



FEDERAL GRANTS EXCLUDED FROM LEGISLATIVE APPROVAL PROCESS

SOCIAL SERVICES APPROPRIATIONS SUBCOMMITTEE
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ISSUE BRIEF

SUMMARY

[UCA 63J-5-103](#) resulted in \$1.9 billion or 78% of all federal funds in the Social Services Appropriations Subcommittee being statutorily excluded from the FY 2014 approval process. Would the Subcommittee like to propose changing through a bill any of the current grants excluded from the annual approval process?

LEGISLATIVE ACTION

- The Subcommittee may want to reconsider the current statutory exclusions from the annual approval process for certain federal funds. Any changes would need to be done through legislation.

DISCUSSION AND ANALYSIS

Federal Funds Excluded From Annual Approval Process

[UCA 63J-5-103](#) excludes the following federal grants from the annual approval process that flow through the Social Services Appropriations Subcommittee. In most cases agencies still submit the excluded grants as a courtesy with their other grants for approval. The list below totaling \$1.9 billion has each grant and federal funds received in FY 2014 as well as a statement by agencies regarding the current exclusion.

1. Medicaid - \$1.6 billion
2. Children's Health Insurance Program - \$43 million
3. Women, Infant, and Children program - \$53 million
4. Temporary Assistance for Needy Families program, except for a one-time TANF request as defined in Section [63J-5-102](#) - \$43 million
 - a. The Department of Workforce Services believes this grant should continue to be excluded because:
 - i. "TANF is a federal block grant that must be used for four specific purposes pertaining to needy families.
 - ii. TANF's exempt status was fully addressed in the 2015 session. Senator Christensen ran SB47 which carved out a piece of TANF funds which are now subject to the federal funds procedures act. Any uses of TANF above \$1 million that are outside what DWS normally uses TANF for must be approved by the EAC.
 - iii. The legislature has full transparency into DWS's planned uses of all TANF funds as disclosed in the most recent Federal Funds Summary Request."
5. Social Security Act money - \$115 million
 - a. The Department of Workforce Services believes these grant funds should continue to be excluded because:
 - i. "Many of our above named programs fall under this broad category of funds. We believe this was codified to be a catch-all for Social Security Act programs not already listed in the code. The Legislature should not remove the exempt status for Social Security Act funding because there are instances where our agency needs to request and spend funds for one-time situations in a quick manner. For example:

1. During the great recession, the federal government granted funding to states to provide emergency UI benefits—additional weeks of unemployment benefits for individuals who had used all of their regular unemployment benefits. We needed to be able to request the funds quickly and administer them quickly to help the economy and tax payers who suddenly found themselves without work during the great recession. If the exempt status had been removed at that time, it would have taken longer to begin providing the extended benefits and the economy and tax payers would have suffered.
- ii. Reed Act Distributions. Another example of Social Security Act money exempt is Reed Act funds. If the federal government finds that there are excessive federal tax revenues under the Federal Unemployment Tax Act (FUTA), they redistribute the excess funds back to the states. This is not a common occurrence, but it does happen from time to time. This is not part of the UI administrative grant. The Legislature already has oversight over these funds because the Legislature must give our agency a specific appropriation to use these funds. Therefore, removing the exempt status would simply create more administrative work with no additional benefit.”
- b. The Department of Human Services believes that Social Security Act money and the Substance Abuse Prevention and Treatment program below should continue to be excluded because: “Funding is integral to the statutory expectation of the Department. The exemption allows for the Department to respond to emergency situations quickly and effectively. Department operations are subject to overall legislative review and approval. The legislature appropriates the General Fund needed for State match and/or MOE and therefore has ability to influence the amount of federal funds we receive.”
6. Substance Abuse Prevention and Treatment program - \$16 million
 - a. (See agency response to #5 above.)
7. Child Care and Development Block Grant - \$56 million
 - a. The Department of Workforce Services believes this grant should continue to be excluded because:
 - i. “The Legislature has already created an advisory committee in code that oversees and advises the child care office on how to spend CCDF funds. This committee is made up of state agencies, childhood development experts, child care business owners, non-profits, child care advocates and parents.
 - ii. The legislature has full transparency into DWS’s planned uses of all CCDF funds as disclosed in the most recent Federal Funds Summary Request.”
8. Supplemental Nutritional Assistance Program Administration and Training money - \$19 million
 - a. The Department of Workforce Services believes this grant should continue to be excluded because:
 - i. “Food stamps is an entitlement program – the kind of government program that provides individuals with personal financial benefits to which an indefinite number of potential beneficiaries have a legal right (enforceable in court) whenever they meet eligibility conditions specified by federal law. The benefits granted are 100% federal funds. The Legislature would not be able to modify any of the benefits granted since the federal law is highly restrictive. Therefore, removing the exempt status from food stamps would merely create more administrative work without realizing a benefit to the tax payer.

- ii. The Legislature appropriates the matching funds for the administration of the food stamp program (50/50 match requirement). Therefore, the Legislature already exerts a measure of control over the federal food stamp administrative expenses without removing the exempt status from the food stamp program.”
- 9. Unemployment Insurance Operations money - \$25 million
 - a. The Department of Workforce Services believes this grant should continue to be excluded because:
 - i. “The UI program does not impact the General Fund.
 - ii. Federal oversight already creates an incentive for our agency to be efficient. Oversight of the funds is determined through a Resource Justification Model (RJM). Each state reports their workload and associated administrative costs to the Department of Labor for a total amount of money needed to run the UI program nationally. Oftentimes, Congress will appropriate an amount less than this request. States that have a demonstrated pattern of operating more efficiently are less likely to have their funds decreased year-to-year in order to continue successful operations. States that do not operate efficiently are more dependent on the generosity of congressional appropriations. ”

“The Department of Health believes that the Medicaid, Children’s Health Insurance Program (CHIP) and the Women Infant and Children (WIC) grants currently exempt from the federal funds procedures act should remain exempt.

1. The Department of Health already includes these grants in the Federal Funds Summary Request reviewed, approved and appropriated by the Legislature. The Department of Health is committed to transparency and provides extensive reports and information on these grants. There would be no additional information or benefit to changing existing statute.
2. Medicaid, CHIP and WIC have extensive federal regulations that govern how the funds may be used. The Legislature must appropriate the state match required for the Medicaid and CHIP grants and receives regular reports on the consensus process used for determining funding for Medicaid and CHIP. The Medicaid and CHIP programs receive a very rigorous review as part of the consensus and appropriation process by the Governor’s Office of Management and Budget, Legislative Fiscal Analyst Office, and the Appropriations Subcommittee. The WIC grant is 100% federally funded.”

The Department of Workforce Services also included the following statement regarding the exclusion of some federal grants from the annual review process:

“The Department of Workforce Services believes its programs that are currently exempt from the federal funds procedures act should remain exempt for the following reasons:

1. Government efficiency: removing the exempt status of our federal programs creates more administrative work and costs the tax payers more money...without any real added benefit to the tax payer.
2. DWS already includes a full breakdown of our federal program budgets in our Federal Funds Summary Request that the Governor’s Office and the Social Services Appropriations Subcommittee review regularly. Therefore, the legislature already has full transparency of DWS’s planned federal program participation and the federal funds DWS plans to accept.

3. DWS is bound by the Federal regulations that tightly govern how much funding we receive and how we can spend it. Adding an additional layer of approval to spend federal funds in a way that is already federally mandated is redundant and simply creates more work.
4. The Legislature appropriates the state match portions for our federal programs, which means the Legislature already exerts a measure of control over the expenditure of funds for federal programs which have match or maintenance of effort requirements.
5. Keeping the programs exempt allows some flexibility when emergency situations occur and allows DWS to be nimble and responsive when necessary.”

The table below shows a summary of the \$10.8 billion of \$15.4 billion or 70% in federal funds in the Social Services Appropriations Subcommittee that have been excluded from the annual approval process from FY 2009 through FY 2014.

Grant (\$ in Millions)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Medicaid	\$ 1,277	\$ 1,411	\$ 1,407	\$ 1,345	\$ 1,427	\$ 1,579
Children's Health Insurance Program	\$ 55	\$ 60	\$ 54	\$ 58	\$ 54	\$ 43
Women, Infant, and Children program	\$ 53	\$ 55	\$ 57	\$ 57	\$ 56	\$ 53
Temporary Assistance to Needy Families program	\$ 83	\$ 86	\$ 83	\$ 60	\$ 52	\$ 43
Social Security Act money	\$ 93	\$ 89	\$ 84	\$ 99	\$ 101	\$ 115
Substance Abuse Prevention and Treatment program	\$ 17	\$ 17	\$ 17	\$ 17	\$ 17	\$ 16
Child Care and Development Block Grant	\$ 42	\$ 44	\$ 45	\$ 54	\$ 49	\$ 56
SNAP (Supplemental Nutritional Assistance Program) Administration and Training money	\$ 25	\$ 27	\$ 26	\$ 23	\$ 22	\$ 19
Unemployment Insurance Operations money	\$ 25	\$ 27	\$ 25	\$ 28	\$ 31	\$ 25
Subtotal Excluded Federal Funds	\$ 1,669	\$ 1,815	\$ 1,799	\$ 1,741	\$ 1,810	\$ 1,949
Percentage Excluded Federal Funds	76%	64%	65%	68%	72%	78%
Included Federal Funds	\$ 522	\$ 1,038	\$ 979	\$ 831	\$ 689	\$ 548
Grand Total All Federal Funds	\$ 2,191	\$ 2,854	\$ 2,779	\$ 2,571	\$ 2,499	\$ 2,497

The sections below provide an overview of the current approval process for federal fund subject to annual approval.

Current Subcommittee Options for Included Federal Grants

As per UCA 63J-5-201 the subcommittee has at least the following three options for federal funds subject to the annual approval during the annual General Session:

1. “Recommend that the agency accept the federal funds or participate in the federal program for the fiscal year under consideration”
2. “Recommend that the agency not accept the federal funds or participate in the federal program for the fiscal year under consideration.”
3. Direct the agency to accept some, but not all of the federal funds listed above

The full Legislature takes action based on the subcommittee recommendation. [UCA 63J-5-102](#) allows agencies to spend 125% of the approved amount for each grant before needing additional approval.

Size of Grants Subject to Approval by the Executive Appropriations Committee

As per UCA 63J-5-204 grants received after this approval process by the subcommittee that meet any of the following three criteria must be approved by the Executive Appropriations Committee:

1. More than \$1,000,000 up to \$10,000,000
2. Add 1 to 10 permanent or part-time employees
3. Require any State match up to \$1,000,000

Grants Subject to Approval by the Full Legislature

As per UCA 63J-5-204 grants received after this approval process by the subcommittee that meet any of the following three criteria must be approved by the full Legislature:

1. Above \$10,000,000
2. Add 11 or more permanent or part-time employees
3. Require any State match above \$1,000,000

Additional Information About Federal Funds

- The Catalog of Federal Domestic Assistance (CFDA) includes more detail on each program. You can access additional information for the various programs online at www.cfda.gov and searching by CFDA number.
- www.usaspending.gov - federal government reporting requirements for designated grants over \$25,000.
- “Federal Funding in the States” by the Council of State Governments - <http://knowledgecenter.csg.org/kc/content/federal-funding-states>