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Re: Federal Grant Approval Process

Agencies wanting to apply for federal funding must first receive approval from the Governor's Division of Financial Management (DFM). If federal funding is awarded to an agency, then DFM, through Section 67-3516(2), Idaho Code, can approve a noncognizable increase to allow the agency to expend those funds in the same fiscal year. However, if an agency needs the ability to expend federal funds beyond the current fiscal year, the agency must request additional appropriation from the Legislature.

Role of the Governor / Division of Financial Management:

Grant Application & Review Process: Before an agency can pursue a federal grant, they must obtain approval from DFM.¹ The agency must submit a Grant Approval Form which summarizes the funding available, grant period, state obligations, and other details of interest. DFM also requires agencies to submit an exit strategy letter attesting there will not be reliance on state funds if/when the grant funding is no longer available. DFM reviews all this information as well as other pertinent factors, such as does the grant funding align with the mission of the agency, the Governor's policies, etc. Lastly, DFM uses all this information when making determinations on noncognizable requests or requests for federal fund appropriation in the Governor's Budget Recommendation.

Noncognizable Process: DFM has the statutory authority in Section 67-3516(2), Idaho Code, to approve a noncognizable increase (or expenditure adjustment) for an agency that has been awarded funding from a non-state source, and at a time when the Legislature could not have taken action through the appropriation process. Agencies are required to submit documentation on the request and how it meets the criteria of Section 67-3516(2), Idaho Code. Request forms should be submitted within 30 days of an award notice. If approved, the agency may enter the noncognizable information into the State Controllers' STARS system for DFM's review and release. A noncognizable increase is reflected as an expenditure adjustment in the agency's budget and is only valid for the fiscal year in which the noncognizable request was approved.

Governor's Recommendation: If an agency is awarded federal funding for a period greater than the time frame of a noncognizable increase, the agency can request the additional appropriation. If the Governor continues to support the agency's needs to expend that grant, the Governor can include the additional appropriation in his annual budget recommendation to the Legislature. Typically, grants that are approved for application and/or a noncognizable increase are recommended by the Governor for the increased appropriation.

Section 67-1916, Idaho Code requires DFM to serve as the central information center for all state agencies requesting financial assistance. This section also requires DFM to provide federal funding information to the Legislature and its committees when necessary. **Section 67-1917, Idaho Code** requires any state agency (excludes postsecondary educational institutions) that receives federal funds, anticipates receipt of federal funds, or administers a program supported by federal funds shall

¹ The DFM prior approval requirement does not apply to individuals in higher education applying for research grants.

provide reports on the use of federal funds as part of each agency's annual budget request; this report is being provided to the subcommittee today.

Roles of the Legislature:

The Legislature's role, through the Joint Finance-Appropriations Committee (JFAC), is to consider the agency request and/or Governor's recommendation for the additional federal fund appropriation.

JFAC: During the first six weeks of a legislative session JFAC holds budget hearings at which time JFAC learns about the agency's request, the Governor's recommendation, and the current level of appropriation for the agency. JFAC will also discuss and inquire about any requests for additional appropriation, including federal funds. In between the budget hearing and budget setting, JFAC members will work with the Budget and Policy Analysis Division staff to prepare a motion to determine how much appropriation will be provided to the agency. This could include an increase or a decrease. Once JFAC approves a motion, a bill is drafted and subject to passage of the entire Legislature and signature of the Governor.

Federal Fund Appropriations in the Appropriation Bill: An agency appropriation bill is set at the statutory levels of spending class (or object codes), fund level, and by budget unit (or program). As a result, the appropriation bill does not delineate the appropriation to specific grants or purposes. This means existing appropriation can be used by the agency for a new grant if not already allocated for a different purpose. For example, a \$100,000 grant to plant trees ends, and simultaneously the agency is awarded a \$100,000 grant to cut trees, then the appropriation initially added for tree planting could be used for the new tree cutting grant. Finally, JFAC may include clarifying language in the appropriation bill to specify allowed or not-allowed uses of the appropriation.

Agencies are however, expected to report when a grant ends and when the appropriation is no longer needed; this is not consistently applied and therefore appropriations are not usually reduced to reflect lost federal funding.