

Grants Management - Availability of Funds

Objective

Define period of availability for grant funds to ensure fiscal accountability and administration of the grant program in accordance with legislative intent and established procedures of the Departments of Finance and Administration.

Policy

Grant monies should be disbursed on a reimbursement basis, based on evidence of performing contracts. Encumbrances for grant contracts awarded and fully executed by June 30 may be certified for one year beyond the year in which the funds were appropriated. Performance of services under such contracts may occur during the certification period. Grant monies that are not included in certified encumbrances will cancel at the end of the fiscal year in which the funds were appropriated.

Grant contracts may extend beyond the end of the biennium, subject to the availability of funds. Separate encumbrances must be established in MAPS based upon the year in which funds are appropriated.

Agencies seeking statutory exceptions to the period of availability must state a specific end date.

Definitions

Grants are financial assistance paid or services furnished by a state agency via a third party to an eligible recipient. Grants can only be made by direct legislative authority using state or federal funds.

"Grants" refer to state-funded, non-capital grants. Capital grants should follow the procedures established by the Minnesota Management & Budget in [chapter 3](#) of the MAPS Policies & Procedures manual.

Grant contracts are not Professional & Technical Services contracts. Professional & Technical Services contracts should follow the policy in the [Contracts Manual, Professional & Technical Services Contracts](#) issued by the Material Management Division.

Grant contracts "awarded and fully executed" means that all parties have signed the contract and an encumbrance for the contract liability has been entered in MAPS.

[Minnesota Statutes 16A.28, subdivision 7](#), exempts federal funds from the restrictions of the availability of funds.

General Procedures

After the legislature has appropriated funds, agencies follow their internal procedures for grant competition and award. Agencies may issue requests for proposals prior to final enactment of funds, but may not sign contracts with grantees until the appropriation has been enacted in law.

Where appropriate, grant encumbrances may be certified at the end of each fiscal year. Funds not encumbered before the end of the fiscal year will be cancelled. Encumbrances will be cancelled one year after the end of the year in which the funds were appropriated.

Grants require contracts-agencies must have a separate encumbrance for each contract. The agency head is responsible to the Commissioner of Finance for ensuring that funds for grant contracts are encumbered before the grant program(s) begin. Each encumbrance must have a specific vendor number and the proper four-digit object code within MAPS.

Object class codes include the following categories:

- 4A0 Payments to Individuals-Medical/Rehabilitation Clients
- 4B0 Payments to Individuals-Other than Medical/Rehabilitation Clients
- 5A0 Aid to Counties
- 5B0 Aid to Cities & Towns
- 5C0 Aid to School Districts
- 5D0 Aid to Higher Education Institutions
- 5E0 Aid to Other Governments
- 5F0 Interagency Grants
- 5G0 Aid to Non-government Organizations

Transfers of Appropriations *must not be used* for either sub-grant or grant contracts.

Additional Guidelines and Best Practices

Each state agency must establish internal guidelines and determine processes that ensure a fair and equitable means of identifying grantees and spending grant funds. The following "best practices" should be considered in establishing agency guidelines:

- Contract templates approved by legal counsel should be established within the agency to ensure consistency across programs.
- Contracts should include an escape clause limiting the state's obligation to the availability of funds.
- Internal tracking systems should be established by the agencies to monitor the progress of grant activities.
- Information should be provided to program managers on internal procedures.
- Contracts should clearly state reporting requirements for grant activity and reimbursement of funds. Reporting requirements should ensure that the objectives of the grant have been met.

See Also

