

**Joint Legislative Audit and Review Commission
of the Virginia General Assembly**



**Review of Virginia's Activity in
Maximizing Federal Grant Funding**

**JLARC Staff Briefing
Eric Messick
October 14, 2003**

Introduction

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Presentation Outline

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- Introduction**
- Overview of Federal Grant Funding**
- Factors Affecting Virginia's Receipt of Federal Grant Funding**
- Greater Centralization of Grants Management May Be Beneficial**

Study Mandate

- **In July 2002, the Commission directed JLARC staff to review Virginia's activities in maximizing federal grant funding**

- **The Commission directed two specific efforts:**
 - **Develop an inventory of available federal grants and the corresponding requirements for participation, and**
 - **Review the potential to use more Medicaid funds for school health programs, special education services, and after-school programs**

Study Issues

- **Do opportunities exist for Virginia to increase the State's share of federal grant funding?**
- **To what extent have programmatic factors and grant restrictions prevented Virginia from increasing its share of federal grant funding?**
- **Is there a potential to use more Medicaid funds for school health programs, special education services, and after-school programs?**
- **Do opportunities exist for improving the State's approach for identifying and applying for federal grants?**
- **How does Virginia's current approach for identifying and applying for federal grants compare to that of other states?**

Research Activities

■ Structured Interviews:

- JLARC staff contacted more than 280 individuals concerning Virginia's ability to maximize federal grant opportunities, including:
 - More than 200 federal grants program managers and staff
 - More than 50 State program staff associated with federal grants programs
 - Staff in the offices of six members of Virginia's Congressional Delegation
 - Staff in nine other states' health and human resources areas
 - Staff in 10 other states' Single Point of Contact offices
 - Staff in seven other states' Legislative Liaison Offices

■ Case Study Reviews

■ Literature and Document Reviews

Research Activities

(continued)

■ Data Analysis of Federal Grants Information

- JLARC staff categorized the more than 1,000 federal grants identified using the U.S. Census Bureau's *Consolidated Federal Funds Reports – 2002* into two groups, those for which:
 - Virginia received grant funding, or
 - Virginia was eligible but received no funding
- The latter group of 412 grants was categorized into one of three assistance types: formula, project, or unknown
- JLARC staff then calculated an estimated Virginia amount for each grant based on Virginia's population as a percentage of the entire U.S. population. Based on these calculations, grant programs with the greatest estimated potential share received research priority

Research Activities

(continued)

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■ Data Analysis of Federal Grants Information (continued)

- **JLARC staff examined more than 180 of the 412 federal grants programs and contacted federal personnel for each of these programs to determine whether:**
 - **Virginia was eligible,**
 - **The State had received any funding from the program in FFY 1999, 2000, or 2001, or**
 - **An application from the State had been received during those years**
- **If the State was eligible, but had not received funding or had not applied, JLARC staff then contacted the appropriate State government program staff**

Summary of Staff Findings

- Virginia has typically ranked high among the states in terms of overall federal expenditures since FFY 1995, but has ranked in the bottom tenth for federal grant obligations
- In FFY 2002, entities in Virginia were obligated more than \$7.7 billion in funding from more than 600 federal grants programs, but at the same time there were more than 400 grants from which the State received no funding
- While there were some federal grant funding opportunities that Virginia did not pursue in FFY 2002, generally these grants were competitively awarded and comprised of smaller dollar amounts, totaling about \$19.5 million

Summary of Staff Findings

(continued)

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- **Several factors affect Virginia's ability to increase the amount of federal grants made to the State, including the availability of funding to meet federal matching requirements, current State spending levels for some grant programs, and agency staffing and resources**
- **The departments of Medical Assistance Services and Education have jointly developed initiatives to increase the federal Medicaid funding for special education services (projected net revenue of \$4 million in fiscal year 2004), but it does not appear that similar opportunities exist for school health or after-school programs**
- **Virginia's federal grants participation may benefit from further centralization efforts within the Department of Planning and Budget, specifically in the areas of grants identification, notification, and enhanced application development training**

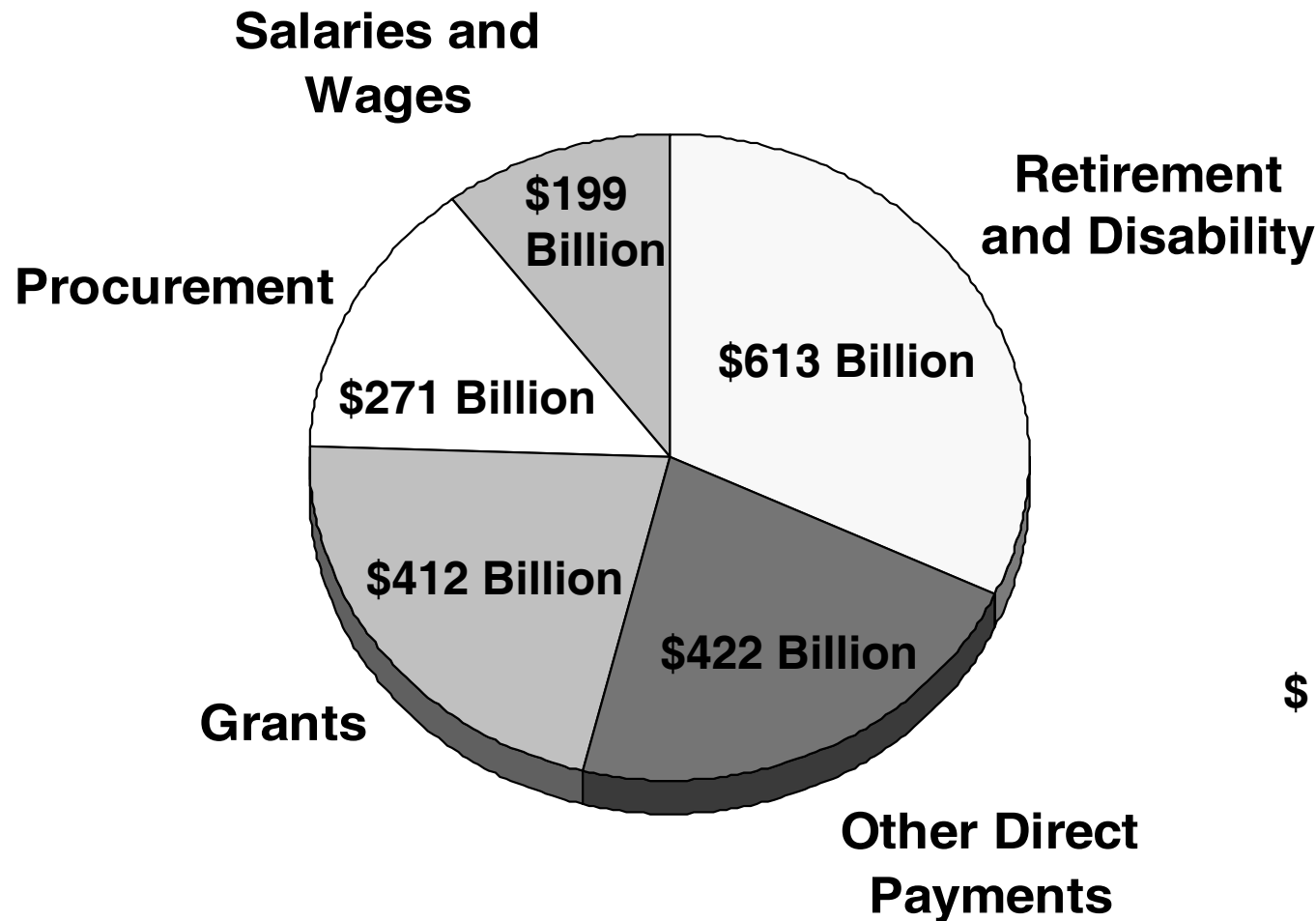
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Summary of Federal Government Expenditures FFY 2002

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**Total FFY 2002
Federal
Expenditures:
\$ 1,917,637,000,000**

Federal Grant Awards Are Made to State and Local Governments and Nongovernmental Recipients

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- **According to staff at the U.S. Census Bureau, the *Consolidated Federal Funds Report* identifies grant award amounts obligated to:**
 - **State governments (including public universities),**
 - **Local governments,**
 - **Multi-jurisdictional or regional governments (if so classified by the awarding federal agency),**
 - **Private colleges and universities,**
 - **Private hospitals,**
 - **Individuals,**
 - **Not-for-profit businesses, and**
 - **Others**

Types of Federal Grant Programs

- **Formula Grants reflect allocations to states based on a federally established statistical factors**
 - 176 Formula Grants currently listed in the *Catalog of Federal Domestic Assistance*
 - Examples:
 - Medicaid
 - Transportation Equity Act for the 21st Century
 - Special Education – Grants to States

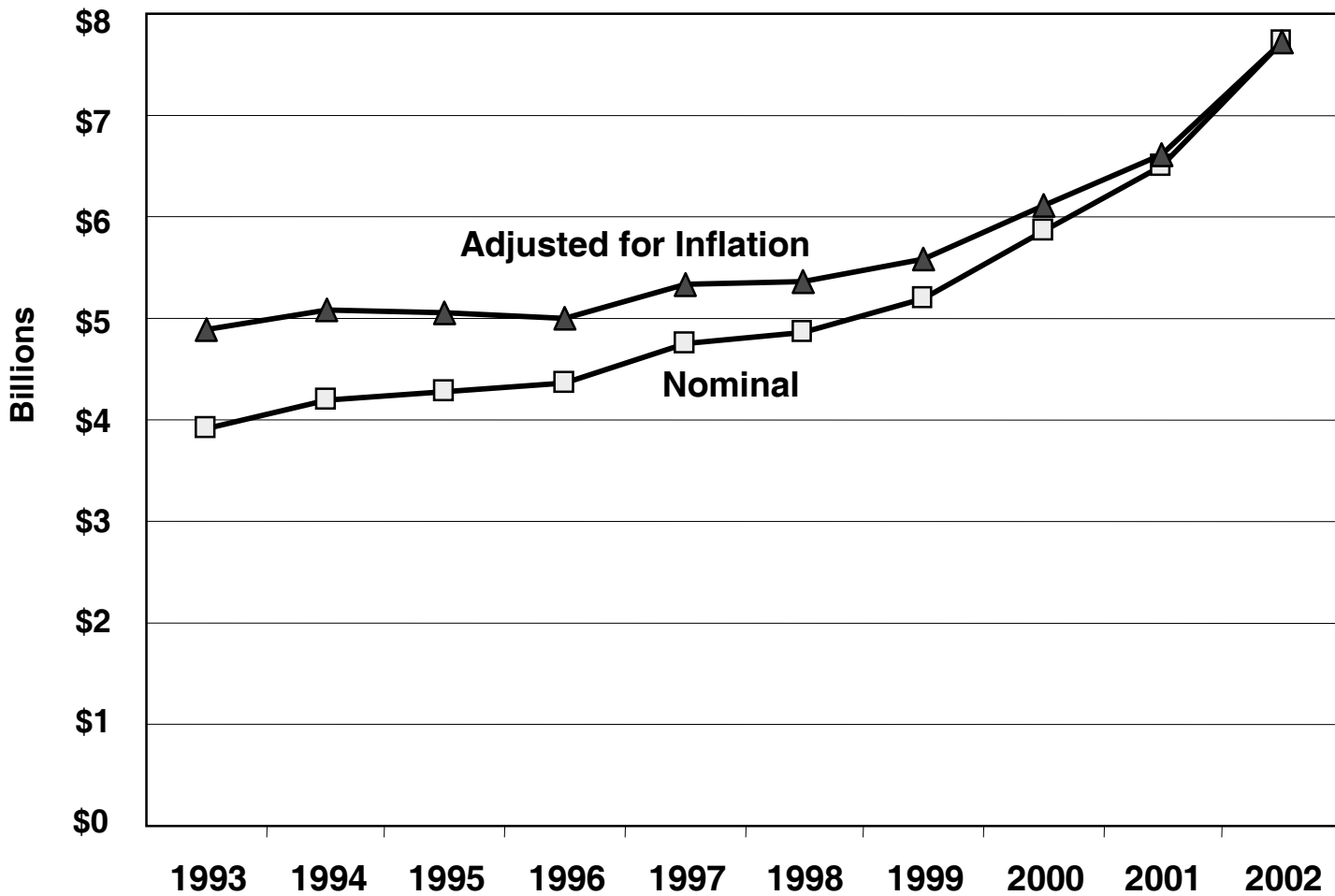
- **Project Grants are competitively awarded and represent funding that is available for a specific activity or service over a fixed time**
 - 922 Project Grants currently listed in the *Catalog of Federal Domestic Assistance*
 - Examples:
 - Airport Improvement Program
 - Fisheries Disaster Relief
 - Veterans' Employment Program

Number of Grants Awarded and Award Amounts FFYs 2000-2002

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Federal Fiscal Year	Number of Grants		Total Award Amounts (Millions)	
	Virginia	United States	Virginia	United States
2000	589	1,023	\$5,850	\$342,146
2001	578	1,031	\$6,513	\$369,610
2002	623	1,055	\$7,714	\$412,371

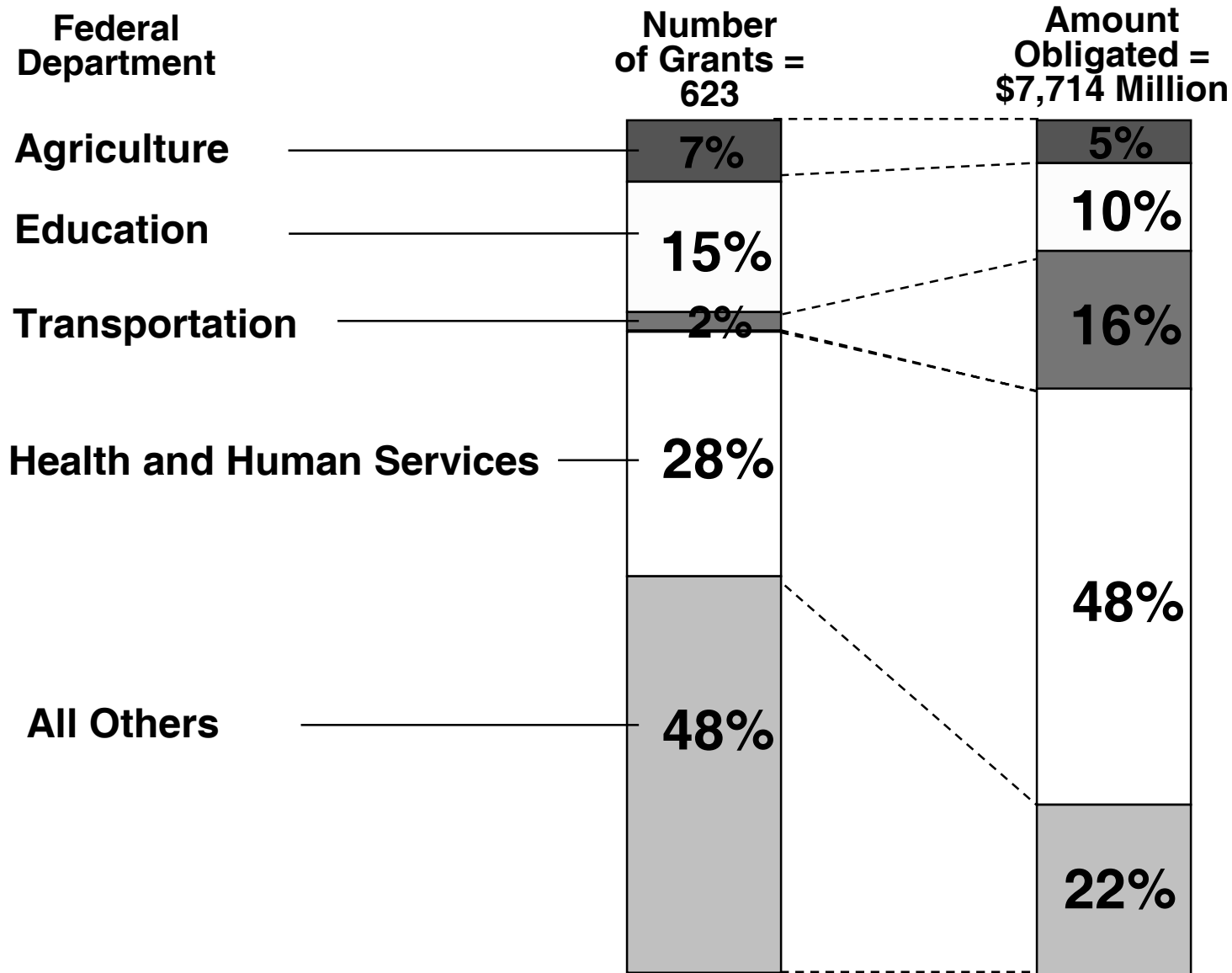
Annual Federal Grant Obligations to Virginia FFYs 1993 - 2002



Five Largest Grant Award Amounts to Virginia, FFY 2002

Federal Grant	Amount Obligated to Virginia (Millions)	Percent of All Grant Funds Obligated to Virginia
Medical Assistance Program (Medicaid)	\$ 2,205	29%
Highway Planning and Construction	1,002	13%
Section 8 Housing Choice Vouchers	366	5%
Special Education - Grants to States	181	2%
Temporary Assistance for Needy Families (TANF)	177	2%
Totals	\$ 3,931	51%

Proportions of Federal Grant Awards to Virginia, FFY 2002 by Federal Department, Number of Grants, and Amount

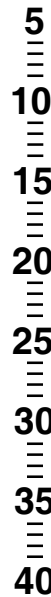


Virginia's Ranking Among the States for Per Capita Federal Expenditures and Grants Obligations, FFY 2002

Virginia ranked second in the nation in per-capita *federal funds* received



\$10,220 per capita
(National average: \$6,527)



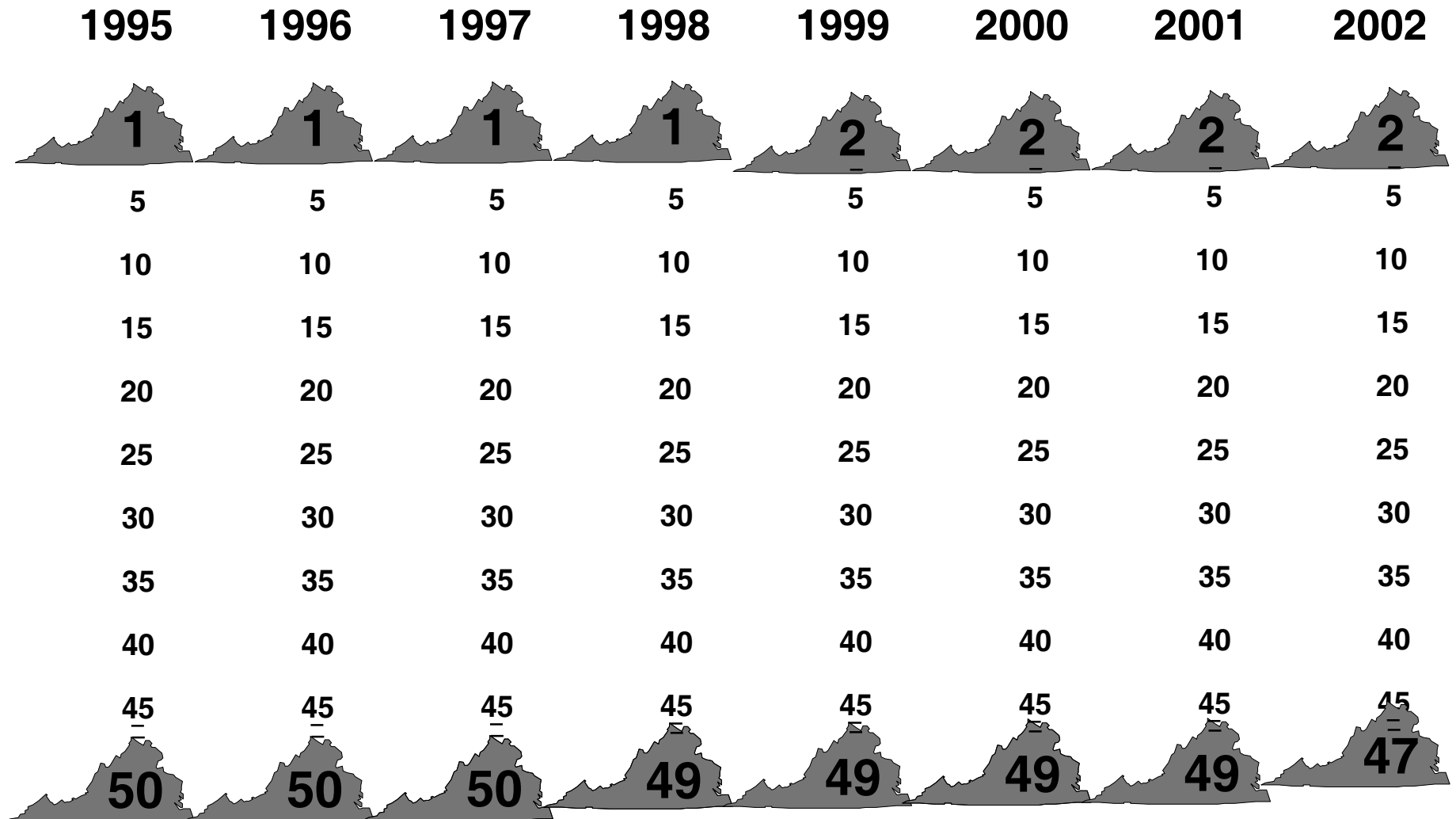
Virginia ranked 47th in the nation in per-capita *federal grants* received



\$1,058 per capita
(National average: \$1,410)

Virginia's Rankings Among the States for Per-Capita Federal Expenditures and Grant Obligations, FFYs 1995-2002

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Comparison of Per-Capita Grant Funding FFY 2001

States	2001 Per-Capita Income	Rank	Difference from Virginia	2001 Per-Capita Grant Amount	Rank	Difference from Virginia
New Hampshire	\$33,298	6	\$ 1,633	\$ 1,042	37	\$ 207
Colorado	32,957	7	662	910	47	76
Minnesota	32,791	8	496	1,069	35	235
Illinois	32,755	9	460	957	46	122
California	32,678	10	383	1,175	28	340
VIRGINIA	32,295	11	---	835	49	---
Delaware	32,121	12	-174	1,138	31	303
Washington	31,582	13	-713	1,153	30	318
Alaska	30,997	14	-1,298	3,690	1	2,856
Pennsylvania	30,617	15	-1,678	1,209	23	374
Rhode Island	29,984	16	-2,311	1,533	10	699
NATIONAL	\$30,271		\$-2,024	\$ 1,189		\$ 354

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Federal Grant Opportunities Totaling \$19.5 Million Were Identified

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- **JLARC staff identified 32 federal grant programs that Virginia did not pursue in FFY 2002**
 - **These programs had an estimated value of \$18.1 million**
 - **However, the majority of these programs are competitively awarded and, as a result, there is no guarantee of a funding award**

- **The Department of Housing and Community Development could potentially retain \$1.4 million in funding for homeless assistance by coordinating local groups to provide certain services under the federal Supportive Housing Program to areas of Virginia currently without those services**

Changes to Virginia's Special Education Services May Produce Additional Medicaid Reimbursements

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- **Item 138.P of the 2002 Appropriation Act required the departments of Education and Medical Assistance Services to “expand the services covered under the special education billing program in order to generate additional federal Medicaid funds for local school divisions”**

- **DMAS and DOE have developed the following initiatives:**
 - **Increased or expanded special education services for which school divisions can bill, and increased reimbursement rates for other services,**
 - **Streamlined administrative requirements, making it easier for school divisions to bill Medicaid,**
 - **Created a free, web-based billing service through which school divisions can submit their reimbursement claims, and**
 - **Enabled school divisions to claim federal reimbursement for the costs associated with administering the Medicaid program**

Changes to Virginia's Special Education Services May Produce Additional Medicaid Reimbursements (continued)

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- **According to DMAS, only 67 of the State's 134 school divisions billed DMAS during the 2002-2003 school year for special education services for which Medicaid will provide reimbursement. As a result, these school divisions received about \$3 million in revenue and DMAS received about \$800,000**
- **DMAS estimates indicate that based on some school divisions use of some of these strategies the State should expect approximately \$4 million in net revenue for fiscal year 2004**
- **Initial consultants' estimates provided to DMAS and DOE indicated that the potential for increased Medicaid billing might be as much as \$70 million annually, based on full implementation by all 134 school divisions. Of that estimated amount, the State and local school divisions would each be eligible for 25 percent of the federal reimbursement**

Availability of State Matching Funds Limits Federal Grant Funding

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- **Some federal grants require that the award recipient provide some type of contribution to the program, such as cash, maintenance of effort, facilities, or other assistance**

- **State program staff contacted for this review indicated that a lack of available State contribution can negatively affect an agency's decision to participate in a grant program:**
 - **Virginia has not submitted a funding application for the WIC Farmer's Market Nutrition Program in recent years due to a lack of required State matching funds**

 - **State budget reductions would have resulted in the State not meeting the maintenance of effort requirements for the Substance Abuse Prevention and Treatment grant and losing \$2 million in federal funding. An emergency appropriation from the 2003 General Assembly prevented this loss**

Virginia's Relatively High Per-Capita Income Limits Some Opportunities

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- **Certain federal formula grants use per-capita income as a statistical factor when calculating state allocations**
- **According to the U.S. Census Bureau, Virginia's 2001 per-capita personal income of \$32,295 ranked eleventh among the states**
- **Virginia receives less in federal reimbursements than states with lower per-capita incomes. For example:**
 - **The federal government reimbursed Virginia's Medicaid program approximately 51 cents for every dollar in State spending during FFY 2002 – 2004**
 - **North Carolina, which ranked 32nd in per-capita personal income, received about 64 cents in federal reimbursement for every dollar of state Medicaid spending**

Virginia's Limited Spending for Certain Programs Affects Reimbursement

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- **Because the federal government reimburses states for their spending on certain programs, states that spend more on those programs receive a larger sum of federal funding**

- **Virginia has chosen to spend less than other states on some of the larger programs, resulting in less federal reimbursement:**
 - **Virginia's 2000 monthly cash assistance payments for TANF were \$193 less than the average of the ten states with per-capita income most similar to Virginia's**
 - **Virginia's 2000 per-capita Medicaid spending was \$610 less than the average spending of these same ten states**

Other Factors Also Affect Virginia's Ability to Increase Federal Grant Funding

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- **Recipients may be required to assume full funding responsibility for a grant program after the award period has concluded**
 - **During the first three years of the five-year Comprehensive Community Mental Health Service Initiative program, every state dollar is matched by three federal dollars. In year four, that ratio decreases to one to one, and in the fifth year state's are expected to contribute two dollars for every one federal dollar**

- **Competitive awarding of project grants limits potential funding**
 - **Competitive grants for academic research may depend on established expertise of a state's college or university researchers**

Other Factors Also Affect Virginia's Ability to Increase Federal Grant Funding (continued)

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- **Federally established grant application deadlines can affect an agency's decision to prepare an application**
 - **According to Department of Emergency Management staff, states were given three days to respond to a grant announcement for the *State Domestic Preparedness Equipment Supply Program***

- **While Virginia is eligible for the majority of federal grant opportunities, some grants are targeted to populations outside the State**
 - **Some grants are directed towards recognized Indian Tribes, Hawaiian Natives, and / or other groups or functions not present in Virginia**

Research and Development Expenditures at Virginia's Colleges and Universities Lag Behind Other States

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- According to a 2002 State Council of Higher Education report, Virginia's post-secondary institutions ranked 16th nationally in total research and development expenditures in 2000
- When measured on a per-capita basis, Virginia ranked 37th nationally

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State Government's Current Efforts at Identifying Federal Grants Are Decentralized

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- Generally, staff within each State agency are responsible for identifying federal grants related to their program area from several different sources:
 - Review of the *Federal Register*
 - Membership in professional organizations
 - Formal letters of notification from the awarding agency
 - Subscription-based services
 - Review of federal agency websites
 - Personal contacts at federal agencies

- However, these approaches can be time consuming and costly, and can divert staff from already assigned responsibilities

Program Staff Typically Prepare Grant Applications

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- Agencies generally do not have dedicated staff assigned to grant development and, as a result, preparing and submitting a grant application is normally performed by the program staff who identified the grant opportunity
- Federally established application deadlines can affect an agency's decision to apply for a grant, as time and resources associated with preparing a grant application can be extensive

Case Example

- ***Staff at the Department of Mental Health, Mental Retardation, and Substance Abuse Services (DMHMRSAS) applied for funding from the HHS grant program Treatment of Persons with Co-occurring Substance Related and Mental Disorders. The Department does not have a dedicated grants writer. In total, 11 DMHMRSAS staff spent an estimated 280 hours developing the application, although this is not their primary responsibility and they did not have access to any formal grants writing training. DMHMRSAS staff pointed out that this was time that could have been devoted to administering the grant that funds half of the State's substance abuse programs. Additionally, HHS required that a state's governor's office be the official applicant, therefore requiring another layer of coordination.***

Efforts Are Underway to Increase Virginia's Share of Federal Research and Development Funding

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- In recent years, the Commonwealth has focused on opportunities to increase the amount of federal and non-State research funding to its colleges and universities. Examples include:
 - Creation of the Steering Committee on Research Capabilities and Centers of Excellence
 - Creation of the Virginia Institute for Defense and Homeland Security
 - Creation of the Commonwealth Technology Research Fund
 - Creation of the Virginia Biotechnology Initiative
- Other states have also initiated attempts to increase the amount of research and development funding accruing to their post-secondary institutions

Other States Have Centralized Aspects of Federal Grants Functions

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- **Because of the large amount of federal grants information, some states have attempted to make it easier for their personnel to identify potential grant opportunities and to prepare applications**

- **These efforts have taken the forms of:**
 - **Single Point of Contact (SPOC) offices that allow states to coordinate and review state and federal program interactions to ensure consistency with state rules and regulations,**
 - **Centralized offices designed to identify and notify agencies and other state entities, such as local governments and non-profit organizations, of potential funding opportunities, and**
 - **Grants writing support and training opportunities offered on regular schedules or upon request**

Automated Grants Management Systems Are Operating or Under Development

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- States, such as Texas, Maryland, and Massachusetts, operate electronic grants notification systems that are accessible by state, local, and non-governmental personnel and that provide updated federal, state, and private grant information
- Automated or electronic grants management systems have been designed to aid State program staff with the identification, application, and reporting of grants activities
 - The Department of Emergency Management operates an automated system that tracks federal grant receipts and disbursements, as well as State matching amounts
 - The Office of Commonwealth Preparedness currently tracks homeland security funding provided to Virginia using a prototype system that focuses on the distribution of State grant funds and federal pass-through funding, as well as local grant applications

Greater Centralization of Some Grants Functions Within DPB Might Improve State's Funding Status

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- **In late 2001, the Department of Planning and Budget re-established an analyst position for federal funds issues to improve the State's federal grants activities by notifying agencies and institutions of higher education of federal grant opportunities**
- **If DPB enhanced existing efforts related to centralized grants assistance and adopted some functions being performed in other states, Virginia might improve its overall grants funding position**

Greater Centralization of Some Grants Functions Within DPB Might Improve State's Funding Status (continued)

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- **During the course of this review, several State personnel indicated that assistance with identifying federal grant opportunities would be beneficial, as would some type of automated notification**
- **Preparing a quality grant application is critical to success -- DPB staff could review and assist in developing State grant applications upon agency request**
- **Agency staff must often locate their own sources of assistance when preparing a grants application package, so DPB could serve as an information resource to identify training opportunities in Virginia and notify State program staff to their availability**

Recommendation

The Department of Planning and Budget may wish to consider providing greater federal grants assistance to State program staff and other Virginia entities. As part of this increased assistance, DPB should consider electronically notifying State and other entities about potential federal and State grant opportunities, and providing development assistance for specific federal grant applications upon request of State agencies and local governments.

Greater Centralization of Some Grants Functions Within DPB Might Improve State's Funding Status (continued)

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- **Centralizing certain grants functions within DPB would permit a more global view of the State's grant needs**
- **Through increased agency reporting, DPB staff could provide enhanced analysis of Virginia's federal grant activities, including tracking of federal obligations and State matching funds, while also identifying potential best practices**
- **Currently, the *Code of Virginia* requires the Virginia Liaison Office (VLO) to alert State agencies of grants opportunities and to monitor and track Virginia's federal grant applications. Shifting these responsibilities to DPB would better focus the grants management process**

Recommendation

The Department of Planning and Budget may also wish to consider assessing the federal grants efforts of State agencies to identify potential best practices and federal funding results. If these functions are vested within DPB, the General Assembly may wish to consider amending the *Code of Virginia* to eliminate the sections requiring the Virginia Liaison Office to perform many of the same tasks