

Assessing Local Capacity for Federal Grant-Getting

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Local areas, consisting of governments, special districts, and nonprofits, benefit from the receipt and use of federal funds in support of local programs and projects. This study examines the combined effects of political and administrative capacity factors that influence flows of federal grant funds into local areas. The effects of these capacity dimensions are measured and tested using pooled cross-sectional time-series analysis. The results indicate clearly that institutional measures of capacity must take into account not only political dimensions but also administrative and need/demand dimensions. These results help to explain the disparity observed between high- and low-capacity areas and provide some general lessons for enhancing local grant-getting capacity under differing conditions.

Keywords: *government capacity; fiscal federalism; intergovernmental relations; politics; grants*

Recent attention to public-sector performance has risen as a result of movements such as the New Public Management that emphasize policy outcomes while deemphasizing the input orientation of traditional public administration. However, the inputs (human and financial) are still relevant in that they represent capacity that can be brought to bear on particular public-sector problems and priorities. The presence of greater capacity predisposes public-sector organizations to achieve various potentialities—to realize greater progress toward their policy goals. This article considers local capacity to generate federal grant revenue. Previous research has separately examined the impact of political influence (Rich, 1989; Stein & Bickers, 2000) and administrative capacity (Hall, 2007b), but the two have not been considered in concert.

This study follows the government capacity literature, which argues that capacity must be defined according to the object of its intent and that capacity is comprised of multiple dimensions (Bowman & Kearney, 1988; Gargan, 1981). The object of interest in this study is fiscal federalism, or the flow of federal grants into county geographical areas. The dimensions of capacity considered include administrative and political characteristics along with controls that likely influence grant distributions. Although the literature supports the relevance of various internal and external dimensions of capacity as relevant, including the political context, to date there has not been a study that examines the simultaneous effects of political and

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administrative capacity across multiple levels of governance on performance in obtaining federal grants. This essay provides a remedy to that deficiency by studying the combined effects of local and regional administrative and financial capacity and local political capacity (in relation to political control of the U.S. House of Representatives) in explaining the distribution of federal grants to county areas. The article begins with a brief discussion of public-sector capacity, presents the core theory to be examined, grounding it in the government capacity and federal discretionary spending literatures, and provides a series of specific hypotheses. These are followed by a description of the data and methodology, results, and discussion. The article concludes with lessons and suggestions for future research.

Federal Grants: A Capacity-Based Theory

Capacity may be characterized as a stock of resources or as a measure of organizational potential (Honadle, 1981). A stock of resources, whether financial, human, or otherwise, is capacity that can be used to overcome an organization's problems or to fulfill its goals. Bowman and Kearney (1988) note that it is appropriate to define capacity in relation to its application. In other words, capacity is only meaningful if we discuss it in context—as the capacity to do something in particular. Without linking capacity to its application, the term can have different meanings depending on the institution, organization, or individual one considers (Bowman & Kearney, 1988). The object of capacity in this study is the ability to leverage federal grant funds.

Recent research has become quite specific in describing capacity as illustrated in the following examples: Wieland (1998) finds that environmental regulations improve the institutional capacity of local governments. Denhardt (2002) looks at the effect of trust in government on administrative capacity. Civic capacity can lead to improved governance (Hall, 2002). Gazley and Brudney (2005) examine capacity in an era of indirect government, looking for evidence of capacity to “effectively manage other forms of indirect government such as contracting and vouchers” (p. 134). Hou, Moynihan, and Ingraham (2003) measure the impact of state capacity on the performance of state rainy-day funds. These studies collectively represent important progress both in specifying the object of capacity and in considering capacity as a determinant of specific performance outcomes.

In addition to specifying the object of capacity, we now also recognize that capacity is not a singular concept. Capacity is comprised of multiple dimensions, and to consider only one dimension to the exclusion of the others is to misestimate the true level of organizational potential (Bowman & Kearney, 1988). Previous studies have examined the distributional effects of political capacity and administrative capacity as singular concepts, not considering the two in concert.

The most common dimensions of public-sector capacity that have been identified focus on the human resources and the financial resources of public institutions, but additional distinctions have been made between internal and external capacity (Putnam, Leonardi, Nanetti, & Pavoncello, 1983). On the internal side of capacity, staffing and spending factors are most common (Bowman & Kearney, 1988). This is not surprising as personnel and finances are the most common resources at governments' disposal. “Internal organizational capacity comes from various elements of an organization, providing the basis upon which organizations can implement programs and achieve goals” (Frederickson & London, 2000, p. 233).

Moreover, the actual level of capacity is “also determined by the context—social, economic, and political—of the particular community” (Gargan, 1981, p. 652). So, conditions outside the government institutions themselves—conditions of context—affect the government’s ability to pursue its objectives (and often affect the government’s objectives themselves). For example, recession leads to decreased tax revenues, restraining an institution’s resources and its ability to act, and political liberalism affects state debt levels (Clingermayer & Wood, 1995).

In addition to being specific and consisting of multiple dimensions, capacity is variable in part because of changes in the context but also in part because of management decisions to enhance particular capacities or to implement improved techniques (Gargan, 1981). Recent capacity research examines such trends. Hall (2007a) measures state innovation capacity over time allowing for annual changes. Terry (2005) discusses the implications for governance as capacity declines as a result of the thinning hollow state. Kettl (2003) indicates that enhanced government coordination will better enable the application of government capacity to new and ever-changing problems.

Politics and Federal Grants

Internal capacity does not operate in isolation. It is moderated by ever-changing local, national, and global conditions that affect our demand for the objects of capacity, our ability to obtain those objects, or even their availability. Political representation changes with political mood at the local level, and, less frequently, the cumulative effects of local electoral decisions demonstrate that the national political mood has changed. These changes result in altered power structures that influence governmental priorities, both in substantive priorities and in the distribution of federal funds.

Direct federal to local grantmaking is a relatively recent phenomenon, having only occurred prominently beginning in the Truman administration and achieving significant growth during the 1970s (Nathan, 1983). The federal system is responsive to the interests of federal principals in Washington. In particular, a key mechanism of congressional influence comes from members acting on behalf of their constituents (Chubb, 1985).

Rational, election-seeking members of Congress acting in their own rational self-interest support categorical grant programs over block grant programs because they enable members to “provide ‘particularized benefits’ to discrete congressional constituencies, allowing legislators to claim credit for tangible benefits to their districts” (Conlan, 1984, p. 253). The “long-established American explanations for distributive politics as the product of individual representatives and their efforts to attract personal votes in their home districts” explain the political influence on federal funding decisions in the United States (Denemark, 2000, p. 896). In the U.S. system, single member districts and a decentralized committee structure in Congress create demand and opportunity for members to “bring home the bacon.” The provision of pork barrel awards has sustained an “enduring belief” that “legislators who ‘bring home the bacon’ are rewarded for their efforts at the ballot box” (Denemark, 2000, p. 897). Duffin (1999) shows that members are able to court agency support through enhanced oversight activities, leading to increased Urban Development Action Grant funding in those members’ districts. It is apparent that federal grants matter in local politics, and local politics matters in distributing federal grants.

So, how should one measure political capacity to generate federal grants? Comparing the Democratically controlled 103rd Congress to the Republican 104th, Stein and Bickers (2000) find that “there is Democratic pork and Republican pork. Each party has categories of federal benefits that it prefers” (p. 1080). Levitt and Snyder (1995) find that “the pattern of federal domestic outlays is skewed in favor of districts with a large share of Democratic voters” (p. 973).

Majority party members should be particularly concerned that their most vulnerable party members receive distributive benefits (Denemark, 2000)—an indication that we should expect to see funding in areas where parties are most competitive. According to Lee (2003), majority party members—those members who are of the same party in control of the House—should not view minority party members as full partners in distribution of federal funds. In other words, the majority party is expected to aid its own members, and particularly those in competitive districts. The majority party enjoys a solid advantage in distributing project dollars (Lee, 2003). Yet, according to Balla, Lawrence, Maltzman, and Sigelman (2002), the minority party is not cut out completely, but receives a smaller share of the pie, to inoculate the majority party from claims of wasteful spending. Intergovernmental grants continue to have a large effect on incumbents’ electoral fortunes; “federal spending in congressional districts helps incumbents win votes” (Levitt & Snyder, 1997, p. 50). Hou et al. (2003) find dominance of one party over another “reduces the oversight and threat of loss of power that a competitive opposition provides to the party in power and has been associated with negative financial management outcomes” (Hou et al., 2003, p. 304). Party control matters, but only in conjunction with the degree of competition between the parties.

In that electoral politics is a competitive venture pitting the two parties against one another for control at the district level, it is not a difficult stretch to assume that differences in local political opinion from that of the controlling party in Congress would be realized through reduced federal assistance. Whether this is the result of political punishment in a competitive sense or simply the effects of a misalignment between local goals and the federal priorities embodied in programs through which grant funds are available is uncertain. What is clear, however, is that politics matters in the distribution of federal funds. The majority party in Congress has an advantage in the distribution of funds—the most competitive districts are most likely to receive federal grant funds.

Evidence suggests there is a clear political influence on federal grants that is derived from the relationship between Congress and its individual members. The influence of individual representatives has been shown to matter in the allocation and distribution of funds. The competitiveness of the U.S. House’s single member districts with elections occurring every 2 years means that representatives must perpetually attend to their reelection goals, which suggests they will have the greatest interest in funneling federal funds into their districts. The majority party in Congress has the greatest ability to provide funds as a result of their control of the agenda and influential committees and subcommittees. They are expected to ensure that funds are distributed to districts with the most vulnerable majority party members with the highest priority, to safe majority party districts with secondary priority, and to minority party districts with the lowest priority. Thus, a county’s representation by a member of the party in control of the House of Representatives should lead to greater federal grant funding. (In periods of Democratic control, counties represented by a Democrat Representative would receive greater funds.) Likewise, counties with voter registration majorities that match the party in control of the House should receive greater

amounts of federal funds, although counties that are more competitive (those with well-balanced voter registration) should receive greater federal funding than those with a clear majority. Finally, ideology affects opinions regarding the role of government. Conservative voters may be less inclined to spend own-source revenues or raise taxes to provide support for federal funds, and hence the proportion of Republican voters registered in a county may reflect a decreased ability to leverage federal funds (Stein & Bickers, 2000).

Hypothesis 1: Areas served by a U.S. Representative whose party controls the U.S. House will receive greater federal funding, with greater effects as tenure increases.

Hypothesis 2: Areas included in multiple U.S. House districts will have increased federal representation and should experience increased federal funding.

Hypothesis 3: An area whose voter registration majority matches the majority party in the U.S. House should receive increased federal funding, and the effect should be greater where county area voter registration is competitive.

Hypothesis 4: Greater proportion of Republican voters should decrease federal fund amounts.

Several studies carefully measure political aspects (Rich, 1989; Stein & Bickers, 1994, 2000) but do not take into account variance in local need or administrative capacity to obtain grant funds, both of which may have tremendous explanatory influence on federal discretionary spending. Rich (1989) finds that grant distribution is not just a political phenomenon; local governments may exert considerable influence on the distribution of federal grants. That is, "some cities may have a greater capacity to secure grant funds" (Rich, 1989, p. 198). It stands to reason that political capacity should be considered collectively with other local determinants including administrative capacity and need. I turn next to these determinants.

Administrative Components of Capacity

Two aspects of local government capacity are always relevant in determining federal funding—the ability to generate and submit grant applications (which are also required for earmark funding, though often different than regular categorical programs) and the ability to provide financial resources to meet federal matching requirements (that vary considerably from program to program). Many programs require 1:1 match ratios, which translates into a significant burden for local recipients. So, where local government administrative capacity and local financial capacity are greatest, greater levels of federal funding should be observed. Two hypotheses logically follow:

Hypothesis 5: Greater local government own-source revenues (greater financial capacity) will lead to increased federal funding as it provides a means of procuring additional capacity and providing required matching funds.

Hypothesis 6: Greater local government employment (greater administrative capacity) will lead to increased federal funding as it provides a means of preparing and submitting successful grant applications, and of managing awarded grants.

But local governments also derive additional administrative capacity from regional government organizations specially created for that purpose. Regional governments were implemented by state governments with the express purpose of supplementing and enhancing capacity for local governments in a regional fashion. That capacity consists of

professional staff with technical expertise in grant writing and management, and planning, as well as financial resources to carry out capacity-building activities. “Some of these agencies are involved exclusively in providing technical assistance to local units of government, while others have developed a technical assistance component as one of their functions” (Brown, 1980, p. 20). Regional governments act in conjunction with the local governments they serve to apply for funds on their behalf, or to assist in the preparation of local proposals for funding through technical assistance provision. To exclude these capsules of capacity—expressly created to provide enhanced development capacity to local governments—would be to ignore a key component of capacity for federal grant-getting. A key technical assistance task for regional governments is to prepare grant applications “seeking funding for a wide variety of public projects” (Kentucky Council of Area Development Districts Homepage [KCADD], 2005). Hall (2007b) finds that regional and local administrative and financial capacity is jointly responsible for variation in federal grant receipts, but fails to control for the political dimension. Regional government capacity can essentially supplement or substitute for administrative capacity at the local level, so, other things being equal, greater regional capacity should lead to greater federal grant receipts in the local areas they serve.

Hypothesis 7: Greater financial/administrative capacity at the regional level will supplement or substitute for local government administrative capacity and will result in increased federal funding.

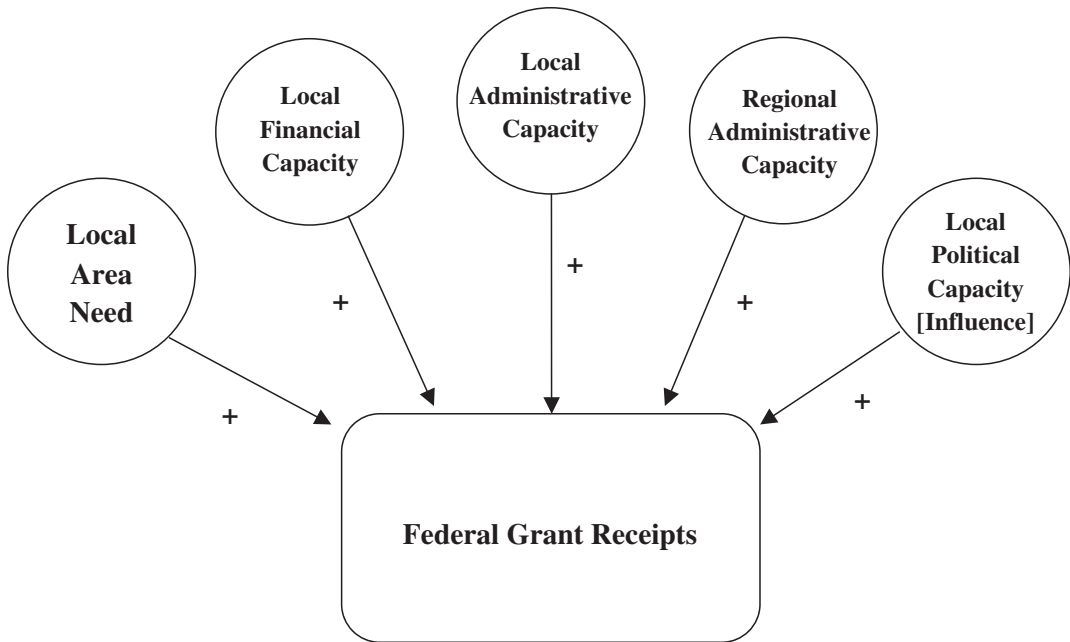
Need and Controls

Measures of community need and local demand have previously been shown to affect federal grant distributions; Rich (1989) finds, in fact, that the federal government’s ability to target funds to the most distressed areas increased over time (from the 1950s to the 1980s). Measures of need most commonly used are poverty, income, unemployment, and population. In other words, communities that have greater need are often the explicit targets of federal programs, and thus their eligibility heightens the likelihood that they would receive greater numbers of grants and larger amounts of targeted federal revenue than their less-needy counterparts. Unfortunately, need and capacity are usually inversely related, but this has a positive upshot in that rural places should find federal funds available more readily in spite of local capacity deficiencies.

When need is high, the likelihood that capacity exists is very low, or the capacity that does exist is fairly weak by general standards. A high poverty rate, high unemployment, low population or out-migration, economic recession, and other conditions have direct adverse effects on local government resources. Specifically, they result in a decreased tax base, decreased tax revenues, and thus a lack of financial capacity. This translates into a direct decrease in the capacity needed to generate federal funding. But in this study, these capacity elements are directly measured, so need is strictly included to capture the effects of federal targeting. (Federal outlays are not directly impacted by negative economic trends because the federal government, unlike states, has the ability to take on debt or print currency, often as a countercyclical response to such trends.)

Hypothesis 8: Greater local need will result in greater federal funding as a result of targeting efforts.

Figure 1
Graphical Depiction of the Expected Relationship Among Sources of Capacity and Federal Grant Receipts



These hypotheses suggest an overall conceptual model that reflects the anticipated relationships described. Figure 1 presents a graphical depiction of these relationships. Local capacity to generate federal grant funds consists of administrative and financial components at the local and regional level, as well as local political capacity that is only meaningful when considered in the greater context of political influence. Need and other local conditions predispose some places to targeted federal funds, so localized controls must be considered as well.

Data and Methodology

Following the hypotheses above, I set out to operationally define and measure the effects of local area capacity on federal grant receipts. Rich (1989) concluded that it is preferable to examine which eligible jurisdictions are granted rather than the distribution of grants among them. Thus, the most appropriate unit of analysis and performance outcomes is local areas. I consider federal grant receipts by county area rather than the proportional success of one county area compared to another. The choice of county area as the unit of analysis is meaningful for this study for several reasons. Counties represent the only unit of analysis at which reliable data is available for all territory, both incorporated and unincorporated; it is more specific than most previous studies examining federal grant outlays at the congressional

district level. Furthermore, they include not only incorporated cities, but also special districts and nonprofit organizations, the governance roles of which have increased substantially in recent years, as well as all activities taking place in unincorporated areas of the county. Regional governments are organized to correspond with county boundaries. As Warren (1970) observes, “[e]ach component county, rather than the district itself, is a natural focus for public and private activity below the state level. Basic units of political parties, the judicial system, state administrative agencies, and business, civic, and social associations are normally organized on a county-by-county basis” (p. 592). So, political parties organize at the county level, and any observed political conflict or misalignment would be most meaningful at this least-common-denominator level. Moreover, looking at the effects of U.S. Representatives on the distribution of federal grants, even congressional districts are not useful units of analysis: “under the equal population requirements imposed by the Supreme Court, most House districts are not even coterminous with existing governmental units, subdividing cities and cutting across county lines. Because they are not governmental units, House districts per se are not and cannot be direct recipients of federal intergovernmental grants of any kind” (Lee, 2003, p. 715). County areas are the most appropriate unit of analysis.

State-to-state differences in political culture and ideology, as well as differences in government size, structure, and function, particularly at the regional level, present potential for error that cannot be easily measured or controlled. To avoid these concerns, a single state (Kentucky) was selected as the subject of analysis because it has a large number of relatively small county units (120) and because it incorporates a combination of urbanized and rural areas that demonstrate extremely varied capacity, including, in particular, Appalachian counties that are separately eligible for funding through the Appalachian Regional Commission (ARC). Moreover, Kentucky’s area development districts (ADDs) serve a clear-cut purpose that includes pursuit of federal funding (KCADD, 2005). As capacity varies over time, a data-set was developed to incorporate an 11-year period from 1993 to 2003. This database includes five categories of information: federal funding information (the dependent variables), local political capacity, local administrative/financial capacity, regional administrative/financial capacity, and controls.

Grant distribution information was obtained through the Federal Assistance Awards Data System (FAADS), queried by county area and year, and then summarized by county–year. 1993 is the earliest year for which data is available in this format. All forms of nongrant federal assistance reported in the database were excluded from consideration. All financial data were then converted to real 2000 dollars using a standard GDP deflator (U.S. Bureau of Economic Analysis, 2005). Dependent variables are characterized in four modalities—total amount of federal grants awarded (Model 1), number of federal grants awarded (Model 2), total amount of federal grants awarded per person (Model 3), and number of federal grants awarded per person (Model 4)—because the number of awards may be more important for political purposes than the amount (Stein & Bickers, 1994). Population controls are used here to account for federal targeting on a per person basis. However, the raw models account for the fact that rural places have needs although their populations are lower; the cost of a mile of two-lane road is the same regardless of how many persons travel it. Hence, economy of scale would not reduce grant amounts, though it might conceivably reduce amounts per person.

The independent variables are grouped according to capacity type and level, including local political capacity, local administrative/financial capacity, regional administrative/financial capacity, and controls that account for local need and other special conditions. County political capacity is measured in terms of the match between the political party of the U.S. Representatives serving the county and the party in control of the U.S. House. This data was obtained from the Web site of the Clerk of the U.S. House of Representatives. A dummy variable is used to designate a match between the party of at least one Representative serving a county and the party control of the House (1 = *at least one representative's party matches party control of the House*, 0 = *no representative's party matches*). Representation of a county area by multiple representatives occurs when the county is divided into, or portions are included in, multiple U.S. House districts. A dummy variable indicates that a county is located in more than one House district (1 = *multiple districts*, 0 = *only 1 district*).

The agreement of county voters with the party in control of the U.S. House is measured by first ascertaining whether a majority of county voters is of the same party, or the opposing party, as that in control of the House each year. (County voter registration data were obtained from the Kentucky Secretary of State Web site.) If the county's voter registration matches, the proportion is given a positive coefficient; if it is opposite, it is given a negative coefficient. Then the proportion in agreement is calculated by dividing the majority party into the total number of registered voters. The result is a variable that registers from -1.0 for no county voters of the party in control of the House to -0.51111 where just under 50% of voters match the party in control of the House, and on the other side, from 0.51111 where just over 50% of voters match the party in control of the House to 1.0 , where 100% of the voters match the party in control of the House. For simplicity in interpretation, the range was adjusted by adding 0.5 to the negative figures and subtracting 0.5 from the positive figures to produce a continuous range representing the level of agreement between each county's voter registration and the party in control of the House. As such, a positive value indicates agreement and a negative value indicates disagreement, with values increasing as the party's dominance in the county increases, thus increasing or decreasing the proportional agreement or disagreement with the party in control of the House that year. This raw measure is not used in the analysis because it does not enable the direct measurement of both agreement and level of competition. So, for the analysis, this variable was recoded into three dichotomous variables that reflect *strong disagreement* between voter registration and party control of the U.S. House in a given year (1 = -0.50 to -0.1001 , 0 = *all others*), *strong agreement* between county registration and the House (1 = 0.1001 to 0.50 , 0 = *all others*), and *competitive voter registration* (1 = -0.1 to 0.1 , 0 = *all others*). The result is a measure that reflects strong agreement, strong disagreement, and political competitiveness between county voters and the party controlling the U.S. House. In the analysis, strong disagreement is purposefully dropped to provide a baseline of comparison for the strong agreement and the competitive registration variables.

The proportion of voters in a county registered Republican divided by the total number of registered voters provides a measure of local ideological preference. It is important to highlight the differences between this measure and Rich's (1989). Rich measured political influence as membership on key committees and subcommittees and took into consideration political influence, local demand, and local administrative capacity in cities with populations

above 50,000 for a group of six programs. This study examines political capacity in the form of alignment with the party controlling the U.S. House along with local area administrative capacity, regional administrative capacity, and conscientious controls for *all* federal grant funds distributed in one state over an 11-year period. To account for tenure, and thus relative power of Representatives, I measured each county's Representative's tenure in years, with their first year in office equal to 1 (for counties divided into multiple congressional districts, I used the tenure of the longest-serving representative). Following Stein and Bickers (1994), the political variables tied to control of the House should be stronger in measures of grant numbers than in measures of grant dollars; hence the distinction between the models developed.

Turning to local area administrative capacity, 1992, 1997, and 2002 county-area full-time equivalent employment was obtained from the Compendium of Government Employment and averaged to provide a general representation of local administrative capacity. The number of employees working in local government provides an estimate of available human resources that can be assigned to grant-seeking or grant-management activities. A measure of the number of grant writers would be more direct, but no such measure exists for the population of local governments and not-for-profit agencies. Moreover, many government employees whose primary job is not grant-related may participate in both grant-seeking and grant-management activities, or could be reassigned to do so. Local financial capacity is measured as the real dollar average of 1992, 1997, and 2002 county-area own-source revenues per capita, obtained from the Compendium of Government Finances. As discussed above, local finances reflect available resources to match federal program funds.

At the regional level, six variables are examined using data drawn from ADD annual reports.¹ The total employment of the ADD serving each county provides a raw measure of human resources available. The distribution of that capacity is equally important, so variables are also included that measure the number of counties served by the ADD, the area in square miles of the territory covered, and the number of ADD employees per 1,000 miles of service area. The total ADD operating budget in a given year (real 2000 dollars) represents financial capacity that could be applied to grant-seeking efforts. Similarly, the total operating budget divided by the number of counties served is used to measure the distribution of resources across the number of clients potentially demanding it. As noted above, regional capacity can substitute for or supplement local capacity and must be considered in accurately determining the interactive effects of capacity on federal grant outlays.

In the way of control variables, several measures are included to account for the effects of various local conditions. First, real per capita personal income of the county is a basic measure of individual economic need. Counties served by the ARC are eligible for funding from that agency that other counties are not; hence a dichotomous variable represents a county's inclusion in the ARC service area. Appalachian counties tend to have greater socioeconomic need than their non-Appalachian counterparts, so an additional dummy variable indicates whether or not the county received the ARC 'distressed' designation in 2004. Counties in the Mississippi Delta Regional Authority region may similarly represent need, and a dummy variable indicates those counties. Both of these regions' economies are traditional and characterized by high poverty and out-migration. A tremendous amount of federal funding flows directly to the state; those grants accrue to the county in which the state capitol is located (Levitt & Snyder, 1995, p. 963), so I use a dummy variable to control for funds

flowing into Franklin County, the seat of the state government. The state's two largest cities are home to major research universities that are perpetual sponges for federal revenue and both have urban populations in excess of 250,000 throughout the period of the study. A dummy variable controls for Lexington–Fayette County and Louisville–Jefferson County.

Rurality may reflect increased need with lower capacity and lower population; it is measured as the 2003 Urban–Rural Continuum Code. “In sum, after examining the various indicators of economic well-being, researchers have concluded that ‘rural areas are worse off than urban ones, and the more rural the area the greater the discrepancy’” (Brown, 1980, p. 19). As I include direct measures of local capacity, rurality in this study provides a measure of need that might affect the distribution of federal funds through targeting to offset local insufficiency, and rural places are expected to have lower total grants but higher grants per person than urban counterparts due to differences in economy of scale. Finally, the presence of an interstate highway in a county is indicated with a dummy variable. Interstate locations were obtained by examining official county maps provided by the Kentucky Department of Transportation. An interstate may reflect a different type of local economy, and thus may affect demand for types or amounts of federal funds; it may also provide additional sources of own-source revenue on which to draw, thereby increasing local capacity.

The data are subjected to pooled cross-sectional time-series analysis with panel-corrected standard errors. The analysis was performed using STATA version 9. A 1-year lead was built into each of the four dependent variables to account for the time it takes to apply for and receive a federal grant. Thus, capacity in year t is used to develop and submit applications from which funding would be received in year $t + 1$. The results of the analysis are presented in the following section.

Results

The performance of the four models in explaining federal grant receipts was greater than expected. Each of the models was statistically significant with R^2 values ranging from 0.56 in Model 4 to 0.96 in Model 1. Table 1 presents the results of Models 1 and 2 (total grant \$ and number of grants) and Table 2 presents the results of Models 3 and 4 (grant \$/person, number of grants/person). As the results can quickly become entangled with so many models and variables, they are presented in terms of the hypotheses developed above, discussing within each the significance (statistically and practically) of each variable in each model.

Political capacity turns out to have important impacts when examined alongside other forms of capacity. Hypothesis 1 examines the influence of having at least one representative of the party in control of the United States; this variable is positive in each model, but fails to attain statistical significance, indicating that a representative's party affiliation alone does not influence grant distributions. The number of years a counties' elected representative has been in office is also not significant in any of the four models. Hypothesis 1 is found to be invalid. The measures tied to Hypothesis 2—a county's being served by more than one representative—are significant and negative in models 2 and 3. Counties served by more than one representative receive fewer total grants, and lesser grant amounts per person, suggesting that representatives give fringe counties less attention than a district's core counties. Hypothesis 2 is also found to be invalid.

Table 1
Pooled Cross-Sectional Time-Series Analysis Results: Effects of
Local Capacity on Gross Grant Receipts

	Model 1 ($R^2 = 0.9618$) Real Total Grants Awarded _{<i>t</i>+1}	Model 2 ($R^2 = 0.9596$) Number of Grants Awarded _{<i>t</i>+1}
Controls		
Appalachian Regional Commission county	1.63E+07 (7.36)***	6.50 (13.55)***
ARC distressed county classification (2004)	-2.19E+06 (-1.7)	-2.78 (-11.48)***
Mississippi Delta Regional Authority county	-808,428.00 (-0.54)	-2.25 (-5.37)***
County contains State Capitol	6.97E+08 (20.43)***	209.20 (84.58)***
Urban County including city with population above 250,000	9.22E+07 (10.65)***	156.43 (59.24)***
2003 Rural-Urban Continuum Code	963,435.60 (3.42)***	-0.27 (-4.87)***
Real per capita personal income	1,110.96 (2.36)*	5.22E-04 (4.98)***
Population density	-3.34E+04 (-2.31)*	-3.66E-02 (-9.97)***
Interstate highway in county	-1.93E+06 (-2.55)*	1.98 (9.13)***
County administrative capacity		
1992, 1997, 2002 average county area full- time equivalent employment	24,833.39 (18.05)***	0.0023239 (7.7)***
1992, 1997, 2002 average real county area own source revenues per capita	-1,458.14 (-3.52)***	0.0012174 (9.24)***
Regional development district administrative capacity		
Area development district employment of county's ADD	-19,388.44 (-0.09)	0.1231818 (1.85)
Number of counties served by county's ADD	-3.58E+06 (-3.57)***	-0.4542941 (-2.45)*
Real ADD total operating budget	4.69 (3.23)***	5.17E-07 (1.7)
ADD area served (square miles)	3,383.88 (1.31)	-0.0002340 (-0.34)
ADD employees per 1,000 square miles served	-1.37E+08 (-0.21)	-461.70 (-2.37)*
Real ADD total operating budget/number of counties served	-32.80 (-2.8)**	-0.0000061 (-2.21)*
County political capacity		
Party of at least 1 U.S. Representatives serving county = Party w/U.S. House control	3.50E+06 (1.84)	0.5157705 (0.96)
County located in more than 1 U.S. House districts	-1.40E+06 (-0.98)	-6.56 (-5.39)***
Proportion of county voters registered Republican	4.20E+06 (1.92)	0.0294196 (0.04)
Strong agreement between county voter registration and control of U.S. House	-3.66E+06 (-2.48)*	-1.15 (-2.08)*
Competitive county voter registration	-3.78E+06 (-5.35)***	-0.3797991 (-1.28)
Tenure of elected Representative	7,507.11 (0.07)	0.0051590 (0.22)
Constant	-7.22E+06 (-0.69)	16.61 (5.86)***

Note: *z* scores are reported in parentheses.

* $p < .05$. ** $p < .01$. *** $p < .001$.

Hypothesis 3 considers the match between county voter registration and control of the House each year. This analysis requires comparison of the two dichotomous variables (*strong agreement* and *competitive registration*) against the baseline established by dropping the third variable (*strong disagreement*). The expectation hypothesized is that strong agreement should lead to more funding than strong disagreement, and competitive registration

Table 2
Pooled Cross-Sectional Time-Series Analysis Results: Effects of Local
Capacity on Gross Grant Receipts Per Capita

	Model 3 ($R^2 = 0.904$) Real Total Grants Awarded Per Capita _{<i>t</i>+1}	Model 4 ($R^2 = 0.5554$) Number of Grants Awarded Per Capita _{<i>t</i>+1}
Controls		
Appalachian Regional Commission county	210.39 (3.64)***	-3.968E-04 (-9.44)***
ARC distressed county classification (2004)	422.73 (10.14)***	2.236E-04 (11.19)***
Mississippi Delta Regional Authority county	7.49 (0.15)	2.401E-04 (9.03)***
County contains State Capitol	14,757.59 (20.12)***	4.128E-03 (72.74)***
Urban county including city with population over 250,000	1,205.62 (7.6)***	2.043E-03 (20.02)***
2003 Rural-Urban Continuum Code	78.66 (7.95)***	1.388E-04 (19.95)***
Real per capita personal income	0.0530963 (3.74)***	-1.920E-08 (-2.03)*
Population density	-2.34 (-6.66)***	-3.900E-07 (-1.77)
Interstate highway in county	-161.91 (-6.69)***	-5.000E-05 (-3.09)**
County administrative capacity		
1992, 1997, 2002 average county area full- time equivalent employment	0.1280913 (7.42)***	-1.250E-07 (-12.22)***
1992, 1997, 2002 Average real county area own source revenues per capita	0.0080238 (0.52)	3.940E-08 (3.69)***
Regional development district administrative capacity		
Area Development District employment of county's ADD	33.74 (3.8)***	-3.470E-06 (-0.62)
Number of counties served by county's ADD	-30.55 (-1.25)	1.354E-04 (5.1)***
Real ADD total operating budget	0.0000600 (1.68)	-1.790E-10 (-4.41)***
ADD area served (square miles)	-0.5111188 (-5.22)***	-2.590E-07 (-3.4)***
ADD employees per 1,000 square miles served	-109,443.90 (-4.05)***	2.878E-02 (1.67)
Real ADD total operating budget/number of counties served	-0.0001557 (-0.48)	1.870E-09 (5.44)***
County political capacity		
Party of at least 1 U.S. Representatives serving county = Party w/U.S. House control	115.70 (1.43)	4.270E-05 (1.26)
County located in more than 1 U.S. House districts	-314.56 (-5.1)***	8.290E-05 (1.67)
Proportion of county voters registered Republican	288.42 (4.73)***	5.150E-05 (0.9)
Strong agreement between county voter registration and control of U.S. House	-11.86 (-0.44)	-7.650E-05 (-2.48)*
Competitive county voter registration	-138.97 (-6.45)***	-2.133E-04 (-10.38)***
Tenure of elected representative	3.97 (1.3)	-1.680E-06 (-1.86)
Constant	1,157.47 (2.77)**	2.276E-04 (0.94)

Note: *z* scores are reported in parentheses.

* $p < .05$. ** $p < .01$. *** $p < .001$.

should lead to more funding than strong agreement. The results conform to expectation in that the effect is stronger for counties with competitive registration than strong agreement, but the effect is a reduction in total grant amounts and the number of grants per person rather than an increase. Hypothesis 3 is invalidated in direction but not in magnitude. This result indicates that, at least in the Kentucky setting, parties in the House clearly disregard

their safe seats, and instead provide funds to counties where the opposing party enjoys a majority, then to their safe counties, and then to competitive counties. In other words, representatives do not favor areas where they enjoy strong majorities with federal financial rewards. Finally, Hypothesis 4 predicted that a more conservative county populace would decrease demand for federal funding. The results show that stronger Republican majorities have no impact on grant receipts, except in the grant amount per person, which increases as does the proportion of Republican voters. This renders Hypothesis 4 invalid along with its political counterparts.

Hypothesis 5 examines the effects of local government own-source revenues, with an expectation that greater revenue will increase federal funding. This hypothesis is confirmed as increased average own-source revenues among local governments in a county area results in an increase to total number of federal grants and the number of grants per person. However, it negatively affects grant amounts (Model 1) likely due to decreased demand for external funding. Hypothesis 6 examines local administrative capacity measured by full-time equivalent employment, expecting that more public-sector employees should increase federal funding. The results indicate general support. The more employees that are available for grant-seeking and grant-management efforts, the greater the total grant amounts, number of grants, and amounts per person are, though the number of grants per person decreases. Increased local government employment positively affects grant receipts, confirming Hypothesis 6.

Moving on to regional government capacity, Hypothesis 7 expects greater regional government capacity should lead to greater federal funding. Greater ADD employment increases grant amounts per person (Model 3). As ADD operating budgets increase, the amount of grant awards increases (Model 1), but the number of grants per person decreases (Model 4) possibly indicating that wealthier ADDs are better equipped to pursue larger grants. As the number of counties served increases, spreading capacity thin, the amount (Model 1) and number (Model 2) of grants decline, though the number per person increases (Model 4) and with no effect on the amount per person (Model 3). As ADD territory size (in square miles) increased, grant amounts and numbers per person decreased as expected (Models 3 & 4) but with no effect on total grant amount or number. In terms of capacity divided by size or complexity of the service area, more employees per 1,000 square miles of service area led to decreased numbers of grants (Model 2) and decreased grant amounts per person (Model 3), contrary to expectation. On the other hand, and contrary to expectation, increased operating budget per county served led to decreases in grant numbers and amounts (Models 1 & 2), although it increased the number of grants per person (Model 4). Altogether, Hypothesis 7 has mixed support.

Hypothesis 8 suggests that greater local need should result in greater federal funding. Indeed, higher per capita income leads to increased total federal grant amounts, total number of grants, and total grant amounts per capita (Models 1-3) but decreased the number of grants per person (Model 4). This likely reflects the fact that higher income reduces need, and consequently demand, for federal funding. On a per person level, this seems to suggest that wealthier communities receive fewer grant awards per person. ARC counties received more funds, more awards, and more funds per capita, but fewer grants per person. ARC distressed status decreased the number of awards but increased awards and amounts per person. Mississippi Delta Regional Authority status significantly decreased award numbers, but increased the number of awards per person. The Rural–Urban Continuum

Code shows that more rural counties receive greater grant amounts through fewer awards but with greater amounts and award numbers per person. This follows logic; where there are fewer people, greater funding will be observed per person because basic infrastructure costs are not able to achieve the economy of scale found in urban areas. On the same topic, the dummy variable for the state's two urban core counties is positive and significant in all four models—likely the result of the unique government, nonprofit, and educational capacity in these communities. All in all, Hypothesis 8 obtains general support, but the opposite direction of the coefficients' signs between the raw measures and the population-controlled measures indicates that the usage of multiple measures reveals important information about the way we measure performance in leveraging federal grant receipts.

Three control variables remain. The state capitol county, as expected, receives a tremendous amount of federal funding with significant and positive coefficients in each model. As population density increases, total grant amounts and number of awards decline as does the amount of funding per person in densely populated areas. Again, this speaks to the nature of urban economies of scale. The variable indicating presence of an interstate highway leads to an increase in the number of awards per county, but decreases the total award amount as well as the number and total of awards per person.

Discussion

This study evaluates county areas' performance in leveraging external financial capacity from federal grant funds. The ability to generate federal funds results from a combination of local technical capacity, including county and city governments and nonprofit organizations, and a county's demonstrated economic need. The results show the simultaneous effects of multiple dimensions of capacity. This study goes beyond previous efforts to assess performance at leveraging federal grants by including local and regional capacity, as well as measures of local need, alongside political variables in a localized model. Support for administrative capacity hypotheses and need/control hypotheses, but not the political hypotheses, does not mean that politics does not matter. Rather, it causes us to reevaluate the role politics plays in light of local characteristics and conditions. That is, although politics may matter, the effects of local capacity and conditions overpower politics when the two are considered together in the same model. This article does not address the role of politics in specific substantive areas where it is most likely to be realized but rather examines the grant-making enterprise as a whole. So, although politics has been shown to influence particular programs or policy fields, its impact on the entire federal grant-making enterprise appears to be a wash. The important lesson for local government administrators or nonprofit managers is, thus, that building internal capacity and utilizing regional organizations' capacity have positive effects on grant funding across the board, while political representation may function as a determinant of the programmatic source of funds any particular area will receive.

In comparing the results of models that do not control for population to those that do, it is apparent that the effects of capacity on raw grant numbers and amounts are often opposite the effects of that same capacity on grant numbers and amounts per capita. This suggests two important facts: First, as public-sector organizations use their capacity, they need to be aware that their performance measures should be clearly specified; they must ask

which is the more appropriate measure—total grants or funding per person? Second, drawing on this observation, measurement of public-sector performance with regard to this question clearly differentiates between raw and population-controlled models. It is not immediately clear why this result so consistently occurred, but it suggests an obvious need for further research to better understand the relationship and whether it is the result of the rural/urban differences or perhaps other possibilities that have not been considered.

Future research should examine additional permutations of political variables in ways that address substantive program areas in conjunction with representative placement on key committees in Congress while maintaining a focus on local capacity. Work to resolve the limitation evolving from the lack of information about professional grant writers and managers and the role they play vis-à-vis other employees at generating grant funds would be valued. Finally, more detailed empirical analysis might examine the effects of need and local finances on the development of human capacity and the use of regional organization capacity directly through a path analysis or similar technique.

In conclusion, the political capacity variables shed considerable light on the notion of local capacity. Further specification of those variables to also include Representative committee placement and leadership would provide a great deal of additional insight beyond that included here. Government capacity is indeed multidimensional, including political, financial, and administrative dimensions. It can also be characterized in an intergovernmental context and with an eye toward internal and external components. In this study, the effect of the combined elements of capacity has been shown to affect performance in leveraging federal grant funding.

Note

1. Employment and budget data from Big Sandy ADD, Northern Kentucky ADD, and Purchase ADD were not available. Gateway ADD was missing 1993, so 1994 figures were used as an estimate. Kentucky River ADD was missing 1999, which was replaced with an average of 1998 and 2000 figures. FIVCO ADD was missing 1993 and 1994 observations, so 1995 figures were used as estimates. Number of employees used for FIVCO was available for 1995 (17) and 2003 (20), so 17 was assumed for 1993-1995, 18 for 1996-1998, 19 for 1999-2001, and 20 for 2002-2003. Pennyryle ADD was missing 1993; 1994 observations were used as estimates.

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