



COMPTROLLER GENERAL OF THE UNITED STATES

WASHINGTON, D.C. 20548

REPORT
Accounting for the expenditure of special approval
by the Office of Congressional Relations

8/32
8533

B-171630

DECEMBER 5, 1978

The Honorable Robert C. Byrd, Chairman
Subcommittee on Department of Interior
and Related Agencies
Committee on Appropriations
United States Senate



The Honorable William Proxmire, Chairman
Subcommittee on HUD-Independent Agencies
Committee on Appropriations
United States Senate

In accordance with your October 2, 1978, request and subsequent discussions with your offices, we have reviewed the District of Columbia's application to the Department of Housing and Urban Development for a grant to establish the National Children's Museum. You asked if

--the Department had the legal authority to award the grant,

--available evidence indicated that there would be adequate community financial support for the project,

--the Department had thoroughly investigated alternative uses for the land on which the new museum was to be situated,

--the estimated attendance shown in the application was consistent with the Capital Children's Museum records, and

--the project originated with the District of Columbia government and went through the normal review process within the District and the Department.

We made our review at Department headquarters, Washington, D.C.; District of Columbia government offices; and at the Capital Children's Museum, Washington, D.C.

As your offices requested, we did not obtain written agency comments on our review.

CED-79-20
(38470)

RELEASED

We orally briefed your offices on October 31, 1978, on the results of our review. As requested, the following summarizes the information presented at that briefing.

BACKGROUND

The Housing and Community Development Act of 1974 (42 U.S.C. 5301) authorized a special discretionary fund within the Community Development Block Grant Program which the Department can use to make grants to States and local governments to support innovative community development projects. According to Department regulations, innovative projects may be a product, process or technique and should encompass a concept that is untried, unique, or advances the state of the community development art.

Also, applicants may, at any time, provide innovative approaches to the solution of long-standing or widespread, urban problems. Projects are subject to the eligibility standards established for the block grant program. Applicants compete for funds by submitting applications addressing special Department priorities. These priorities, which may change from year to year, are published as a notice in the Federal Register.

The District of Columbia and the Capital Children's Museum submitted an unsolicited innovative grant application to the Department on August 2, 1978, for \$3.878 million to establish the National Children's Museum. The funds were to be used for acquiring and renovating a building located at 220 H Street, N.E., and for initially operating the new museum.

The Capital Children's Museum is housed in the Lovejoy Elementary School, located at 12th and D Streets, N.E., and has been operating since August 1977. After discussions between the Department and museum officials, the amount requested was reduced to \$1.7 million to cover only the acquisition cost.

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LEGAL AUTHORITY TO AWARD THE GRANT

We believe that a justification can be made to satisfy the requirements for an innovative grant under section 107(a)(4) of the Housing and Community Development Act of 1974.

Also, the Department's Office of General Counsel has ruled that the proposed project meets the "other public facilities" eligibility standard of the Department's regulations (24 C.F.R. § 570.201(c)(14), 41 F.R. 8439, Mar. 1, 1978). An agency's interpretation of its own regulations is entitled to great weight. We believe that the criteria for selecting innovative projects set forth in the Department's regulations (24 C.F.R. § 570.406(b)) are broad enough to include a project as described in the application.

COMMUNITY FINANCIAL SUPPORT

We discussed the proposed project's funding with various District government and Museum officials.

According to a District government official responsible for grant administration, the District has no plans to provide funding for the museum. He did say, however, that the museum could apply for a low-interest loan under a local rehabilitation program.

A museum administrator told us that the museum plans to obtain funds from large corporations, fundraising events, admission charges, and sales at the museum. It also plans to use the International Year of the Child, 1979, and the Department grant to raise other private funds. No firm financial commitments had been obtained for completely renovating and initially operating the new museum.

ALTERNATIVE LAND USES

The Department has not investigated alternative uses for the land on which the proposed museum would be located. Department officials said that each grant application is reviewed on its own merits. Department officials also said they do not normally investigate alternative land uses and do not believe they are required to do so.

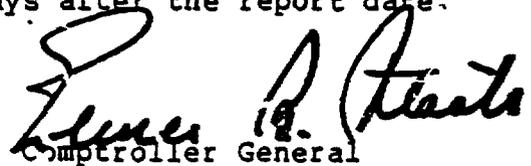
ATTENDANCE RECORDS

According to the grant application, museum attendance during its first year of operation (Oct. 1977 to June 1978) was about 30,000. Summary attendance records maintained by the museum appear to confirm this. However, we compared daily sign-in sheets with summary records and found that the museum may have slightly understated the attendance claimed in the application. We also compared attendance during October 1977 and October 1978 and found little difference in attendance levels.

REVIEW PROCESS

According to a District government official responsible for grant administration, Museum officials obtained support for the project from the Department before they requested the District government to submit an application on behalf of the museum. The grant application was revised by the city to meet Department requirements and it appeared to receive normal processing within the District. Our examination of Department records showed that the application was going through the normal process until your offices questioned the application. Since then, the application has been handled directly by the Office of the Secretary.

We plan to make no further distribution of this report; however, we will make copies available to interested parties upon request, beginning 30 days after the report date.


James A. Stants
Comptroller General
of the United States