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EXECUTIVE SECRETARIAT

Routing Slip

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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

82-2983

M-82-4

April 26, 1982

MEMORANDUM FOR THE HEADS OF DEPARTMENTS AND AGENCIES

FROM: David A. Stockman
Director

SUBJECT: Improper Uses of Federal Funds

As the Administration seeks to reduce Federal spending because of increasingly severe budgetary constraints, every opportunity must be taken to assure that monies are appropriately spent. In particular, care must be exercised that Federal funds are not used for partisan or political purposes.

In this regard, three areas of concern merit your careful attention:

A. For agencies covered by of the Labor-HHS-Education-Related Agencies Appropriations Act ["the Act"], enforcement of the bar against the use of Federal funds by grant or contract recipients, or their agents, for the purpose of attempting to influence legislation or appropriations;

B. Careful examination of agency payment of organizational dues; and

C. Establishment and enforcement of standards to assure that no Federal funds are used by contract or grant recipients for partisan or political advocacy purposes.

A. Enforcement of the Act

Although no FY 82 Labor-HHS-Education-Related Agencies Appropriations Act has been enacted, the Continuing Resolution carries forward section 407 of the 1979 Appropriations Act. That provision reads as follows:

> "No part of any appropriation contained in this Act shall be used to pay the salary or expenses of any grant or contract recipient or agent acting for such recipient to engage in any activity designed to influence legislation or appropriations pending before the Congress."

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The Department of Justice has issued two formal opinions regarding the Act. The findings may be summarized as follows:

- o Grant and contract recipients funded by affected agencies are clearly barred from using appropriated funds for any activities designed to influence legislation pending before Congress. Justice distinguished the Act from other, less restrictive anti-lobbying laws such as section 1913 of Title 18 of the United States Code, and section 607 of the Treasury, Postal Service, and General Government Appropriations Act that merely bar "grass roots" legislative campaigns, i.e., appeals to the public to in turn contact Members of Congress with respect to pending legislation.

- o In addition to such other enforcement powers as they may have, affected agencies have the inherent authority to terminate the grants or contracts of, and/or achieve the return of all unexpended funds, from parties who violate the Act. Such actions can be taken pursuant to agency regulations.

Affected agencies should, accordingly, review their regulations and enforcement procedures to assure full compliance with the Act.

B. Payment of Private Organizational Dues:

Review of the scope and magnitude of agency payment of organizational membership dues can have several significant benefits, including:

- o clarifying the degree to which agencies are working closely with various groups and identifying areas in which agency objectivity, impartiality, and judgment may be affected;

- o subjecting relationships that have evolved among some government programs and special interest groups to management scrutiny; and

- o identifying funds that can be re-directed to more constructive uses.

Agencies should, accordingly, take all necessary steps to ensure that dues payments to private organizations are clearly justified and provide necessary and specific agency benefit.

C. Federally Financed Advocacy:

Use of Federal grant or contract funds for partisan or political advocacy purposes is inappropriate and should not

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be permitted, and agencies should review existing procedures and standards to assure that Federal funds are not so utilized. The integrity of the grant and contract process is contingent on the use of government funds for non-partisan, non-political purposes, and your particular attention to this matter is a high Administration priority.

In this regard, it should be noted that the Administration will continue to award grants and contracts to those parties who are most effective in fulfilling statutory purposes. Thus, political advocacy groups may continue to receive grant and contract awards. At the same time, however, meticulous attention should be paid to ensure that if and when awards are made to such groups, that Federal funds are only used to fulfill specific grant and contract purposes.

It is also important to assure even-handed enforcement of the policy against use of federal funds for advocacy purposes. Thus, the policies called for by this memorandum should not be based on agency assessments of the particular views of contract or grant recipients.

D. Further Questions:

Questions concerning the matters described in this memorandum should be addressed to Howard M. Messner, Assistant Director for Management Improvement and Evaluation, OMB (395-4960). Legal questions should be addressed to Richard M. Irby, Assistant General Counsel, OMB (395-5600).

The Administration places an exceedingly high priority on achieving the above-indicated reforms, and your particular attention will be appreciated.

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