

STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

November 15, 2014

Senator John Fonfara, Co-Chair
Representative Patricia Widlitz, Co-Chair
Senator Scott Franz, Ranking Member
Representative Sean Williams, Ranking Member
Finance, Revenue and Bonding Committee

Senator Beth Bye, Co-Chair
Representative Toni Walker, Co-Chair
Senator Robert Kane, Ranking Member
Representative Craig Miner, Ranking Member
Appropriations Committee

Senator John Kissel, Co-Chair
Representative Mary Mushinsky, Co-Chair
Senator John Fonfara, Ranking Member
Representative Christie Carpino, Ranking Member
Program Review and Investigations Committee

Dear Co-Chairs and Ranking Members:

As required by Public Act 13-294, *AAC Recommendations of the Legislative Program Review and Investigations Committee Concerning Maximizing Alternative Revenue*, attached is the first annual report detailing the state's efforts to maximize alternative revenues.

This is an important area of focus for the state and I am encouraged by our results to date. In September 2013, in response to the PRI recommendation that a more centralized approach toward maximizing federal revenues would be beneficial, Governor Malloy established the Interagency Grant Coordination Committee (letter attached). The committee has focused on opportunities for technical assistance in grant writing, increased information sharing and enhanced awareness of competitive grant opportunities. In an effort to improve success in obtaining grant funds, agencies have also been encouraged to have the Governor sign letters of support to accompany grant applications.

At an initial meeting in September 2013, OPM and the Governor's office developed a template for reporting agency grant activities. To help in that regard, OPM undertook automating the entire federal grant application process, from notifying OPM as required by statute, to the steps required to make funding available in concert with the Office of the State Comptroller. A benefit of this automation initiative is that in July 2014, the first automated monthly reports were generated from the system. (A copy of the instructions to agencies are attached.)

Please see the attached report which details applications for competitive grants from November 2013 through November 1, 2014. Note that the report includes only competitive grants and does not include formula or block grants or matching grants (e.g., Medicaid) as the state is entitled to those funds by virtue of law or funding formula. As noted in the report, to date agencies have been awarded \$318.1 million.

Announcements of awards are often delayed for one reason or another, especially when federal budgets are not finalized and the government is supported with continuing resolutions and facing potential shutdowns. Also, the amount of the award is often negotiated after the award is made. This first report reflects the compilation of the many months of manual reporting and the transition to the electronic system. We anticipate that subsequent reports will vary in presentation as well as uniformity of data collection and presentation.

As noted above, I believe it is very important for the state to seek federal funding, but it is also important to reiterate the criteria that my office uses to review requests by the state agencies when they apply for federal funding. As cited in my June 29, 2013 testimony for the PRI public hearing, we review funding opportunities for consistency with the agency and administration goals, conditions of accepting the funding (including whether acceptance of the grant commits the state to long term obligations after grant funding ends) and match requirements.

Even when a decision is made to pursue federal grant dollars, sometimes the state is not successful for reasons that have nothing to do with the quality of the application. As you might expect, federal agencies may seek to minimize repeat awards, or desire to spread funding around the country.

Additionally, there has been much attention paid to reducing the number of earmarks in the federal budget, which could affect the amount of funds directed to the state, particularly the state's municipalities and universities. As a result of all these factors, we should not anticipate that there will be a significant increase in new federal money coming to the state.

Lastly, we should all acknowledge that there may be times where it does not make sense to go after federal funding. For instance, if acceptance of the grant would require the state to adopt policies or adhere to requirements that are objectionable or contrary to state policy direction. It is an inherent characteristic of our system of fiscal federalism that the federal government will try to bring about policy and behavioral changes on the part of the states through the "carrot" of federal funding. As a result, we are careful not to allow a mindset that every federal dollar is necessarily a "good" federal dollar. We try only to approve those federal grant opportunities that support the policy direction of the state.

There are several ways the state receives federal revenue and each comes with different responsibilities and requirements. The goal is to get money that furthers the objectives of the state without unintended fiscal and programmatic consequences. Some of the ways the state obtains federal funds are: (1) formula grants (e.g., block grants); (2) competitive grants; (3) direct grants for state agency activities; and (4) reimbursement for services the state has provided. As I mentioned, there are often restrictions and requirements attached to federal funding:

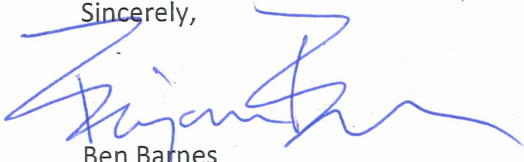
- Required match / maintenance of effort requirement – Oftentimes, when agencies apply for federal dollars, they must point to state resources as a match for the federal funding or as is the case with many block grants, the state must show a maintenance of effort which means that state funding in specific areas cannot be reduced below certain levels to avoid federal penalties or loss of funding. In difficult fiscal times, this significantly restricts what programs can be reduced because so many of the dollars are used for match or in maintenance of effort calculations.
- Duration of the funding – Because of incidents in the past that have obligated the state to the pickup of federal funding, OPM reviews agencies' Notices of Intent (NOIs) to apply for federal dollars. These are reviewed with an eye toward assuring that agencies are not starting programs

with federal funding that are short in duration and which would obligate the state to continue the program when federal funding ends.

- Supplantation – Federal money can only be used to expand what the state is doing in an area and cannot be used to replace state efforts.

In closing, we will continue to review and pursue available grant opportunities when they are consistent with the parameters outlined above and would best position the state to move forward. If you have any questions about the attached report, please feel free to contact me or my pint person on these matters: Judith Dowd, Fiscal and Program Policy Section Director, 860-418-6259 or Judith.dowd@ct.gov.

Sincerely,



Ben Barnes
Secretary

cc: Al Calandro, OFA
Paul Potamianos, OPM
Susan Keane, Senior Committee Administrator, Appropriations Committee
Mary Finnegan, Senior Committee Administrator, Finance Committee
Carrie E. Vibert, Director Program Review and Investigation
Catherine Conlin, Program Review and Investigation, Project Staff
Eric Michael Gray Program Review and Investigation, Project Staff