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FUNDING: ISSUES AND OPTIONS

Sidney F. McAlpin

Clearly, the issue of funding has been of primary concern for the National Historical Publications and Records Commission (NHPRC) from its inception. It has taken four long years to transform $100,000 of "borrowed money" into $2,000,000. Not bad, as capital gain goes these days, but barely 10 percent of the $20,000,000 originally envisioned for the program. During that period, tensions have often risen to a "volcanic" level over how to allocate even the $2,000,000. It has been suggested at various times that (1) the funds should be divided evenly among the states; (2) the money should be used to support staff positions; (3) matching funds be required for receipt of grant monies; (4) board evaluations are not given serious consideration by the commission; (5) the records program is a mini-National Endowment for the Humanities (NEH), with grant monies funneled to individual projects unrelated to building for the future; (6) NHPRC does not have a state program orientation; and (7) the state boards and/or coordinators are, for various reasons, incapable of managing a statewide records grant program regardless of the level of funding.

These are only a few of the observations and concerns expressed about the program's funding mechanisms. I do not pretend to know, let alone understand or be able to articulate, all of the funding questions or

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rejoinders thereto that have been raised over the years or may surface these two days. Although I have attempted to avoid personal conviction in this paper, the perceptive listener will identify prejudices which I can neither conceal nor defend. I can only state that they exist. Should they provoke rebuttal that culminates in a collective decision, then they will have served a purpose.

This presentation is divided into three parts: administrative support funding; block grants; and other funding considerations. Further, I have taken the liberty of identifying several qualifying assumptions: (1) that the system of state boards, however modified, will continue to be the mechanism for state participation in the records program; (2) that for the next two fiscal years, NHPRC records program funds will not increase; (3) that, subsequently, the NHPRC funding will be increased. Such assumptions may not be entirely justified. However, without them any discussion of funding issues would simply be random rumination.

Of all the funding issues, none has been debated longer than the question of support for state board administration or administrative costs. These might properly include anything from minor supply and clerical costs, to travel for board members, to funding of staff positions.

Probably it was the hope of NHPRC that state boards would become strong bases for designing and implementing a comprehensive state historical records plan. The grant process is held out as the carrot to facilitate the identification and then application of solutions to priority problems, with the state to evolve the means to sustain the administrative machinery. Certainly, in order to maximize grants within limited funds, it is not an unreasonable expectation. It is unrealistic, however, since few state government budget offices are sympathetic, and many of our
colleagues have avidly suggested that since the boards are bodies contrived to facilitate a federal program, the federal government should provide some level of support funds.

State coordinators are not, however, unanimous in their views. Some coordinators allege that their boards cannot actively engage in program development beyond, or even at, the grant review level without administrative support funds. Due to logistics or lack of support from institutions which are represented by board members, travel money becomes imperative in some instances. In other instances, coordinators assert that their boards manage well without either travel or administrative funds.

The questions are: Do these boards perceive themselves as active or passive boards? Are they actively providing assistance in grant writing? Are they exercising any oversight of grants? Are they conducting any outreach activities? Are they actively constructing a comprehensive state historical records program plan? If these are objectives, and the goal is to improve state archival programs, what then are the resource options needed for the board to attain those goals and objectives? They appear to be fourfold, though others may come to mind: (1) continue as is, in the hope that state boards eventually perceive their role as an active one and are successful in seeking out state aid; (2) set aside a percentage of grant funds for board administration, with equal distribution of those funds to each state board, or proportioned according to state size, population and other factors; (3) fund administrative support to a limited number of boards, based on the board's meeting a set of qualifying criteria or demonstrated need, until funds are available for all state boards; or (4) regional planning and administration.

Option one, continuing the present policy, allows for the optimum use of monies for other grant purposes,
but does not alter the conditions which preclude the planning and outreach work necessary to a comprehensive program. Further, not all state boards perceive that they should actively engage in the objectives cited previously, and few are actually engaged in the kinds of outreach and planning which will result in board-based comprehensive state programs. An infusion of federal funds may be imperative to alter that direction.

The arguments against option two, setting aside a percentage of grant funds for administration, are largely monetary. At a level of funding to support board travel and minor clerical and supply costs, which I have pegged at $5,000, the annual cost would be $250,000 or 12 percent of present available grant funds. Twelve percent is a reasonable amount for administration; but, divided fifty ways, does not obtain, at present funding, the kind of professional staff support necessary to the sustained effort at comprehensive planning, management, and outreach necessary to a dynamic program. Furthermore, funding fifty staff positions and ancillary administrative costs would consume virtually all of the $2,000,000 now available in grant funds. The argument for this option is that it is at least an equitable division among the states, if one defines equity as an equal division regardless of other factors, such as population, size, and actual achievement.

Option three, funding a limited number of boards, condenses to a matter of selection. What criteria should be applied to evaluate a state board's eligibility for administrative support funds? Might the board be required to submit a grant proposal to NHPRC outlining objectives, plans, resources required, and a budget for the board's administrative grant? If not, on what other basis might the commission provide support? Should a board meet some minimum requirements before being eligible to apply for, or receive, administrative support funds? While on the surface such
requirements may seem unimposing, they may still im­
pact those boards which have only marginally partici­
pated in the records program and which, on the other
hand, most urgently need the administrative funds for
developmental purposes.

The board might also be required to put up some
percentage of state support as matching funds as a
condition of eligibility. Such a requirement would
likely exclude all but a very few of the others. As
an alternative, boards could at least be required to
demonstrate an effort at obtaining state funds or
might obtain a commitment for future state funding if
NHPRC carried the full tab the first few years.

The basic alternative to any qualifying plan that
incorporates positive criteria as outlined above is
one which uses negative criteria as conditions for
selection. In other words, the commission could fund
a basic staff and operating expenses only for a select
group of boards which have not actively participated
in the records program, in order to bring those boards
up to a level of operations on a par with those which
have proven viable without support. If so, on what
basis should such offers be extended? Should the com-
mission attempt to fund only inactive boards in the
hope that such seed money would overcome other nega-
tive factors? Should those boards be required to meet
the same kinds of preconditions as those suggested
previously? Any plan that addressed only the inactive
boards unfairly penalizes those others, which may have
excellent reasons for funding to advance their efforts
beyond present capabilities. It is also possible that
such a plan would not result in an improvement in cer-
tain boards where problems are not necessarily economic
but political.

A fourth option exists in providing staff support
to state boards on a regional basis. Archival prob-
lems are somewhat similar among states within regions
and can be addressed through regional planning and
cooperation. The Midwest guide project is an example of this. One staff analyst shared among a region of four or five states could possibly provide the administrative assistance needed, and at the same time help share expenses, concerns, and expertise between and within each board. Such a plan would be less costly than staffing each board, and within the realm of possibility, given present funding. It also has obvious drawbacks, given the differences between states, that may overwhelm the similarities and advantages.

Regardless of how the question of which boards are eligible is resolved, or under what conditions, it might be useful to have a standard grant packet for operating expenses of boards. Such a packet, developed by the commission, might define what activities are eligible for support, what restrictions might apply, and what the funding limitations are on staff, travel, copying, etc. For example, travel, a major issue for some boards, could be limited to three board meetings annually for each member, to coincide with commission meetings, unless the board was actively engaged in oversight, grant writing consultation, or block grant administration, in which case additional board funds could be allowed, commensurate with the amount of activity, up to a specific level. Salary funds could be included for boards that administer block grants or other projects indirectly; or for developing a state comprehensive plan; or, again, exercising oversight, providing consultation, or maintaining a survey update system.

Initial administrative funding could be a limited amount for a select number of boards until NHPRC appropriations were such as to permit full funding. There could be flexibility to account for local needs. For example, the Washington board might prefer that more monies be available for staff support, as opposed to greater travel or per diem which, with few exceptions, is provided by represented institutions. Alaska, on the other hand, may well need substantial
travel cost assistance just to facilitate board meetings on a regular basis.

To summarize the issue of administrative funding, the fact is that if state boards are to function beyond the grant review process and actively engage in the development of a broad-based comprehensive program, it seems apparent that operational funds will have to be built into the NHPRC funding plan. It may be possible to accomplish this gradually, in a variety of ways, without major disruptions of present grant funding and until such times as NHPRC appropriations permit full administrative funds for all boards.

All discussions of funding, and particularly funding administrative costs of state boards, lead back to the basic question. What should be the major objectives of the NHPRC and what are the goals and objectives of state boards? If it is to be the priority of NHPRC to assist the development of broad-based comprehensive programs within the states, then it will have to support the state boards as the mechanism for state level planning and coordination. If, on the other hand, its priority is to support impressive projects or innovative techniques or research and development, then administrative support becomes less imperative.

The question of block grants is an equally thorny topic. Block grants present a paradox for any funding agency, as the agency loses direct control over the issuance of grant funds, while at the same time that agency remains responsible to taxpayers to insure that the funds are being used to good effect. There is excellent rationale for a program of block grant funding, inasmuch as it allows states to meet needs as they are perceived locally, rather than through the federal macroscopic view. The problem of insuring that the money is used to "good effect" remains, however, and some reasonable steps must be taken to assure that will happen. NHPRC is not likely to win authorization for
a block grant program without such assurance.

This would seem to indicate that block grants to a state would, at a minimum, be funded only when the state board presents evidence that the funds will be administered in accordance with an overall state plan or priorities system developed by the board. The board will also need to prove itself capable of properly evaluating and monitoring the projects that it chooses to sponsor. Anything less than such an arrangement would leave both the state and NHRPC open to severely critical investigation by both the media and the Congress. Since state boards are the most likely agencies to administer block grants, they will serve as the focus of discussion here, though I will comment later on the prospect of block grants to agencies other than state boards.

To determine which state boards might be eligible for block grant funding, a number of requirements might be considered: (1) the existence of an overall state plan which shows the state's greatest needs and indicates which types of projects are priority; (2) the ability of the state board to present a detailed proposal to NHRPC, in relation to its state plan, as to how funds would be regranted and monitored, demonstrating that proper safeguards against financial and other irregularities exist; (3) assurance by the state board that regrants will conform to NHRPC policies concerning block grants, should such policies be created; and (4) the willingness of the state government to accept the responsibilities inherent in block grant funding. (In some states this may be a problem, especially for block grants of relatively small amounts of money, e.g., less than $50,000.)

Instead of formal requirements, another possibility is simply to allocate a certain amount of money to each state board based on one of the allocation options discussed later in this paper, irrespective of administrative and monitoring structure. This would
relieve NHPRC of the need to develop extensive policies and procedures for the administration of block grant funds, and allow the states maximum flexibility. The lack of NHPRC directives, however, might place greater burdens on the states and the advisory boards; each of them will then be compelled to develop its own guidelines for the administration of funds and the evaluation and monitoring of regrants.

Should NHPRC decide on a program of block grants and establish certain requirements relating to them, several other questions arise. Should block grants be given for a single purpose, or for multiple uses? Should block grants be used only for projects that NHPRC guidelines list as acceptable (should such guidelines even exist), or should the state boards decide which projects are more suitable for regrant funding? Should the block grant go only to state boards, or to other organizations within a state in certain circumstances? Should the state boards take an active role in advising NHPRC on such questions and on furnishing NHPRC with recommended funding priorities, not only for state regrants but also for regional and national projects?

There are several possible approaches to the question of the use of block grant funds. One is to grant funds to a state for a single, presumably high priority purpose, be it one mandated by NHPRC or suggested by the state board. Another is to allow separate grants for several single-use purposes at the same time. A third is to allow the state board to grant the funds to whatever projects are deemed worthwhile, either within or outside the framework of a formal state plan. This is the most flexible approach, but also throws the greatest weight of responsibility on the state boards, and may leave NHPRC open to charges of inadequate oversight.

The key might be submission of a comprehensive state planning document for approval by NHPRC, possibly
created on the basis of established guidelines. Guidelines as to the types of projects eligible for block grant funding must be approached with great caution, however, as any system of guidelines might be highly suitable for the needs of one state and totally inapplicable to those of another.

Be it by NHPRC or the state boards, some determination must be made as to which projects are most suitable for block grant funding. This is based on the assumption that sufficient funding is available to support a range of projects in a given state, a question that I will further address shortly. Given that assumption, some criteria that might apply are: that the project will result in more extensive records use by the public; that the project be impossible without funding aid; that it be by an institution capable of sustaining it; that it be a short-term (two to three years or less) project with a definite product; that it have significant educational value; and that it not be to acquire equipment or erect facilities, except in highly exceptional circumstances.

In general, projects best suited for regrant funds are those institutional records use or educational projects now receiving a substantial portion of NHPRC funding. Less suitable for regrants would be projects requiring a greater degree of interinstitutional cooperation, such as statewide surveys and guides. These might be best handled as direct applications to NHPRC from the state board, state archival organization, or similar groups. Irrespective of types of projects, steps might also be taken to guarantee that institutions in greatest need receive the greater share of available funds. One way this might be accomplished is to put a premium on regrants to organizations or agencies that have few other grant avenues to explore. Care must be taken, though, not to embark on a program seen as discriminatory.
At this point, it might be time to digress for a moment and discuss briefly a related question: who shall be eligible to receive block grants? The obvious initial answer is the state board, as it is the group most likely to be in a position to properly administer and monitor regrants. But should this be an exclusive proviso, applicable to states with both active and inactive boards? Will that not arbitrarily exclude states without active boards from receiving what might be a substantial amount of badly needed records project funding? In such cases, possibly a group other than the state board might qualify for block grants. Even in states with functioning boards, some steps might be necessary to insure that those individuals who wish to comment on priorities development and regrant decisions are able to do so. Such steps might well broaden the board's acceptance within the state as a whole.

In any event, a certain level of funding is necessary before any realistic block grant project could be successfully initiated. The NHPRC must, of course, provide the bulk of this. For a regrant program to be viable, it must have sufficient funds to meet the needs of several projects in a year. A figure of $75,000-$100,000 a year would be a reasonable amount for a regrant program to operate successfully in an average state.

Is it advisable, though, that all funding for the program emanate from NHPRC? Should states be required to assume a share of the costs involved, since they are the direct beneficiaries? It would seem that this would be best, as it would give the state a stake, a vested interest, in seeing that the program was properly administered. It would also give the state board leverage to insist that a certain level of cost-sharing be promised by applicants for regrants. In spite of the seeming advisability, such a requirement may severely limit the number of states eligible for regrants. Some means of phasing in cost-sharing over
a period of years might provide a way for states to assume some of the costs gradually, while not being excluded from participation.

Even if a state has successfully met the requirements for block grants, great care must be taken to distribute the funds most equitably within the state. Should a limit be imposed on the total amount of funds an institution can receive in a given period? This might be the most equitable way of insuring that no one institution predominates in the receipt of funding, yet it might in some cases also arbitrarily eliminate a very good proposal and replace it with one of distinct mediocrity, simply because the institution with the better proposal has exceeded its grant limit. Should a certain percentage of cost-sharing be mandated as a condition of any regrant? Again, this would seem most equitable, but might mitigate against those institutions with an excellent proposal which are unable to meet the required percentage. Should applicants be required to submit periodic reports to the board? Some reporting is clearly necessary to insure that the funds will be, and are being, used for the purpose intended, but such reporting must not become so burdensome that only the largest and most sophisticated institutions can afford to meet the requirements.

Another problem exists as well. In block grant states, should institutions be allowed to apply directly to NHPRC for grants outside the block grant, and under what circumstances? If a block grant program is to be effective, certain authority must devolve to the state board, if its priorities are to be effective in the state. Still, there may be cases wherein direct proposals should be allowed. Some may be of such import, and cost, that they may need more funding than a block grant program could provide. Institutions which find their requests repeatedly rejected by the state board might need to be given some
avenue of appeal. Regional and national proposals perhaps should be kept separate.

Policies must be developed that spell out such options clearly, especially in relation to proposals that are eligible for funding by the block grant, but which fail to gain the state board's support. To allow direct submission to the commission in these cases may undercut and permanently weaken the program of the state board. Yet, in other cases, the applicant may have a reasonable complaint and be justified in making such a request.

To summarize the discussion of block grants, one must turn again to the central problem: for the program to be successful, the state board must have sufficient authority and latitude to meet the needs of the state, yet the granting agency must remain responsible to the citizenry to insure that the funds are well used. No one state's priorities are that of another, and in each state there are peculiarities that will affect the amount of funding the state can contribute. Whatever program evolves must take these individual factors into account, being rigorous enough to insure that the funds are expended in a wise manner, yet flexible enough to meet the needs of all eligible states.

There are also a number of funding issues which, although possibly of lesser consequence than block grants or administrative support costs, require consideration. For example, what other types of projects can best qualify as grants to state boards? Certainly, projects such as statewide inventories and guide publication are prime candidates. Such projects might include all records in or out of custody, public or private, or a combination of those elements, but include all records or institutions of a particular class on a statewide basis. Board administration of such projects is particularly worth considering, if
one of the objectives is use of the data for planning purposes. Other projects that require statewide effort, or at least participation of or benefit a majority of archival and other records-keeping institutions, could be regarded as eligible. Conservation projects or educational programs fall under this category.

Board-administered projects of a statewide nature may not only avoid interinstitutional rivalry that may otherwise exist, but also may bring diverse interests together in a common bond of endeavor. This assumes that the state board is willing to take on administrative as well as regulatory and oversight responsibilities. It also requires that the board have at least a latent ability to work collectively for a common purpose. Such projects could also be administered through a block grant or grants to one or several institutions. The hazards of such approaches are the possibility of jurisdictional conflicts, lack of coordinated planning, and reduction of board participation and control to merely an oversight function.

Formula apportionment has been argued vociferously. The issue emanates from the conviction that grants have been awarded in a manner unfairly disproportionate between the several states. There is an impression that the eastern states have benefited at the expense of the West and Midwest. There are also accusations that excessive grant monies go toward national and regional projects based along the Boston to Washington corridor and, in the process, bypass the state board system.

Statistics may not entirely support these contentions, but there is a demonstrable interest in devising a funding formula. But on what basis? There is no easy answer to this perplexing question in a federal system such as ours. Some individuals have proposed that available funds be divided equally among
the states. Not all states are equal in terms of population, archival institutions, or needs, however. To give Rhode Island equal funding with New York is, beyond a shadow of a doubt, to favor the former. On the other hand, were funding to be based on population count alone, no consideration would be given to other factors, such as the number of repositories in the state; the age, condition, and volume of the records in the state; or the relative progress on record needs made to that point in time.

Any formula to be devised might take into account the following factors: population of the state; age of the state; the amount of previous grant funding and the present level of state funding; the cost-sharing abilities of the state; the number of repositories in the state; the volume of records held by repositories in the state; the state's needs as expressed in its statement of priorities; the existence of national and regional headquarters in the state; the capabilities of the state advisory board; and the willingness to participate in the national database. Careful thought must be given to how these factors should be weighted in order to provide the best level of support possible to eligible states. Then, too, it may not be technically reasonable to weigh some of these factors at all, and a simple means of apportionment based on the federal system of state representation to Congress may be the solution. The alternative is to continue the present situation in which proposals are evaluated in the "market place" with little consideration for state apportionment.

If funds are distributed by formula, what guidelines and procedures should govern their use? NHPRC could require that grant applications be reviewed and approved both by itself as well as the board, as with current procedures, or it could leave the decision entirely to the board, provided that the board followed a previously approved statement of priorities. None
of these possibilities, however, corrects the problem, cited by some, of project application failure due to board inactivity. Should such boards receive any funding? Should NHPRC hold the funds for such states and permit applicants to go directly to NHPRC? Such a prospect must be considered carefully, as it could have the effect of weakening the state board system, and generally it should be applied in a flexible manner only to those states whose boards have not or will not facilitate the submission of applications.

The concept of formula apportionment raises other questions. Should the cost of regional or national projects be included or excluded from the state's apportionment? Unless the board approves the project, it would seem unfair to attach the state's apportionment for such projects. From that springs the question of whether or not other types of grants (such as block grants or administrative costs) should be included in the state apportioned funds, or whether the apportioned funds would represent only a percentage of total records program funds.

Including all types of grants in an apportionment would obtain two results. It would maintain strict equity and it would, under present funding levels, force the board to make some hard choices on how its apportionment could be utilized. On the negative side, it could unfairly jeopardize well thought out and meritorious projects within a state, simply because the state board exceeded its apportionment limits for total funding, when other states may never reach theirs. Is equity to be achieved at the expense of excellence and enterprise?

Another potential solution to the problem of equity rests with limiting the funds available to any one state. A maximum ceiling could be set and, as well, a certain minimum funding floor might be established. Careful consideration must be given to the
effects of this; for example, the possibility of limiting worthwhile national and regional projects hosted by institutions in the state, or precluding inventory, guide, and other desirable but costly projects which ultimately contribute to larger state and national goals. The same questions apply to this solution as applied to formula apportionment. What types of grants should be included and which should be excluded? What percentage of total NHPRC grant funds should be given over to formula apportionment or maximum/minimum level?

Regardless of how these issues are settled, no one state must be seen as receiving an excessive amount of funds in relation to the whole, as that would weaken faith in the program and open NHPRC to severe criticism.

The last issue I wish to address concerns the power and responsibilities of the state boards in relation to the grant approval process. The question is: should boards have firm veto power over any proposal from an applicant within the state? As it now stands, it is possible for NHPRC to fund projects which the board has found unacceptable. Potentially, this can result in the undertaking of projects within a state which may not be a priority to the board. This can be an unfortunate circumstance, if the cost of such projects has to be taken from allocations under any formula apportionment or other system that could limit funds to a state. Moreover, NHPRC's approval of such grant applications can have a debilitating effect on the authority and responsibilities of specific organizations in the state of which only the board may be cognizant. Conversely, it is possible that total veto power by the board could result in the loss of funding for very meritorious projects due to idiosyncratic problems encountered with some boards. A carefully constructed appeals process could be instituted to guard against such errors.
Veto power over regional and national projects might be especially studied to insure that they do not erode the efforts of a board, or the jurisdictions of several archival institutions in the state. I perceive the possibility that well-intended efforts of NHPRC to fund certain types of projects which can be addressed nationally may well conflict with the duties and responsibilities of the state archivist, unless those offices are brought into the process in the beginning. In some cases, these grants can and do overlap and duplicate work in progress and complicate, rather than assist, the efforts of state archivists and their counterparts.

It is important for NHPRC to realize the impact that its decisions regarding national and regional projects have on the development and efforts of individual states, state boards, and the duties and responsibilities of the respective state institutions. Veto power which would require consultation and review by the board of such projects could preclude any adverse effects and bring about more communication and cooperative efforts. Veto authority could be optional, with each board deciding for itself and placing such a decision in its operational policies.

In summing up the funding issues, it appears that we have a number of avenues to explore, any one or a combination of which will, hopefully, lead to the resolution of the issues. Each, however, is fraught with questions to be resolved. In the simplest terms, it is a matter of how to obtain the greatest benefit in archival program development from limited funds, divided among fifty states and commonwealths, transmitted through four or five funding methods. At the very minimum, it is essential for us to identify which funding methods should be explored. Out of this storm of questions and options one thing is certain: now is the time to make plans to better allow state boards to fulfill their responsibilities and to serve the needs
of their states if the NHPRC records program is not to falter.

A principal aim of the program was to assist those states and institutions within them which were in the greatest need. If this is to remain a fundamental NHPRC charter, plans must now be devised to regularize such an approach, possibly through funding of the boards, through a regrant program, through formula apportionment, and/or through a careful re-statement of funding priorities and procedures. By whatever methods, it is essential that such plans be flexible and responsive to the needs of fifty diverse states and commonwealths.