Issue Brief

Sustainable Software, Sustainable Government

Re-thinking the Intergovernmental Grant Funding Process to Transform State and Local Governments

To maximize budget dollars, enhance delivery of citizen services, and improve workflows and employee productivity, the public sector is shifting from traditional technology models to innovative approaches such as converged infrastructures and centralized and shared resources and services. At the top of the list are subscription- and cloud-based, centrally hosted software licensing and delivery solutions such as software-as-a-service (SaaS).

By deeply integrating these technology innovations into their business processes, state and local governments can build on the more obvious benefits of the cloud to create a dynamic, evolving and sustainable agency for the long term.

As the foundation of long-term agency stability, sustainable software solutions have particular relevance to the state and local grant funding process. Because grants can account for as much as 30 percent[1] of state and local government operating budgets, better management of the grant funding process can help agencies positively and sustainably impact revenues, overcome staffing challenges, and improve transparency and accountability as they and their missions evolve over time.

This issue brief from the Governing Institute will discuss how sustainable software for managing and tracking grants evolves effortlessly alongside government agencies and serves as the building block for future innovations and long-term agency stability.

Sustainable Innovation and Long-Term Public Sector Stability

State and local governments seem to be continuously mired in cycles of boom and bust. Technology has become an essential tool for breaking this cycle. Developing and maintaining a self-sustaining government enterprise requires sustainable innovation: the systematic application of technology to create unprecedented workflow and cost efficiencies, leading to better services, revenues and return on investment.

A 2013 Center for Digital Government survey found 32 percent of government IT professionals surveyed said their state or municipality is migrating to a cloud computing environment, with an additional 14 percent reporting they are planning to do so in the near future. By becoming consumers rather than owners of technology, IT departments reduce their dependence on capital outlays; maintenance and upgrades are automated; and services and technologies can be scaled on demand.

These benefits position the cloud to become the cornerstone of a more sustainable public sector that's capable of flexibly expanding and contracting as required to meet changing needs and constraints. An example can be found in the state and local grant funding and management process.

Public Sector Grants Management: Overview and Challenges

The federal government alone grants more than $600 billion each year to state, local and tribal governments,[2] and states provide millions more to their respective cities and counties. For example, according to Hank Griffith, deputy director–grants for Harris County, Texas, grants account for about 5 percent of the county's general fund budget of $2.1 billion. "Grant funds are a critical revenue stream," Griffith explains. "In the past, due to some large emergency management and homeland security grants, they have accounted for more than 16 percent of our budget."[3]

As governments weather economic downturns, grant funding takes on special significance, allowing agencies to fund programs in areas such as education, transportation and public safety that might otherwise be slashed. Yet, in spite of their importance, state and local governments often cannot maintain the proper organizational, human and financial capacity to apply for and manage awards.

Staffing shortages due to employees retiring or changing departments hinder the consistent maintenance of the internal controls required to comply with grant guidelines; adhere to the federal Office of Management and Budget's (OMB) new rules for federal grantees, known as the Uniform Guidance; and complete the Single Audit process, which is required of organizations that receive $750,000 or more in federal funding. "Grants management is ongoing and labor-intensive," explains Justin Hess, assistant city manager for the City of Burbank, California. "You want to have staff with the institutional knowledge and tools necessary to effectively comply with the funding requirements throughout the entire process."[4]

Sustainable Software and Grants Management

A cloud-based grants management application is an example of sustainable software that enables stronger grants management that in turn creates a more stable agency. As Burbank's Hess says, "Our philosophy is to leverage technology to create more sustainable business processes. Whether it's grants or another labor-intensive manual process, the goal is to automate and simplify."

For example, centralizing grant data allows it to be accessed by authorized users in multiple departments. "This increases transparency and eliminates duplicate applications for the same grant and other inefficiencies," he continues.

Grants management software modernizes and automates grant-based business processes, enabling agencies to:

- Streamline the grants management process to create more efficient workflows
- Improve and centralize the grant research and discovery function
- Track spending and evaluate performance to ensure reimbursement
- Increase the transparency of grant spending for better internal coordination
- Strengthen grant oversight and internal controls to improve the federal Single Audit process

The City of Burbank has been using grants management software for several years. "What really stands out is how it assists staff with the entire grant process," Hess notes. "It's easier to track and manage multiple grants and comply with all the provisions of the grant so we don't lose funds, even if the primary grant monitor leaves or changes positions during the life of the grant. That's important for me as a manager."

With at least 100 individual grants in various stages at any given time, Harris County has been using grants management software since 2013. "[Before adopting grants management software], it used to be very time-consuming to manage multiple grants, and reporting and reviews were done manually," Griffith explains. "Now we can better utilize our existing staff without hiring new people."

Both Harris County and the City of Burbank use cloud-based grants management software on a subscription basis. "SaaS is a no-brainer," Griffith says. "The physical software products were more expensive. The additional new funding that we've received because of the software has paid for the subscription."

Building a Foundation of Stability and Growth

As state and local governments struggle to maintain sustainable budget and staffing levels over the long term, grant funding has

What Makes Software Sustainable?

When evaluating grants management software (or any other software application), make sure that it's sustainable — in other words, that it will allow and even drive organizational capacity and growth. But what makes software sustainable?

- **Cloud-based delivery to serve as a foundation for future growth, innovation and scalability**
- **Flexibility and adaptability, i.e., the ability to evolve as the organization's needs change**
- **Easy to use, manage, maintain and upgrade**
- **Ability to remain efficient and reliable, instead of becoming bloated and buggy, as it changes and grows with the organization**
- **A system designed specifically for the needs of government organizations**
- **Features that streamline both pre- and post-award activities**
- **A vendor with proven government deployments and willingness to collaborate on an ongoing basis to make system improvements**
- **Proven vendor capability to develop new application interfaces, expand reporting options and constantly evolve software functionality**

increased in importance. However, the sustainability-inhibiting cycles of feast or famine that drive public sector budgets, programs and employment levels extend to all corners of state and local government — including grant funding. The solution lies in technology innovations such as sustainable software, which enables the adoption of dynamic business processes that allow governments to be more scalable and flexible, even in the face of challenging economic conditions. By applying innovative models such as SaaS-based and other cloud services to the grant funding process, state and local governments can build a foundation for agency stability and growth.

Endnotes

1. National Association of State Budget Officers, as cited in the president's FY16 annual budget request in the Analytical Perspectives in the chapter on Aid to State and Local Governments. The ratio of grants to budget can vary dramatically in any given state or local government.

2. Congressional Budget Office. "Federal Grants to State and Local Governments." March 15, 2013. https://www.cbo.gov/publication/43967

3. All information from Hank Griffith taken from phone interview conducted April 14, 2015.

4. All information from Justin Hess taken from phone interview conducted April 17, 2015.