

## Statewide Operating Policy

Owner: Minnesota Management and Budget, Budget Division

Number: 0303-01

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### Federal Funds Review and Approval

#### Objective

To ensure federal funds are reviewed in a manner consistent with federal and state laws, rules and regulations. [Minnesota Statute 3.3005](https://www.revisor.mn.gov/statutes/?id=3.3005) (<https://www.revisor.mn.gov/statutes/?id=3.3005>) requires that all executive branch agencies receive legislative review before expending federal money. Legislative approval occurs through the biennial or supplemental budget, specific authority in law, or approval by the Legislative Advisory Commission (LAC).

#### Policy

One of the review and approval procedures (A - E) must be used prior to the encumbrance and expenditure of federal funds. These procedures are detailed in the Statewide Operating Procedures 0303-01.1.

- A. Governor's Biennial Budget
- B. Governor's Revised Recommended Biennial Budget
- C. Session Submission/Governor's Supplemental Budget
- D. Fall 20-Day Review Process (October 1 or 100 days prior to session start, whichever is later)
- E. 10-Day Review Process (as needed)

Note: If the grant purpose changes or the amount of the federal grant increases from the time of the initial approval, the additional federal money may be encumbered or expended after receiving approval from one of the procedures listed in A - E above. The timing of the request for reauthorization depends on the urgency of the expenditure of funds.

Approval of the federal fund spending through one of the procedures A – D listed above is for the full term of the availability of the federal funds, through the biennium for which it was submitted. Approval of the federal fund spending through procedure E above is for the fiscal year for which the urgency exists.

A request to spend federal funds submitted under M.S. 3.3005 must include at a minimum the following information:

1. the name of the federal grant,
2. the federal agency from which the funds are available,
3. a federal identification number,
4. a brief description of the purpose of the grant,
5. the amounts expected by fiscal year,
6. an indication if any state match is required,
7. an indication if there is a maintenance of effort requirement, and
8. the number of full-time equivalent positions needed to implement the grant.

## **Federal Funds Review Request Form**

The Federal Funds Review Request form should be prepared and submitted to Minnesota Management Budget if one of the procedures C - E listed above is used to request review and approval.

### **Indirect Costs**

Applications for federal funds must include requests for both statewide and agency indirect costs. Each agency receiving federal funds must annually prepare and submit an indirect cost plan to its cognizant federal agency. The indirect cost requirements are outlined in [Minnesota Statutes section 16A.127](https://www.revisor.mn.gov/statutes/?id=16A.127) at (<https://www.revisor.mn.gov/statutes/?id=16A.127>) and MMB Statewide Operating Policy 0105-01 – Indirect Costs.

### **Withdrawal of request**

The Commissioner of Management and Budget or the commissioner of an agency may with written notice withdraw any request to spend federal money submitted under M.S. 3.3005.

### **Cash Flow**

Cash Flow Requests and Analyses will no longer be required for federal fund appropriations. The budget authority type will be set to G = Greater of Budgeted or Collected Revenue for all federal fund appropriations. **IMPORTANT NOTE: MMB strongly urges agencies to drawdown or claim for reimbursement of federal grant monies as often as possible to mitigate negative balances created by spending estimated revenues.**

### **Reporting**

Agencies are required to adhere to all reporting and monitoring requirements outlined in the federal grant award. Agencies are also required to be aware of federal reporting requirements outlined in the [Federal Funding and Accountability Act \(FFATA\)](https://www.fsrs.gov/) (<https://www.fsrs.gov/>).

### **Exceptions to Legislative Review**

Some federal funds may be exempted from Legislative review, if the following criteria apply:

1. Funds are specifically exempted from Legislative review in statute.
2. Agency authority to expend federal funds exists elsewhere in statute. (Authority to accept federal funds alone is not sufficient to meet the exemption requirement).
3. The state share of funds is appropriated by the legislature.
4. Pass through funds are received from non-state entities.
5. Federal funds were received as payment for contract arrangements otherwise authorized in law.

Please consult with your Executive Budget Officer if you are unsure of whether an exception applies to your federal funds request. Note: All federal funds should be listed in the Governor's Biennial Budget and Revised Biennial Budget request, regardless of whether an exception applies for other submissions.

## Related Forms

[Federal Funds Review Request form MMB-7250-01](http://mn.gov/mmb-stat/documents/accounting/forms/7250-01-form.pdf) (http://mn.gov/mmb-stat/documents/accounting/forms/7250-01-form.pdf)

## Related Policies and Procedures

[MMB Statewide Operating Procedure 0303-01.1 Federal Funds Review](http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-3/0303-01-01-federal-funds-review-procedure.pdf) (http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-3/0303-01-01-federal-funds-review-procedure.pdf)

[MMB Statewide Operating Policy 0105-01 Indirect Costs](http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-1/0105-01-indirect-cost-policy.pdf) (http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-1/0105-01-indirect-cost-policy.pdf)

[MMB Statewide Operating Policy 0301-01 Establishing Budgets](http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-3/0301-01-establishing-budgets-policy.pdf) (http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-3/0301-01-establishing-budgets-policy.pdf)

[MMB Statewide Operating Policy 0306-01 Legislative Advisory commission \(LAC\) Approval](http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-3/0306-01-lac-approval-policy.pdf) (http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-3/0306-01-lac-approval-policy.pdf)

[MMB Statewide Operating Procedure 0306-01.1 Legislative Advisory Commission \(LAC\) Approval](http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-3/0306-01-01-lac-approval-procedure.pdf) (http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-3/0306-01-01-lac-approval-procedure.pdf)

## See Also

[Federal Funds Not Subject to LAC Review Recommendation – January 3, 2017](https://mn.gov/mmb/assets/lac-recommendation-on-federal-funds-1-03-17_tcm1059-312236.pdf) (https://mn.gov/mmb/assets/lac-recommendation-on-federal-funds-1-03-17\_tcm1059-312236.pdf)