

**STATE OF NEVADA
ADVISORY COUNCIL ON FEDERAL ASSISTANCE**

MEETING ACTION MINUTES

DATE: August 10th, 2016

LOCATION: Legislative Building, Room 2135
401 South Carson Street
Carson City, NV;

Grant Sawyer Office Building, Room 4412
555 East Washington Avenue
Las Vegas, NV

CHAIRMAN: John Ritter, FOCUS Property Group

SECRETARY: Connie Lucido, Chief, Office of Grant Procurement, Coordination, and Management (State Grants Office)

IN ATTENDANCE:

Voting Members	Non-Voting Members
<i>John Ritter, Chairman</i> <i>Assemblyman Derek Armstrong, Vice Chair</i> <i>Pete Goicoechea, Senator</i> <i>Zanny Marsh, American Red Cross of Northern Nevada</i>	<i>Connie Lucido, State Grants Office</i> <i>Jim Wells, Governor's Finance Office</i>
Absent	
<i>Kathi Thomas-Gibson, City of Las Vegas</i>	

1. CALL TO ORDER -

Chairman Ritter called the meeting to order at 9:02 a.m.

2. ROLL CALL AND INTRODUCTION OF COUNCIL MEMBERS -

Ms. Lucido called roll and Assemblyman Armstrong, Ms. Marsh and Senator Goicoechea were present.

3. PUBLIC COMMENT-

None.

4. FOR POSSIBLE ACTION- APPROVAL OF MINUTES OF JUNE 8th MEETING

A. No comments on the minutes.

- i. **Senator Goicoechea made a motion to pass the minutes as they were written.** Ms. Marsh seconded. Motion was passed unanimously.

5. FOR POSSIBLE ACTION- DISCUSSION OF ACTION ITEMS

A. Possible Open Council Seat

Chairman Ritter stated Tim Burch has left the state and will be replaced with Kathi Thomas-Gibson. Mr. Ritter said he wished Mr. Burch luck and was excited to have Ms. Gibson on the Council.

B. Update on Grants Management System (GMS) Process

Ms. Lucido said the GMS budget enhancement was approved by the Information committee to be ranked. Ms. Lucido said she gave a presentation before the ranking committee, a select group of director's in the Governor's Cabinet, and does not know how it ranked against the other projects presented.

Assemblyman Armstrong asked if there was more than one proposal received when the RFI came out. Ms. Lucido affirmed there were 11 submissions, ranging from very detailed to abstract. She said her senior executive grant analyst was reviewing the information and compiling a list to ask for demonstrations.

Chairman Ritter asked for clarification if the GMS was under consideration for the Governor's budget. Ms. Lucido affirmed the budget enhancement request was going to his office.

Chairman Ritter said the more information he receives about what the GMS can do for the state, and the more research he does by speaking with communities and agencies who manage grants, or want to manage grants, the more necessary and more valuable he finds a system like this for Nevada. He said he believes it should be a big priority for Nevada to obtain federal assistance and would like for the Council to be as supportive as possible in obtaining this system.

Questions were asked about finances. Ms. Lucido said the budget submitted was for \$2.9 million for the biennium. There will be annual fees, and they will be determined by what vendor is selected.

Chairman Ritter asked Ms. Lucido if the GMS will be helpful in solving the problems the survey data indicated (people being in the dark of what was

occurring in the state, what grants were applied for, who was funding which services and where). Ms. Lucido stated it would. Chairman Ritter again reiterated his support and Ms. Lucido thanked him for the support and agreed it would help solve a lot of the current issues.

C. Update on Streamlining Interim Finance Committee (IFC)

Ms. Lucido handed out the proposed change to the IFC process and explained the BDR would make a small change to NRS allowing agencies to put an agenda item on IFC for a provisional approval after they've submitted an application, and will not need to go before them after Notice of Grant Award (NOGA). She said the majority of the change would be procedural within the agency and Governor's Finance Office.

Ms. Lucido said this process would especially benefit those grants that have a short implementation time because they would have approval and would be able to start implementing and expending funds as soon as they receive a NOGA.

Senator Goicoechea stated he hopes to see all grant applications come before IFC. Assemblyman Armstrong clarified if this was a Governor BDR and Ms. Lucido said it was. Assemblyman Armstrong wondered if, since it changed IFC processes, it should come through a legislator. Senator Goicoechea said he didn't believe it was an issue since it would not remove any authority from IFC and it is still the approving authority.

Jim Wells clarified the intent of the BDR is not to make it mandatory of each agency to go before IFC upon application submittal, but to allow the option, especially for those applications with short time frames, to go before IFC. The Governor's Finance Office (GFO) would help put together a work program to send over.

Questions centered on if every applicant had to submit a work program from IFC, and if agency-heads had been consulted in the draft. Ms. Lucido said they had. She said she believed giving an agency the option to submit a work program to appear before IFC, especially on a grant with a short time frame, would allow for flexibility in grant management. She said she believed making it mandatory to do a work program for every application would require a lot of effort on the agency part, and so the word "may" instead of "shall" would be sufficient, and each agency could decide on the procedure of appearing before IFC.

Senator Goicoechea said again, he would like to see as many applications as possible appear before IFC and said he hoped the procedure will be made clear to agency heads so they would be encouraged to submit their grant applications to the IFC in order to have the authority to use federal money as soon as grants are awarded.

D. Discuss Components of Annual Report

Erin Hasty from the State Grants Office stated the Council has a report that is due each December, which requires the development of legislative and executive recommendations to address methods and models for identifying, procuring, utilizing and maintaining federal assistance. She stated the Grants Office would submit a draft for comments at the October meeting and wondered what format the Council would prefer.

Chairman Ritter asked how detailed it should be. Ms. Hasty said it could be as detailed or as high-level as they would like. It will be submitted to the Governor and to the Legislature.

Discussion ensued and it was decided it should be fairly high-level, with a focus on the four main goals the Council has selected to focus on this year; be composed of a few pages of discussion, with an outcome, bill change, and/or next steps to take; and include reports and surveys generated on behalf of the Council.

E. Continuation of Discussion on Match Funding and Possible Budget Legislation

Chairman Ritter stated he would like to ask for \$15 million for a pilot match fund, \$5 million for 2017 and \$10 million for 2018 and asked for thoughts.

Senator Goicoechea said he agrees but thinks getting the \$15 million amount will be difficult. Mr. Wells agreed and stated that the request will be competing with other requests for the Governor's recommended budget. Chairman Ritter said he was sensitive to that, but said he felt this was a unique opportunity in that it had the possibility to increase revenue brought into the state, and he would like for the Governor's Office to see it that way.

Mr. Wells suggested the fund should be available for more uses than just match dollars. He said state agencies have been asked for years to do more with less and that applying for extra grants would create a larger burden on staff that have already been cut. He suggested having the funds be for "dual-purposes:" 1) for match and 2) funding staff and other costs of applying for and managing grants.

Assemblyman Armstrong asked for clarification if Mr. Wells was referring to Section 7 or the matching funds pilot. Mr. Wells said if an agency receives funds

in addition to its appropriation, such as federal grants, then the general fund appropriation can be reduced. He suggested that this issue could be a big discussion point for the Legislature, in particular could entail such questions as to if the language should be revised or removed. Mr. Wells reiterated it is a big discussion and advised the Council that they could make a recommendation, but the provision would not go through the Governor's Office or recommended budget.

Chairman Ritter said he has been told that when universities bring in grants, a certain amount from the grant goes to overhead expenses. He said since agencies are encouraged to apply, incentives should be given to help them manage. Mr. Wells said that was a great point and said indirect cost rates for the University of Nevada, Reno, for example, is 26% for non-research and 46% for research. He stated this is a lot to help cover overhead costs. Mr. Wells continued that, in most state agencies, there's an administrative cost cap of 5-10% that includes staffing and administrative costs.

Chairman Ritter asked how agencies could balance the reality of being strapped for resources, but also try to bring in additional grant funding. He asked if it would be better to build future capacity by building up individual agencies or to expand resources in the Grants Office for agencies to go to. Chairman Ritter also said he heard consistently from non-profit agencies that they don't apply for grants because they don't have the staff to write the application. Mr. Wells said there are disparities across agencies. Some have their own very experienced grant writers who have knowledge of federal application review, and some don't have resources to apply for grants.

Senator Goicoechea asked if the cap on administrative costs was something the state could fix or if it was something that needed to be handled at the federal level. Mr. Wells said most of it is at the federal level, and the feds restrict funds to administrative costs because its intent is to get as much of the funding as possible to direct services. He continued that, often, the smaller the grant, the higher the burden falls on the applicant to bear the cost of administrative costs. Senator Goicoechea said he believed capacity in the Grants Office should be funded, but believed it would be a slow process, and said while he didn't believe they'd be able to appropriate the necessary amount of funding at first, they should still ask for \$15 million.

Discussion then centered on the possibility of a traveling grant person. Mr. Wells said to equal staff out, perhaps there could be a person who could travel to agencies and work within an individual agency for 4-6 weeks. Chairman

Ritter said his Charitable Trust has a grant writer who will go to small non-profits for 6 months to one year, and the charitable trust will pay her. He said it has been successful and that she has helped build their capacity. He wondered if something like that could happen in the state, and if it could, how it could be classified. He wondered if certain agencies who don't have adequate grant staff could qualify, or if some of the match could go the Grants Office.

Ms. Lucido said the Grants Office is planning to develop a plan for 2017 this winter. She said the office is going to meet with each director to assess capacity, inquire how the Grants Office can assist, discover all federal resources each agency has, and then develop a plan of action from the information gathered.

Senator Goicoechea said if the Grants Office is helping with grant applications, it needs to be ensured that some of the money the office helps obtain should go back to the office if the application is successful. Mr. Wells explained that federal law prohibits using grant funds to pay for application costs, so not only do you have to use your own money to cover administrative costs, but you also have to use your own money for the application process.

Ms. Marsh stated the biggest help she's received from the Grants Office while writing a federal grant was for the Grants Office to assist with writing the language. She said this allowed her to focus on program development. Ms. Marsh continued about 70% of a grant is "boiler-plate" language because it can be used in other sections and other grants. She said she wanted to step-back and look at how the Grants Office could help other agencies. Chairman Ritter said in her case, it sounded like the Grants Office has been a real partner. He asked if she believed if capacity/resources in the Grants Office were increased, would it allow for more successful applications. Ms. Marsh said she believed it would, but rather than focusing on dispatching grant writers, she would prefer to see project development support. She said she was a grant writer, so she could write the grant, but she believed it would be of benefit to have resources to look at tweaking projects in order to make them competitive.

Chairman Ritter said it sounded like the agency could be used for grant writing and program development and that the office could be useful to those agencies who had grant writers as well. He said as the state increases capacity, it would need to bolster resources for successful grant management. He said it sounded as though Mr. Wells had two concerns to barriers: 1) Lack of funds, and the pilot project asking for more funds than were available; and 2) If match funds were put in place, are there going to be resources to administer successful grant management. Mr. Wells said this is accurate. Chairman Ritter said he didn't want the Governor or Legislature to worry about the second item when they were weighing whether this is something they can support or not. He said if a match requirement were for \$1 million, an agency could ask for \$1.1 million from the fund- one million for the match, and \$100,000 for grant administration. Mr. Wells said that is what he pictured.

Senator Goicoechea said the next issue will be to educate/instruct the Legislature not to supplant funds, and to discourage them from cutting a budget when they see a grant award.

Chairman Ritter said he wanted to ensure match funds were flexible, and that a portion would be available at a Grants Office or agency level. He asked if everyone agreed with this concept and there was no dissent. He continued hopefully they will get some money which may not be all they want, but hopefully it can be a significant enough amount. He then asked if the funds are there, how it would be appropriated. He gave an example of one state with a relatively simple process where three (3) people sat on a committee under the governor's office and awarded applications before them. He asked Mr. Wells what he thought of this process, and additionally wondered his thoughts on going before IFC.

Mr. Wells said he needed to be careful not to speak for the Governor and commit to something not yet approved, but that it could go before the Board of Examiners (BOE), which meets once a month. Mr. Wells said this could be put on a line item. He said, if it went strictly to the IFC, that would not provide an opportunity for input from the Executive. Mr. Wells continued, if it went to IFC, it would be a line item in the Contingency Fund. It is all dependent on if the Legislature would be willing to reduced its involvement in distributing funds, but BOE meets once a month and could be a much faster process. Mr. Wells said the IFC Contingency Process is designed to allocate a pot of funding for something unforeseen. If an unforeseen item comes up, it goes to BOE, which makes a recommendation, and it then goes to IFC, which may or may not allow it. Chairman Ritter said the two-steps sound like a long process, and if a grant were on a tight timeline, it may not be practical.

Senator Goicoechea said he believed going before the BOE sounded fine, but that the Legislature would need to determine to what extent it would reduce its involvement in the process. He said it would be lengthier, and less practical, but he thought realistically, it would get more buy-in to do BOE and IFC.

Chairman Ritter asked if Mr. Wells would be willing to ask the Governor if BOE is willing to see the item, and Mr. Wells said he would. Mr. Wells also said a BDR may not be necessary for funding purposes. He said the Council could recommend \$15 million be set aside in restricted appropriations, with set parameters around it. Senator Goicoechea said it could, but if it became part of the Appropriations Act, it could be cut down because that is where the Legislature starts balancing the budget when there is a short-fall.

Chairman Ritter clarified if the match funds pilot didn't necessarily need a BDR, and rather it could be handled in the appropriations process. Mr. Wells said yes, the recommendations from the Council could be restricting contingency funds for

matching capabilities, and he recommended the Council states it simply by saying in its report of recommendations to restrict \$15 million- \$5 million the first year, and \$10 million the second year. Senator Goicoechea said he liked this recommendation.

Mr. Wells then said language may need to be written that deals with the duration of the grant. If it is a 4-year grant, will all of the match be allocated up-front, or would the Council recommend the agency appear before the Committee each biennium. Mr. Wells said to think about when funds expire and when they will revert back to the general fund. Discussion then centered on how to time the grant funding. Ms. Lucido said many grants are over two-years. There are some projects that run over biennium, including Capital Improvement Projects (CIP) that allow for up to four years. In rare occasions, some TIR projects carry forward. In instances like these, the next Legislature is committed to these funds.

Senator Goicoechea said he couldn't foresee a problem with allowing the four year term. Assemblyman Armstrong agreed but said it needed to be considered how much they wanted to allow obligation for the next biennium, or, if it should be appropriated all at once.

Chairman Ritter agreed and wanted to deal with it appropriately. He also asked how funds would be prioritized, and how they would be dealt to agencies in a manner that would be fair. Senator Goicoechea said he thought the grant process itself would take care of it. He said the intent is for the money to run out, and if it's not being spent, that means it's not going to come back. He said the Committee may not think a project is good, but if it gets funded, it's good.

Chairman Ritter then asked how to ensure the funds weren't overspent. Senator Goicoechea said it would be good because it would mean the money is being used and grants are being funded. He offered if the fund did run out, they could look at the unrestricted fund account and felt this would be a good use for unrestricted funds. Assemblyman Armstrong agreed and also said it was unlikely they would run out of funds. He said their fiscal staff would be tracking the funds and would notify the IFC. Chairman Ritter asked if it was possible to approve more money than what remained. Senator Goicoechea said it was, but that staff would let them know what they were voting for (if you approve this you could go over and need to look at unrestricted funds) and explain each scenario. Senator Goicoechea said it would then be up to the Legislature to vote on what they wanted, but they would be informed of what that meant.

Mr. Wells said his staff would be constantly tracking the funds as well and if it is close to being expended, his staff would have discussions regarding the unrestricted account. Mr. Wells also said in NRS 232.224 there is a section of prioritization of applications the Grant Office is to look at. Mr. Wells said he recommended either removing the prioritizations from NRS, or aligning the Council's grant priorities to cover those agencies. He also said it restricted the

number of staff the office could hire. Chairman Ritter said he believed he would want to remove that language and asked for any disagreement. There was none.

Chairman Ritter asked Ms. Lucido if her staff could develop some language on the following items: 1a) Matching funds available for direct match and support for agency and/or grants office; 1b) Dual-approval process and IFC Contingency Process, including language that includes duration of the grant; and 2) Clean-up NRS from the Grants Office, removing priorities and number of staff. Ms. Lucido agreed to have draft language for a review and edit by the council.

F. Budget Incentives

Chairman Ritter said Section 7 may not need a bill, but he said the Council will need to modify it and asked for thoughts on this.

Assemblyman Armstrong said he thought it was more incumbent for the Legislature to make the recommendations to the Governor, rather than for the Council to. He said he believed they needed to talk to further legislators on this issue. Senator Goicoechea said it will be a tough sell to legislators.

Chairman Ritter said he thought the agenda item was mislabeled and should perhaps have been called budget disincentives because it is actually saying if an agency gets a grant, it will have the amount removed from their general fund. Chairman Ritter said agencies are working to increase their funding and are then penalized when they do.

Mr. Wells said Section 7 states, in an example of an agency having a general fund allocation of \$20 million and you apply for a grant for \$10 million, the grant money will match the general fund amount and the general fund will be set aside in the state. He said an agency can get appropriations up until the grant year ends, so in the last year, the agency will need to come up with \$10 million because that \$10 million from the original allocation has been removed from the budget. Not only does an agency need to ask for the original \$10 million back, but the agency also have to write it as an enhancement because it will be considered new spending.

Ms. Lucido said we need to educate our stakeholders because that is supplanting when you are taking away from general fund for a federal dollar and that is violating CFR. Senator Goicoechea said it happens and he doesn't think it's going to change.

Assemblyman Armstrong asked if when they're building the budget that's classified as an enhancement, is there a way to reclassify the base budget. Mr.

Wells said there are many instances where they take away from an agency without supplanting.

Chairman Ritter asked for clarification on two items: 1) He asked if you have an agency with a \$20 million budget and they decide they want to do more than they are currently doing and get a 4-year program for \$1 million per year; at the end of the grant, they have run out and they need to go to GFO to keep funding going, the \$1 million would be an enhancement. Mr. Wells confirmed. Chairman Ritter said that sounded unfair. Chairman Ritter also asked, 2) If you had a \$20 million budget and you get \$1 million/year in grant funding, the next year when a budget is examined it will go to \$19 million because they see \$1 million is coming from an outside source. He asked if this has happened. Mr. Wells said yes, it does.

Chairman Ritter said he could see that being a huge disincentive for agency heads. He said he felt the first scenario dealt with programming, but the second scenario needs to be addressed. Mr. Wells said in the first scenario, many agencies didn't want to apply for grants because at the end of a grant cycle, the money has been taken away and to get it back you have to ask for a budget enhancement for the original amount and an enhancement to maintain the level of spending the grant covered because services have begun being expanded to a larger population. He said oftentimes agencies must either cut back on services that have become customary to new populations, or hope to receive the budget enhancement to continue the grant activities. Mr. Wells continued in the second scenario there will be separate funding streams that can be put back in a budget, but if that is expended, and the program ends, the funding is not guaranteed to come back to the program.

Chairman Ritter asked if it can be forgotten, and Mr. Wells said yes, it could as priorities change and resources are cut. Chairman Ritter said if he was running an agency, he would not want to apply for a grant because of the risk of the cut to the budget. He said he heard this from department heads and wanted to know how it could be solved. Mr. Wells said he would defer to the Senate and Assembly, and the recommendation would not come from his office.

Chairman Ritter asked if it could go into the contingency fund. Mr. Wells said even if you didn't touch the funds and allocated \$21 million for four years, at the end of the day, the legislature would still have to decide how or who to cut from. To change the contingency fund, it would be subject to other programs taking it. He said LCB and GFO look at un-restricted contingency funds to balance. It's about how to spend the General Fund. Mr. Wells said he is going to research

because he heard Washington is requiring four year projections. Mr. Wells continued, as stated previously, the state doesn't have the resources to fill the holes.

Senator Goicoechea said, the Legislature typically has to fill the holes. He said sadly, when a grant runs out, there's a hole and everyone gets a cut because there are many holes to fill. He said agencies need to do their best to apply for grants to bring in outside revenue, otherwise their agency will shrink.

Ms. Lucido asked if legislators ask if she will be back to ask for continuation funding, and the agency tells them they will be back only to be sure that their (initial investment) of their general fund (match) stays in their budget as it was previous to the acceptance of federal money – will that get categorized differently? Senator Goicoechea said yes, it could, but he didn't know what is going to occur in the future and how the funds will be categorized. Chairman Ritter reiterated it needs to be fixed. Mr. Wells said while the disincentive does exist, there is a difference between base budget table discussions, and in order to remove disincentives, looking at balancing real state budget issues and not penalizing state agencies from applying needs to be examined.

6. FOR POSSIBLE ACTION- FUTURE MEETING DATES AND AGENDA ITEMS

- A. Update of match funds BDR, dual-process of IFC, BOE;
- B. Continuation of discussion and solutions for budget disincentives;
- C. Draft outline of annual report;
- D. Status check on major issues;
- E. Explore survey information more thoroughly;
- F. Continuation of Council vision and business plan; and
- G. Concept of southern Nevada office.

7. PUBLIC COMMENT-

Miles Dickson with JABarrett Company, on behalf of Nevada Community Foundation, gave public comment on some suggestions of using revenue for sustainability.

8. FOR POSSIBLE ACTION- ADJOURNMENT

Meeting was adjourned at 12:03 p.m.