Challenges to Improving Social Equity in Federal Financial Assistance

For many years, federal, state, and local governments have advanced policies that focus on financial assistance effectiveness and efficiency to ensure taxpayer dollars were going to entities that were perceived to have the lowest risk of improper payment or non-compliance, those perceived to most effectively use the resources provided, and those most likely to achieve the expected program outcome. Financial assistance program managers do their best to design their programs and utilize data in their decision making to ensure these objectives are met, in addition to the mandated outcomes and requirements attached to the funding source (e.g., legislation, block grant, loan funds). One unintended consequence of this focus on financial assistance effectiveness and efficiency has been that members of underserved communities, particularly entities without a history of receiving federal funds, are determined to be more risky, and therefore not the best candidates for the financial assistance. In addition, communities without an established connection to the financial assistance agency (or its surrogates) are not in the information loop to learn about and apply for federal funds.

MITRE, a not-for-profit company that operates federally funded research and development centers (FFRDCs), performs independent research, and participates in public-private partnerships, is engaged in establishing governmentwide grants management business process, data, and risk management standards. Through research and firsthand experience in assisting many different federal agencies with diverse missions, stakeholders, and operating environments, we have developed insights and recommendations on how governments can shift their policies to expand financial assistance access and channel resources to underserved communities, while also reducing risk and achieving desired outcomes.
Managed Risk and Improved Engagement Can Effectively Broaden the Pool of Financial Assistance Recipients

MITRE has worked extensively with the Office of Management and Budget (OMB) and federal grantmaking agencies to develop and continue to refine a Grants Management (GRM) Risk Management Framework (RMF). The GRM RMF provides a tailorable framework of risk categories, observable indicators, and mitigation actions to identify and manage risk throughout the Grants Management lifecycle for the benefit of both grantmaking organizations and grant recipients. MITRE has assisted federal agencies in tailoring the GRM RMF to specific federal grant programs, which then enabled the agencies to identify the types of assistance needed by specific award recipients to reduce program risk and build award recipient capabilities. As a result of using this approach, the federal agencies were able to award financial assistance to grant recipients determined to have manageable risks rather than withhold assistance because those risks were not yet mitigated.

In 2020, MITRE funded a research study on the risks and impacts of COVID-19 on small businesses and the related assistance available to them to mitigate the risks and impact. The MITRE study focused its research on the topics of adaptation of products and services, financial resiliency, and cybersecurity. The MITRE study reviewed government, academia, and private sector publications on the COVID-19 risks, impact, and needs of small businesses and then reviewed guidance and assistance information accessible to small businesses on government and industry websites for the selected topics. The study found that while there were centralized sources of information the small businesses could have used to mitigate the risks and impact of COVID-19, there were too many sources with which to engage, the information was overwhelming or not tailored to small business needs, and/or the expertise needed to use or implement the information was beyond what could reasonably be expected of a small business owner or staff. Although this MITRE study focused on small businesses, MITRE has found in its engagements with federal agencies that issue financial assistance that they also heavily rely on centralized services (e.g., centralized websites or call or support centers) to provide notice of financial assistance availability and guidance to their target populations. This approach (i.e., a “pull” model of engagement) requires the participant to know of the existence of the centralized service, determine how to initiate engagement, be skilled at engaging or prepared to engage, and have the expertise to use the information provided. As the MITRE study found, this approach is not ideal for populations that are outside of the existing financial assistance network and/or without the capabilities to effectively use the pull model of engagement to reduce their risks.
**MITRE Recommendations**

Based on the MITRE insights, expanding federal financial assistance access and channeling resources to underserved communities will require two integrated efforts:

1. Balancing financial assistance program risk reduction with the social equity priority of reaching more underserved communities

2. Implementing a concentrated effort to proactively identify and engage local partners in underserved communities that can reach the targeted program participants and strengthen their ability to access and effectively use financial assistance

Resolving the paradox when administering financial assistance programs—how to reduce risk and ensure desired outcomes are achieved, while also expanding access for underserved communities and achieving equity-oriented results—requires a concentrated effort to incorporate policies, program methods redesign, outreach/engagement, risk reduction, and capability-building approaches into financial assistance program mandates and design, both pre- and post-award. This includes identifying specific underserved communities with needs that match program intended outcomes; re-assessing the program’s delivery methods to ensure they are not based on unintentional, ethnocentric assumptions about the program’s target population; and executing proactive applicant/recipient risk-reduction and capability-building actions.

The specific program pre- and post-award activities would be different depending on whether the program is a grant or loan assistance program or a benefit assistance program (e.g., tax credits or food, housing, or income assistance). This is because most grants and loans are provided to organizations or businesses (many of which are sole proprietorships), while benefits are provided to individuals and families, necessitating different channels for engagement and different types of support. Based on the category of financial assistance program, expanding financial assistance access to underserved communities and achieving equity-related results should incorporate the following approaches.
Financial Assistance Grant and Loan Programs

The pre-award and post-award activities recommended for grant and loan programs are described below.

**Program pre-award activities** to expand grant/loan applications from underserved communities, reduce risk, and build applicant capabilities to participate in the grant or loan program include:

- Utilizing Department of Commerce, Small Business Administration, state and local government licensing and tax administration, chambers of commerce, and industry association data to:
  - Identify organizations and businesses in previously underserved communities that are potential candidates for the program’s grants or loans.
  - Assess whether the program’s methods for applying and delivering assistance and assumptions on access and use align to the target population’s culture, literacy levels, and proficiency in using the methods.
  - Evaluate and identify the risks to effective and efficient use of the financial assistance by the target population.

- Proactively reaching out to local partners in underserved communities, such as colleges and universities, chambers of commerce, and local government agencies, to:
  - Provide program information to local partners, including eligibility and intended outcome information.
  - Provide local partners with applicant risk evaluation as well as risk-reduction and capability-building guidance.
  - Request their assistance (or if necessary, contract for their assistance) to execute pre-award outreach, education, and training for potential grant/loan program applicants (e.g., distributing grant/loan information, assisting with completing grant/loan applications, training on financial reporting).

**Program post-award activities** to support grant/loan recipients from underserved communities, reduce risk, and continue to strengthen recipient capabilities to participate in the grant or loan program include:

- Requesting/contracting for local partner assistance when conducting post-award check-ins to reevaluate recipient risks, evaluate progress/outcomes, and, if needed, provide additional education or training to achieve intended outcomes and meet award/loan requirements (e.g., completing reporting requirements, maintaining compliance with grant/loan terms and conditions).

- Requesting local partners collect and report metrics on assistance provided (e.g., entities assisted, methods of assistance, topics of assistance).

- Requesting local partners provide qualitative feedback to improve program application and delivery methods, reduce risk, and strengthen recipient capabilities to continue to participate in the program.

- Collecting and analyzing federal program metrics on underserved community awards issued and pre- and post-award actions taken, including assistance provided and results of financial, performance, and compliance reviews.

- Refining pre- and post-award activities based on program metrics analysis and local partner feedback.
Financial Assistance Benefit Programs

The pre-award and post-award activities recommended for benefit programs are described below.

**Program pre-award activities** to expand benefit applications from underserved communities, reduce risk, and build applicant capabilities to participate in the benefits program include:

- Utilizing census, state, and local government tax administration; local school district; and local community service organization data to:
  - Identify individuals and families in previously underserved communities that are potential candidates for the program’s benefits.1
  - Assess whether the program’s methods for applying and delivering assistance and assumptions on access and use align to the target population’s culture, literacy levels, and proficiency in using the methods.
  - Evaluate and identify the risks to effective and efficient use of the financial assistance by the target population.

- Proactively reaching out to underserved community local partners such as colleges and universities, local government agencies, and local community service organizations.

- Providing program information to local partners, including eligibility and intended outcome information.

- Providing local partners with applicant risk evaluation as well as risk-reduction and capability-building guidance.

- Requesting their assistance (or if necessary, contract for their assistance) to execute pre-award outreach, education, and training for potential beneficiaries (e.g., distributing information on benefits available, assisting individuals or families with benefit applications and understanding rules for benefit use).

**Program post-award activities** to support benefit recipients from underserved communities, reduce risk, and continue to strengthen recipient capabilities to participate in the benefits program include:

- Requesting/contracting for local partner assistance when conducting post-benefit issuance check-ins to reevaluate recipient risks, evaluate outcomes, and, if needed, provide additional education or training to achieve intended outcomes and meet benefit requirements (e.g., reporting or activity requirements).

- Requesting local partners collect and report metrics on assistance provided (e.g., entities assisted, methods of assistance, topics of assistance).

- Requesting local partners provide qualitative feedback to improve program application and delivery methods, reduce risk, and strengthen beneficiary capabilities to continue to participate in the program.

- Collecting and analyzing federal program metrics on underserved community benefits issued and pre- and post-issuance actions taken, including assistance provided and results of compliance reviews.

- Refining pre- and post-award activities based on program metrics analysis and local partner feedback.
Providers of funding sources should expect that financial assistance programs may need multiple iterations of the above activities to find the best data on potential financial assistance recipients in underserved communities and the best combination of local partners and participant support activities that yield the intended result for each underserved community. There may also be a need to increase financial assistance program administration funding to cover the costs of the pre- and post-award data analyses and, if necessary, contract awards for local partner assistance.

Conclusion

The challenge of expanding financial assistance access and channeling resources to underserved communities is daunting; however, there are pragmatic approaches to address this challenge.

Endnotes

1 Analyzing benefits eligibility from publicly available data is challenging, but doable. The challenge is that there is usually a highly complex formula for eligibility. Using the Supplemental Nutrition Assistance Program (SNAP) as an example, it is not just whether the potential program applicants’ income is at or under 125% of the poverty level (the core eligibility requirement), but also whether they have seniors in their household, how much they’re paying for utilities, how many hours they’re working, etc., all of which modify eligibility.

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