

Federal Fund Issues

May 21, 2002

**A Report to the Executive Appropriations Committee
Of the Utah State Legislative**

**Prepared by
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Overview

The FY 2003 state budget includes \$1,722,264,000 of federal funds anticipated for services delivered by state agencies. This represents almost 23 percent of the total \$7.6 billion state appropriation.

The Legislature passed legislation to respond to opportunities for additional federal funds when it is not in session. The statute (UCA 63-40-4) reads as follows:

All applications made by agencies of the state for federal assistance program funds, with the exception of the State Board of Education, university, and college research grants, shall be approved by the governor prior to their submission to the federal authorities. The governor may not approve any applications submitted between legislative sessions if the Legislature has indicated an intent to reject the program requested. If a federal assistance program is approved and accepted between legislative sessions, the governor may authorize the state agency designated to receive the funds to expend such funds from the date they become available until June 30 following the next annual general session of the Legislature, subject to the following limitations:

- (a) the expenditure is consistent with state law and with the terms of the grants; and*
- (b) the program does not commit the Legislature for matching funds for future years unless the program has first been approved by the Legislature in an appropriations act.*

Any application for a federal assistance program approved between legislative sessions and every grant or program awarded by the federal government shall be reported to the Legislature through the Executive Appropriations Committee and by notifying the Office of Legislative Fiscal Analyst and the Office of Legislative Research and General Counsel through their directors.

Any state agency that participates in any federal assistance program shall make such reports regarding it as the federal assistance management officer, the Executive Appropriations Committee, or the Office of Legislative Fiscal Analyst requires.

Unless specifically exempted from this chapter, in any fiscal year in which federal grants to be received by state agencies, departments, divisions, or institutions are reduced below the level estimated in the appropriations acts for that year, the programs supported by those grants must be reduced commensurate with the amount of the federal reduction unless the Legislature appropriates state funds to offset the loss in federal funding.

This program modification shall be reported to the Legislature through the Executive Appropriations Committee and the Office of Legislative Fiscal Analyst.

The Executive Appropriations Committee may:

- (1) review, as detailed by program and by governmental agency, any federal assistance program in which the state currently participates or in which the federal assistance management officer recommends the state's participation; and*
- (2) at least annually, arrange a joint meeting of the committee in which all members of the state's congressional delegation are invited to attend and discuss issues relating to federal mandates and the appropriate or inappropriate use of federal power to influence state policy.*

**Review by
Governor's Office**

The level of federal funds in the appropriation act reflects what the agencies anticipate for upcoming fiscal year. However, the actual level may differ from the appropriated amount due to (1) some of the anticipated funding not materializing, and (2) the opportunity for additional federal funds due to new grants and new programs, which occur throughout the year. Years ago, agencies would apply for new grants with little or no State oversight. However, now agencies must submit a request to the Governor's Office of Planning and Budget prior to applying for new grants. This ongoing oversight authority was given to the Governor's Office by the Legislature so that agencies could take advantage of these opportunities during the year when the Legislature was not in session. These grants then become part of the budget that is reviewed during the following session.

In response to the requirement listed above, the Governor's Office of Planning and Budget requires a report from all agencies prior to applying for a federal grant. A sample of this report is included in Appendix I.

The report is designed to address the concerns of the Legislature dealing with (1) the program's funding after the federal funding is no longer available, and (2) the number of FTE positions that the grant will add to the agency. The Legislature is very concerned that programs get started with federal funds, hire new employees, and then when the grant expires, state funds are requested to maintain the program and FTEs.

During the April Executive Appropriations Committee meeting, the Analyst was requested to include a listing of any grants that had been denied by the Governor's Office. Appendix II, from a 1999 GOPB report, shows ten grants that were denied during FY 1998 and 1999. The Governor's Office indicates that no grants were denied during the past year, due at least in part to agencies being more careful and thorough in their submissions.

**Report to Executive
Appropriations
Committee**

Over the past several years, the Office of the Legislative Fiscal Analyst has periodically reported to the Executive Appropriations Committee the federal grants for which state agencies are applying. This reporting has been on an ongoing basis, to keep the Legislature, through the Executive Appropriations informed as to the status of federal funds throughout the year.

Report to Appropriations Subcommittees

During the Legislative Sessions, the analysts for each appropriations subcommittee present a three-year history of federal grants utilized as part of the plan of financing for each line item. This information helps the legislators understand how the federal grants increase or decrease over the three-year time frame and also encourages a discussion of the usage of federal funds in the agency.

Review by State Auditor

In addition to the oversight provided by the Governor’s Office, the State Auditor annually performs a compliance audit of all federal funds expended to determine whether the funds were spent in accordance with federal laws and regulations, as required by federal audit standards.

The following table lists only the federal fund appropriations by subcommittee. The one exception is the Department of Human Services and Health, which are listed separately.

State of Utah Appropriations Comparison FEDERAL FUNDS ONLY						
Subcommittee/Agency	FY 2001 Actual	FY 2002 Estimated	FY 2002 Supplemental	FY 2002 Revised	FY 2003 Appropriated	Percent Difference
Executive Offices & Criminal Justice	38,372,900	55,490,700	647,400	56,138,100	40,443,400	-27.96%
Capital Facilities & Administrative Services	1,170,000	47,600		47,600	7,877,800	16450.00%
Commerce & Revenue	174,148,100	195,384,700	3,439,800	198,824,500	198,800,000	-0.01%
Economic Development & Human Resources	35,072,200	36,642,800	(1,511,500)	35,131,300	37,142,700	5.73%
Health & Human Services - Department of Health	711,888,902	767,493,900	(5,686,315)	761,807,585	822,138,600	7.92%
Health & Human Services - Department of Human Services	103,601,347	117,411,400	(2,433,000)	114,978,400	114,360,000	-0.54%
Higher Education - Medical Education	401,200	440,000		440,000	440,000	0.00%
Higher Education	4,502,700	4,619,700		4,619,700	4,619,700	0.00%
Higher Education - Utah Education Network	3,346,800	3,318,700		3,318,700	3,363,600	1.35%
Natural Resources	24,250,400	21,695,700	1,860,600	23,556,300	25,512,600	8.30%
Public Education	235,910,100	236,827,100	(9,700)	236,817,400	236,728,900	-0.04%
Transportation & Environmental Quality	314,723,200	235,434,800	(5,400)	235,429,400	230,836,600	-1.95%
Total	\$1,647,387,849	\$1,674,807,100	(\$3,698,115)	\$1,671,108,985	\$1,722,263,900	3.06%

New Federal Grant Applications

The list of federal grant applications that have been submitted since the 2002 Legislative Session ended are included in Appendix III. During the April Executive Appropriations Committee meeting, the Analyst was requested to highlight those grants that indicated new FTEs as well as those grants where state funding would be requested following the grant’s termination. The grants where FTE would be added are highlighted with an outline; the grants where continuation funding will be requested are shaded. Three of the grants (two from the Department of Public Safety and one from the State Office of Education) have both new FTEs and continuation funding will be requested.

Interim Legislative Authority

During the past session, there was some discussion that too much authority had been delegated to the executive branch relative to new federal grants. Some of the budget documents showed that the “estimated” level of federal funds was significantly higher than the amount appropriated by the Legislature during the 2001 session. There were discussions that the Legislature should rescind the authority it has given to the executive branch in allowing new federal funds. A change to current statute would be required to take this authority back. If Legislative authorization were required for all federal grants, this authorization could only take place during a General Session or during a Special Session.

Summary

Because federal funds play such a significant part of the plan of financing for the state budget, it is important for both legislators and the staff of the Analyst’s office to know which grants are being considered, when those grants will affect the budget, and future implications in accepting those grants.

The Analyst has tried to provide such information to the Legislature and will continue to provide whatever information that the Legislature feels is most useful.

The Analyst recommends that the Executive Appropriations Committee continue to hear the periodic update of new federal grants and continue to have the Governor’s Office of Planning and Budget authorize agencies in their applications. The Analyst’s office welcomes suggestions on how reports can be improved to address any concerns.