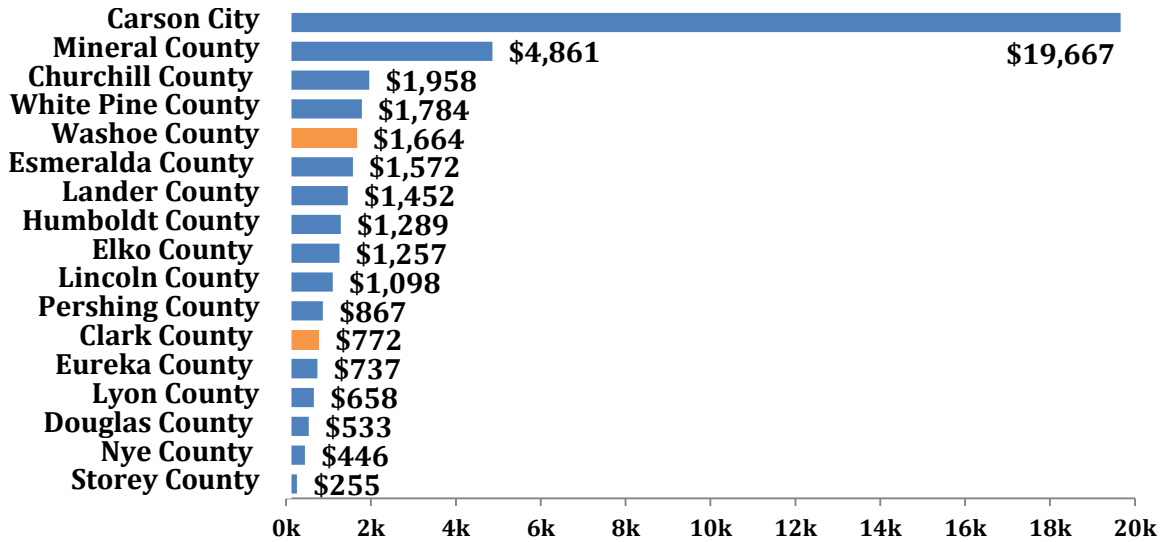
Source: Strategic Progress LLC, *Competing for Federal Dollars in Nevada*, February 2013, available at www.acceleratenevada.org

County Variations – The North vs. the South

The State of Nevada trails the rest of the nation in securing federal dollars. Southern Nevada, and Clark County in particular, trails the rest of

Nevada in receiving its share of federal dollars within the state. A review of federal grant expenditures per capita by county within Nevada reveals an uneven distribution that cannot be explained by population, procurement, or other variables.

Nevada Federal Grant Expenditures per Capita by County (2010)



Source: United States Census, U.S. Department of Commerce, Consolidated Federal Funds Report for Fiscal Year 2010, September 2011

The county-by-county federal grant expenditure data illuminates this situation. First, according to the U.S. Census Bureau, Washoe County contains 16% of the state’s population and receives 19% of the federal grant expenditures, while Clark County is home to 71% of the state’s population, yet only receives 40% of federal grant expenditures¹⁶. Washoe County receives funding proportional to its population, while Southern Nevada is severely underfunded per capita.

Additional research is needed to understand why this kind of inequality occurs over time and how the federal funding that arrives in Carson City (the state capital) is then distributed across the state. If Nevada is to build a robust and competitive grant infrastructure these factors must be addressed. For Clark County to address any of the critical and failing quality of life indicators in the region, the distribution of federal funds must

be improved. Nevada’s political leadership should advocate for proportional allotment of federal funds across the state based on population.

Many states have mechanisms in place to ensure that federal dollars are allocated to counties based upon their populations (with some redistribution mechanisms in place for the rural counties to ensure their stability and sustainability). In Nevada, Clark County receives the same federal allotment (on a per capita basis) as Eureka County, which has a population close to 2,000, when Clark County has a population in excess of 2 million.

Both Washoe and Clark are urban counties, so why does one county dramatically outperform the other? Key stakeholders interviewed during this research suggested that older institutional traditions and stronger networks and distribution channels caused grants and funds to flow more easily to northern partners and organizations than to southern ones.

Some interviewees suggested that Washoe County was a de facto second state capitol, and that it functioned as an unofficial site of state government, performing many functions of the state government. Others believed the disparity was political, and that for many decades political choices caused unequal expenditures to be made, and then become entrenched. Additional research is needed to understand whether or not these opinions are accurate.

Moving Forward - Leadership, Investment, and the Call to Action

In order to “move the needle” on this important fiscal issue, and to begin to turn lost money into found money for Nevada, residents of the

Silver State must create a new vision - a new Nevada narrative. Nevada must invest in a knowledge economy and in the skills and talents of our own people.

Nevadans must learn to compete in the marketplace of federal funding in order to strategically position Nevada for federal investment, and to scale and sustain those funds to grow our communities. Nevada needs leadership from its citizens and its institutions and to rally behind this issue, to use the power of persuasion to bring groups of stakeholders, private businesses, and elected officials together, and to make this issue a priority.

Bringing Nevada’s lost federal money home is the biggest game in town, and one that Nevada can no longer afford to lose.

Endnotes

¹ United States Census, U.S. Department of Commerce, Consolidated Federal Funds Report for Fiscal Year 2010, September 2011

² Ibid

³ Ibid

⁴ Ibid

⁵ Ibid

⁶ Strategic Progress LLC, Competing for Federal Dollars in Nevada, February 2013, available at www.acceleratenevada.org.

⁷ Legislatively Approved Budget 2013-2015, available at http://www.leg.state.nv.us/Division/fiscal/FISBU210/BASN210_2013-15/BASN210_2013-15_TABLE_OF_CONTENTS.pdf, last accessed March 2014

⁸ Strategic Progress LLC, Competing for Federal Dollars in Nevada, February 2013, available at www.acceleratenevada.org.

⁹ Bookings Mountain West Lecture Series, John Hudak, Capitalizing in the Nation's Capital: Matching State and Regional Resources to Administration Funding Priorities, March 2013 <http://www.unlv.edu/brookingsmtnwest/2013-past-lectures-events>

¹⁰ Strategic Progress LLC, Competing for Federal Dollars in Nevada, February 2013, available at www.acceleratenevada.org.

¹¹ Ibid

¹² Ibid

¹³ Ibid

¹⁴ Ibid

¹⁵ Governor Sandoval Statement on Medicaid Expansion. Carson City, NV. December 11, 2012. <http://gov.nv.gov/News-and-Media/Press/2012/Governor-Sandoval-Statement-on-Medicaid-Expansion/>

¹⁶ Strategic Progress LLC, Competing for Federal Dollars in Nevada, February 2013, available at www.acceleratenevada.org; United States Census, U.S. Department of Commerce, Consolidated Federal Funds for Report for Fiscal Year 2010, September 2011

About the Author

Strategic Progress authored and produced this report for the Lincy Institute at UNLV. Strategic Progress, LLC is a Nevada based company specializing in regional planning, public policy research and advocacy, federal grant development, fundraising and strategic positioning of large scale initiatives.

Cyndy Ortiz Gustafson, Strategic Progress founder and CEO, designed and directed the research and writing of this report. Ms. Ortiz Gustafson has a MA in Political Science and Public Law from Washington State University, and over 10 years of direct experience at the federal and state levels conducting policy research, building coalitions and working on issues management and the design and implementation of large-scale public policy initiatives.

The lead research consultant on this project is Jennifer Ouellette. Ms. Ouellette has an MS in Accounting from the University of Southern California, and has worked for a variety of research and analytics firms such as Applied Analysis, PricewaterhouseCoopers, and Econ One Research. She has partnered with Strategic Progress on several statewide public policy research projects, and presented those findings to various groups and entities across Nevada.

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About The Lincy Institute

Established in 2009, The Lincy Institute conducts and supports research that focuses on improving Nevada's health, education, and social services. This research will be used to build capacity for service providers and enhance efforts to draw state and federal money to the greater Las Vegas. The Lincy Institute will also highlight key issues that affect public policy and quality-of-life decisions on behalf of children, seniors, and families in Nevada.

The Lincy Institute has been made possible by the generous support of The Lincy Foundation. Robert E. Lang, Ph.D. serves as the Institute's Executive Director. To learn more visit: <http://lincyinstitute.unlv.edu/>



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