

MEMORANDUM

TO: Members, Utah State Board of Education

FROM: Scott Jones
Deputy Superintendent of Operations

DATE: June 9-10, 2016

ACTION: HB 329 Grants Management Update

Background:

HB 329 modifies the Federal Funds Procedures Act by amending provisions relating to federal funds review and approval requirements. The bill provides that the Utah State Board of Education is subject to the review and approval requirements for federal funds. The State Finance Office also was provided an appropriation of \$500,000 to develop a Grants Management System (GMS) to support the intent of HB 329.

Board Strategic Plan:

This item supports the following imperative(s) and strategies in the Board's Strategic Plan:

- System Values
- Funding

Anticipated Action:

The Finance Committee will receive an update from staff on the progress towards ensuring compliance with HB 329 and from the Legislative Fiscal Analysts on the progress towards the Grants Management System. The Finance Committee may take action to resolve potential issues or concerns brought by staff regarding compliance to HB 329, progress towards an Enterprise Resource Planning (ERP) system and concerns over the implementation of the Grants Management System at the State Finance level.

Contact: Scott Jones, Deputy Superintendent of Operations, 801-538-7514

Overview of Federal Funds Approval Process (Updated for H.B. 329, 2016 G.S.)

All federal funds, except those exempted by statute, must go through the approval process, regardless of whether they are new federal grants, reauthorizations of existing grants, or continuations of multi-year grants.

Executive branch, judicial branch, and public education agencies must submit a “Federal Funds Request Summary” to the Governor, the Judicial Council, or the State Board of Education (SBOE), including a letter or other documentation awarding the grant. If the letter or other documentation awarding the grant isn’t available at the time of first submission, it must be submitted before the agency may expend the granted federal funds.

Primary Approval Process (63J-5-201)

The primary approval process is for all grants (except those exempted by statute), regardless of amount or terms, to be reviewed and accepted/rejected during a legislative session. The process goes as follows:

1. The requesting state agency submits a request to the Governor’s Office.
2. The Governor’s Office submits the Federal Fund Request Summary to LFA.
3. LFA may include the federal funds in the base budget bill as directed by EAC.
4. LFA submits the summary to the appropriations subcommittees.
5. Subcommittees recommend acceptance or non-acceptance of each grant.
6. EAC reviews subcommittee recommendations and directs LFA to include/exclude the funds in an appropriations act.
7. Legislature passes an appropriations act with federal funds, which constitutes legislative approval of the associated grants.

Secondary Approval Process (63J-5-202 through 205)

For grants that become available outside of the timeframe of the annual general session, statute provides a secondary approval process. The required review and approval process depends on the grant level:

1. **Low-Impact Federal Grants.** These grants can be approved by the Governor, Judicial Council, or SBOE. Such approval must be reported to EAC, LFA, and LRG. To qualify as a low-impact federal grant, the grant must meet all of the following requirements:
 - Result in the state receiving \$1 million or less in federal funding per year;
 - Require no additional permanent full/part-time employees; and
 - Require no new state money to match or participate.
2. **Medium-Impact Federal Grants.** These grants must be approved by the Governor, Judicial Council, or SBOE, then submitted to the Executive Appropriations Committee for its review and recommendations. Medium-impact grants meet any one of the following conditions:
 - Result in the state receiving more than \$1 million but less than \$10 million in federal funding per year;
 - Require one but less than 11 new permanent full/part-time employees; or

- Require the state to expend \$1 to \$1 million in new state money in a fiscal year to match or participate.

The Executive Appropriations Committee may:

- Recommend the agency accept the new federal funds;
- Recommend the agency not accept the new federal funds; or
- Recommend to the Governor that the Governor call a special session to review and approve or reject the acceptance of the new federal funds

3. High-Impact Federal Grants. These grants must be approved by the Governor, Judicial Council, or SBOE, then submitted to the full Legislature for approval or rejection in a legislative session. High impact grants have any one of the following characteristics:
 - Result in the state receiving more than \$10 million in federal funding per year;
 - Require 11 or more new permanent full/part-time employees; or
 - Require the state to expend more than \$1 million in new state money in a fiscal year to match or participate.

If federal funds awards exceed approved amounts

If an agency receives federal funds that exceed the amount approved through this process, it may expend up to 25% in excess of the amount approved if all of these conditions are met:

- The excess funds will not require the addition of one or more permanent full-time or part-time employees;
- No new state money will be required to match the excess federal funds; and
- Receipt of the excess money will not require the state to comply with new requirements.

Exemptions (63J-5-103)

Certain types of federal grants are exempt from Chapter 5, including:

- Medicaid
- Children’s Health Insurance Program
- Women, Infant, and Children Program
- Temporary Assistance to Needy Families Program except for a one-time TANF request as defined in 63J-5-102
- Social Security Act money
- Substance Abuse Prevention and Treatment Program
- Child Care and Development Block Grant
- SNAP Administration and Training money
- Unemployment Insurance Operations money
- Federal Highway Administration money
- Utah National Guard
- Pass-through federal funds (defined as “federal funds provided to an agency that are distributed to local governments or private entities without being used by the agency” **but do not include funds passed through by USOE to an LEA or other sub-recipient**)
- Funds received to assist victims of a declared emergency