


ADMINISTRATIVE CIRCULAR

COMMONWEALTH OF PENNSYLVANIA GOVERNOR'S OFFICE

04-26

Number

Subject: Appropriation, Authorization, and Expenditure of Federal Funds	Date: December 1, 2004
By Direction Of:  Michael J. Masch, Secretary of Budget and Administration	Expiration Date: December 1, 2005

The *General Appropriation Act of 2004 (Act 7-A of 2004)*, contains special provisions governing the appropriation, authorization, and expenditure of federal funds during 2004-05.

The 2004-05 Guidelines for the Use of Federal Funds (Enclosure 1) and examples are intended to provide agencies with assistance in determining the conditions under which federal funds can be treated as:

- (1) Subgrants (i.e., executively authorized by the Governor).
- (2) Other funds augmentations.
- (3) Carryover (i.e., executively authorized by the Governor).
- (4) Direct expenditures from a restricted receipt.

Any federal money not eligible for treatment as a subgrant, other funds augmentation, carryover, or direct expenditure from a restricted receipt must be appropriated before it can be committed or expended.

Guideline number 4 (Enclosure 1) also permits direct expenditure as opposed to just the transfer of funds from a federal restricted receipt account. This is consistent with *Management Directive 310.9, Purpose and Use of Restricted Receipt and Restricted Revenue Accounts*.

All requests for the legislative appropriation and executive authorization of federal funds are to be submitted through the Office of the Budget on the Request for Approval of Federal Funds (RAFF) form and in accordance with *Management Directive 110.2, Request for Approval of Federal Funds*.

Under the *Act*, the Governor may executively authorize up to \$10,000,000 in federal funds in the event of any emergency situation in which the Legislature cannot act in sufficient time. Emergency is defined as "any situation in which there is a chance of or which may result in substantial human suffering."

Requests for emergency action by the Governor must be submitted to the Deputy Secretary of the Budget, Office of the Budget.

- In addition to the specific amounts included, the *Act* also appropriates all other monies received from the federal government for the Low Income Home Energy Assistance Program, the Special Supplemental Food
- Service Program for Women, Infants, and Children, Farmer's Market Food Coupons, Senior Farmer's Market
 - Nutrition, Emergency Food Assistance, and the Commodity Supplemental Food Program. It also appropriates any additional contingency funds made available for Land and Water Conservation Fund.

The *Act* also authorizes certain transfers among specified federal funds with the approval of the Secretary of the Budget and notification to the majority and minority House and Senate appropriations committees 10 days prior to any transfer:

(1) The *Act* allows the transfer of funds from the Temporary Assistance for Needy Families Block Grant (TANFBG) to the Child Care and Development Fund Block Grant (CCDFBG) and Social Services Block Grant (SSBG). These transfers must be consistent with federal law and must not result in a deficit for any appropriations from which funds were transferred. The *Act* also allows a similar transfer from TANFBG and CCDFBG Cash Grants to CCDFBG Child Care Services.

- (2)** The *Act* allows for up to 15 percent of any additional Low Income Home Energy Assistance Program (LIHEAP) funds to be transferred to the Department of Community and Economic Development's LIHEAP Weatherization program. The *Act* also allows the transfer of LIHEAP administrative funds to the Department of Community and Economic Development subject to the limitations under federal law.

Requests for transfers must be submitted to the Deputy Secretary of the Budget, Office of the Budget, with certification that the transfers shall not result in a deficit in any appropriation from which funds are transferred.

Under the *Act*, the Governor may executively authorize emergency federal funds including money received from the federal government for disaster assistance or relief for monies received as a direct result of terrorist acts or monies received for homeland security and defense.

- These guidelines apply only for the 2004-05 fiscal year and are in addition to any conditions attached by law to individual federal appropriations.

Enclosure:

- 2004-05 Guidelines for the Use of Federal Funds

2004-05 GUIDELINES FOR THE USE OF FEDERAL FUNDS

1. Federal funds may be executively authorized as **subgrants** within the General Fund if the funds are:

a. already included in a specific appropriation within the General Fund. (*Act 7-A of 2004* also prohibits subgrants from a restricted receipt without a specific appropriation by the General Assembly.) **Example:** *If Environmental Protection receives an appropriation of \$1,000,000, then \$50,000 of it may be subgranted to Health.*

b. received initially within a special fund. **Example:** *If Transportation receives Federal Highway Safety money in the Motor License Fund, then these funds may be subgranted to State Police (in the General Fund).*

c. in addition to the specific amounts included, the *Act* also appropriates all other moneys received from the federal government for the Special Supplemental Food Service Program for Women, Infants, and Children, the Low Income Home Energy Assistance Program, Farmer's Market Food Coupons, Senior Farmer's Market Nutrition, Emergency Food Assistance, Commodity Supplemental Food Program, and contingency funds made available for the Land and Water Conservation Fund. **Example:**

(1) *If the federal government provides an additional \$5 million to the Special Supplemental Food Service Program for Women, Infants, and Children's Program above the amounts contained in Act 7-A, then the additional \$5 million may be authorized by executive authorization.*

(2) *If an additional \$5 million was provided by the federal government for Low Income Home Energy Assistance above the amounts appropriated in Act 7-A, expenditure of the additional \$5 million may be authorized by executive authorization.*

2. Federal funds may be executively authorized within the General Fund to provide for natural disaster or civil disobedience assistance and relief and homeland security. **Example:** *If the Pennsylvania Emergency Management Agency receives federal funds for assistance or relief due to a flood, snowstorm, or other natural disaster or civil disturbance, it may be subgranted (even if deposited in a restricted receipt in the first instance).*

3. Federal funds shall be treated as **Other Funds Augmentations** if:

a. they are reimbursements from one state agency to another for administrative and support services (even when payment is directly from a federal appropriation). **Example:** *If Health obtains administrative support services (e.g., printing, computer, automotive) from another state agency, the payments shall be treated as reimbursement for services (i.e., other augmentations) by the receiving agency; or*

b. the federal monies are not received directly by the state from the federal government. **Example:** *If the federal government gives money to a local political jurisdiction or nonprofit agency which, in turn, chooses to contract with the Department of Public Welfare to provide the program, the Department of Public Welfare would treat such funds as other augmentations.*

4. Federal funds may be executively authorized as **carryover** when the federal money has been previously appropriated by the General Assembly and authorized or allocated by the federal government, remains unspent from prior fiscal years, and has not been renewed by the Legislature for fiscal year 2004-05. **Example:** *If a total of \$50,000 was appropriated by the Legislature and allocated or authorized by the federal government in a prior year but only \$30,000 spent, the remaining \$20,000 may be carried forward if there is no appropriation in 2004-05.*

5. Expenditures may be made directly from a federal restricted receipt to provide funds to a local jurisdiction or nonprofit or nonstate agency. **Example:** *If the Department of Education has Career Education Incentive funds to provide to a school district, the funds may be expended directly from the restricted receipt for Career Education Incentive funds.*

6. Up to \$10,000,000 of federal funds may be executively authorized to avoid any situation in which there is a chance of, or which may result in, substantial human suffering. **Example:** *If the federal government has provided additional funds to the Department of Community and Economic Development for the Emergency Shelter for the Homeless Program and the Legislature cannot act on an appropriation before clients are cut off from funding, the Governor may executively authorize up to \$10,000,000.*
7. In accordance with federal law, funds from the Temporary Assistance for Needy Families Block Grant (TANFBG) may be transferred to the Child Care and Development Fund Block Grant (CCDFBG) and the Social Services Block Grant (SSBG). Under current federal law (federal fiscal year 2004), states are allowed to transfer 10 percent of their federal TANF block grant amount to SSBG. **Example:** *If the Department of Public Welfare received \$700,000,000 for TANFBG, up to \$70 million could be transferred to the SSBG in federal fiscal year 2004. The transfer requires certification that such transfer would not create a deficit for any appropriation, the Secretary of the Budget's notification to the appropriations committees, and the approval of the Budget Secretary.*
8. Up to 15 percent of additional funds for the LIHEAP program may be transferred to LIHEAP weatherization. **Example:** *If the Department of Public Welfare received an additional \$10,000,000 for LIHEAP, up to \$1,500,000 may be transferred to the Department of Community and Economic Development's LIHEAP Weatherization program.*