

FOR IMMEDIATE RELEASE

OCTOBER 22, 1976

Office of the White House Press Secretary

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THE WHITE HOUSE

## MEMORANDUM OF DISAPPROVAL

I am withholding my approval of S. 1437, the Federal Grant and Cooperative Agreement Act of 1976.

This legislation has a laudable goal -- to clarify and rationalize the legal instruments through which the Federal Government acquires property and services and furnishes assistance to State and local governments and other recipients. The bill would establish three categories of legal instruments which Federal agencies would be required to use: procurement contracts, grant agreements, and cooperative agreements. These categories would be defined according to their different purposes.

S. 1437 would also require the Director of the Office of Management and Budget to undertake a study which would (1) "develop a better understanding of alternative means of implementing Federal assistance programs...", and (2) "...determine the feasibility of developing a comprehensive system of guidance for Federal assistance programs."

The Office of Management and Budget completed a study, almost a year ago, of the definitions of "grant", "contract" and "cooperative agreement." That study, which has been reviewed by other Federal agencies, public interest groups, and other interested associations and groups, confirmed support for the objectives of this legislation but led to serious questions as to whether at this point legislation is necessary or desirable.

No matter how careful the drafting, a bill which requires thousands of transactions to be placed into one of three categories will probably result, in many cases, in limiting the flexibility of Federal agencies in administering their programs and creating a large number of technical difficulties for them. Federally supported basic research programs would be particularly difficult to classify in terms of the definitions in this bill.

The Office of Management and Budget is continuing to work in this area with the cooperation of other Federal agencies. It plans to issue policy guidance to Federal agencies that would more clearly distinguish between procurement and assistance transactions and to better define patterns of assistance relationships between Federal agencies and funding recipients.

In addition, OMB has been developing more comprehensive guidance for assistance programs, as indicated by the recent circulars issued by the agency establishing uniform administrative requirements for hospitals, universities, and non-profit grantees. I am directing OMB to continue to emphasize such activities.

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Subsequent modifications and refinements can be made in these directives when further operating experience and evaluation suggest they are needed. Such an evolving set of activities in the Executive branch, a step-by-step process which learns from experience, is preferable to another lengthy study as required by this bill.

In view of the extremely complex and changing nature of Federal assistance programs, I believe that Congress should not legislate categories of Federal assistance relationships, but leave the number and nature of such classifications to the Executive branch to determine and implement. If experience from the studies and evaluations now underway demonstrates that legislation is required, that experience would also provide a better foundation for formulating legislation than we have now.

Accordingly, I must withhold my approval of S. 1437.

GERALD R. FORD

THE WHITE HOUSE,  
October 22, 1976

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