



H.140 - An Act Relating to Requirements for State-funded Grants

January 19, 2024



OVERVIEW

1. Secretary of Administration – Administrative Guidance & Context
2. Indirect Rates – What are they and how used in Vermont State Government?
3. Feedback on H.140

TYPES OF GUIDANCE

1. Administrative Bulletins
2. Finance & Management Policies – including VISION procedures
3. Executive Branch Directive Memos
4. Human Resources Personnel Policies & Procedures

Administrative Bulletins

1. The Secretary of Administration is responsible for issuing, rescinding and maintaining Administrative Bulletins under the authority granted in 3 V.S.A § 2222a(2)
2. Multiple categories of bulletins
3. <https://aoa.vermont.gov/bulletins>

§ 2222. Powers and duties; budget and report

(a) In addition to the duties expressly set forth elsewhere by law, the Secretary shall:

(1) As principal administrative aide to the Governor, plan, organize, direct, control, integrate, coordinate, and supervise all functions and programs of the Agency and its departments and divisions.

(2) With the approval of the Governor, issue general policy statements and general rules and regulations applicable to the Executive Branch of the State government to implement executive orders or legislative mandate...

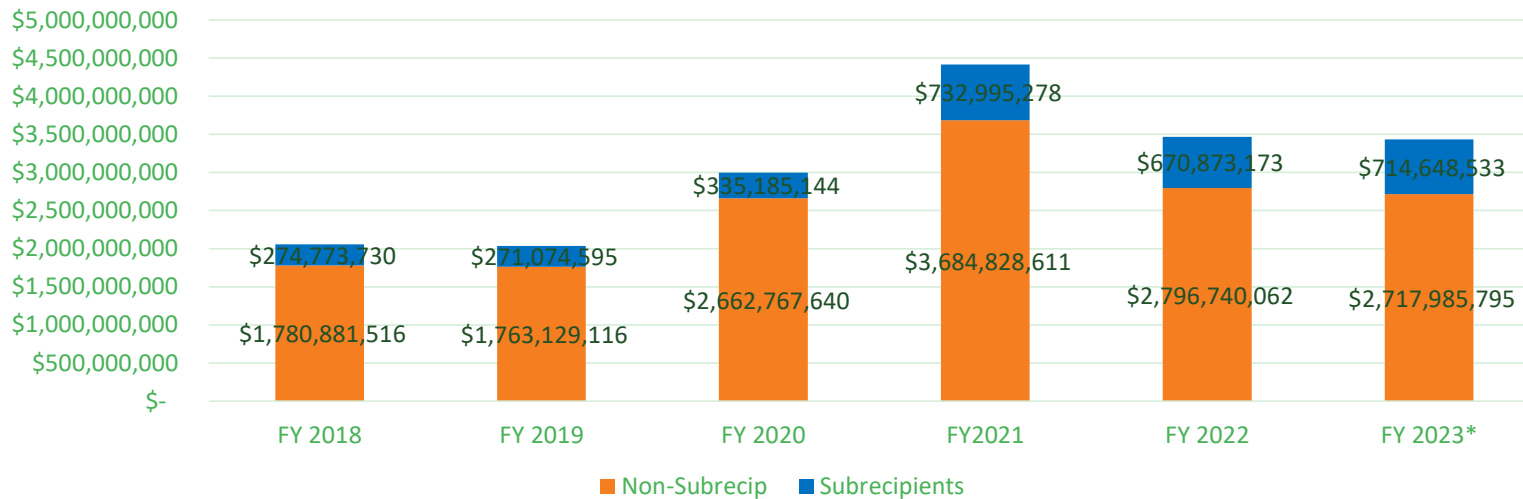
Bulletin 5 – Grant Issuance and Monitoring

1. Establishes general policy and standards for issuing and monitoring grant awards issued by the State of Vermont – both state and federally funded
2. **All grants must be issued, tracked and monitored by state agencies to ensure the proper use and protection of taxpayer resources in conformity with law, federal uniform guidance and in accordance with the terms of the grant**
3. Last issued in December 2014 with American Rescue Plan Act (ARPA) State Fiscal Recovery Fund (SFR) addendum added in October 2021
4. Related procedures accompany bulletin – templates, pre-award eligibility, single audit review, grant payments
5. Drafting update now to align with anticipated updated federal uniform guidance
6. [https://aoa.vermont.gov/sites/aoa/files/Bulletins/Bulletin 5_eff12-26-14.pdf](https://aoa.vermont.gov/sites/aoa/files/Bulletins/Bulletin_5_eff12-26-14.pdf)

Grants in Vermont

1. There are currently 12,877 active grants across
2. Federal funding has increased significantly since the pandemic and is not anticipated to tail off significantly until after FY 2027
3. Annual grant data is available on [Spotlight](#) – Vermont’s transparency website

Schedule of Expenditures of Financial Awards – Federal Spending



*FY 2023 data are preliminary.



Indirect Costs Rates in VT State Government

1. Vermont follows federal uniform [guidance](#). As such, the State of Vermont is required to use one of the following methods for federal subawards (page 20 in [Bulletin 5](#)):
 - a. Federally approved indirect cost rate or
 - b. Federal de minimis rate (currently 10%) or
 - c. Rate negotiated with the State pass-thru entity
2. The de minimis rate is a federal rate. There is no Vermont-specific de minimis rate. Bulletin 5 allows state fund grant recipients to draw indirects using one of the above indirect rate methodologies
3. U.S. OMB has proposed an update to the Federal Uniform Guidance (2 CFR 200) that raises the de minimis from 10% to 15%. Vermont will comply with this guidance once it is finalized for all state, federal, and hybrid funded awards
4. OMB last updated Uniform Guidance in November 2020. The de minimis remained at 10%

Example of applying indirect cost rates

- Indirect cost rates are applied to the **expenditures** of an award, not the value of the award, and make up a budget line of that award in the same way that contracts, wages, equipment, and other expenses on the award would
 - Indirect cost rates are not applied to the awarded amount
 - Indirect cost rates also cannot be applied to certain “unallowable” expenditures such as: capital expenditures, tuition remission, scholarships & fellowships and “other distorting” items. This can further reduce allowable indirect drawn on awards, as often this decreases the direct expenditures which can be drawn on
- For example, Non-profit “A” receives a federal subrecipient award for \$3M, has \$100K of excluded costs and uses the de minimis rate. Indirects are **not** in addition to the award. The breakdown between direct and indirect is detailed below. The formula for direct costs = $((\text{grant award} - \text{excluded direct costs}) / (1 + \text{indirect cost rate}))$:

Total Grant Award	\$ 3,000,000
Indirect Cost Rate	10%
Direct Costs	\$ 2,636,364
Excluded Costs	\$ 100,000
Maximum Indirect	\$ 263,636
	\$ 3,000,000

$$\text{Direct costs} = ((\$3\text{M} - \$100\text{K}) / (1 + 10\%)) = \$2,636,364$$



INDIRECT COST RATE PURPOSE

- The de minimis rate was designed to limit all applicable entities (not just not-for-profit) from drawing indirect expenditures at a level which would limit, impede, or inhibit a federally funded program from carrying out the intended purpose of those funds. While still providing overhead expenditure coverage for some of the cost not directly attributable to any individual program.
- The calculated indirect rate specifically takes into consideration an entities total indirect expenditures and total direct expenditures less unallowable expenditures to prevent entities from drawing an inequal share of their total indirect expenditures on any single award.
- What this means:

The rate is meant to cover some, but not all, indirect cost attributed to an entities overhead expenditures. The de minimis provides an entity with a base rate they can apply without doing additional work. However, the calculated rate more accurately reflects the relationship between multiple programs and a single programs relationship with regards to their overhead expenditures.

In short, the rate tells the federal agency, pass-through entity, or state how much overhead expenditures are attributable to an award of a specific monetary value.

9 <https://www.fema.gov/node/what-de-minimis-rate#:~:text=The%20de%20minimis%20rateis%20the,de%20minimis%20rate%20is%2010%25.>

Section 1(a) GRANT APPLICATIONS & AGREEMENTS

(a) Forms (Standard Agreements):

- The State of Vermont has had a standardized Grant Agreement form since the original publication of 2 CFR 200 in 2014.
- This form is used for all state, federal and hybrid funded awards and was last updated on January 8th, 2024.
- The form has been posted and publicly available since 2014 on the Finance and Management website along with the Grant Agreement part 2 which makes up the next 2 pages of every grant agreement.

<https://finance.vermont.gov/policies-and-procedures/grant-guidelines-and-procedures>

STATE OF VERMONT GRANT AGREEMENT Part 1-Grant Award Detail

SECTION I - GENERAL GRANT INFORMATION

1 Grant #: [] Original Amendment # []

2 Grant Title: []

3 Amount Previously Awarded: \$0.00 4 Amount Awarded This Action: \$0.00 5 Total Award Amount: \$0.00

6 Award Start Date: [] 7 Award End Date: [] 8 Subrecipient Award: YES NO

9 Supplier #: [] 10 Grantee Name: []

11 Grantee Address: [] 12 City: [] 13 State: [] 14 Zip Code: []

15 State Granting Agency: [] 16 Business Unit: []

17 Performance Measures: YES NO 18 Match/In-Kind: [] Description: []

19 If this action is an amendment, the following is amended:
 Amount: Funding Allocation: Performance Period: Scope of Work: Other:

SECTION II - SUBRECIPIENT AWARD INFORMATION

20 Grantee Identifier (LUI) #: [] 21 Indirect Rate: % [] 22 FFATA: YES NO

23 Grantee Fiscal Year End Month (MM format): [] (Approved rate of de minimis 10%) 24 R&D: YES NO

25 UOI Registered Name (if different than USOH Supplier Name in Row 11): []

SECTION III - FUNDING ALLOCATION

STATE FUNDS					Required Federal Award Information		
Fund Type	26 Awarded Previously	27 Award This Action	28 Cumulative Award	29 Special & Other Fund Descriptions	30 FAIN	31 Fed Award Date	32 Total Federal Award
General Fund			\$0.00				
Special Fund			\$0.00				
Global Commitment (non-subrecipient funds)			\$0.00				
Other State Funds			\$0.00				
FEDERAL FUNDS (Includes subrecipient Global Commitment funds)					Required Federal Award Information		
33 ALNB	34 Program Title	35 Awarded Previously	36 Award This Action	37 Cumulative Award	38 FAIN	39 Fed Award Date	40 Total Federal Award
				\$0.00			
	38 Federal Awarding Agency:			39 Federal Award Project Descr:			
				\$0.00			
	Federal Awarding Agency:			Federal Award Project Descr:			
				\$0.00			
	Federal Awarding Agency:			Federal Award Project Descr:			
				\$0.00			
	Federal Awarding Agency:			Federal Award Project Descr:			
				\$0.00			
	Federal Awarding Agency:			Federal Award Project Descr:			
				\$0.00			
Total Awarded - All Funds		\$0.00	\$0.00	\$0.00			

SECTION IV - CONTACT INFORMATION

STATE GRANTING AGENCY	GRANTEE
NAME:	NAME:
TITLE:	TITLE:
PHONE:	PHONE:
EMAIL:	EMAIL:

Form Effective: 12/26/2024
 Revised: 1/8/2024



Section 1(a) CONTINUED

(a) Standard Applications:

- The requirements from grant to grant set by both the federal agencies and by the state legislature vary drastically and create challenges with standardizing information beyond requesting a grantee or subrecipients: entity name, address, point of contact name, email address, and phone number
- Requiring a form without the proper tools to make it useable will not have the desired effect as each “application” is going require grant specific application attachments

Future goal – statewide grants management system

- A system with an external portal where grantee & subrecipient could login to their own view, pursue funding opportunities, apply for funding, receive documentation such as grant agreements, request reimbursement, provide reports, and upload documentation through would drastically improve the granting experience for grantee/subrecipient as well as the understaffed granting agency/departments at the state.

Section 1 (a) CONTINUED

(a) Standard Reporting Forms:

- Different funding types require completely different metrics and performance measures usually dictated by our federal partners or language included by the state legislature
- Many programs also contain both state and federal funding on the same grant agreement meaning that federal grant requirements apply. Separating out state and federal grant funds is complex and challenging
- Compliance measures are individually spelled out for each program for this reason which is why the metrics and performance measures are not included in the standardized grant agreement but are in an attachment and reporting forms are not standardized

Section 1(b)- Required Use

(b) Required Use:

- This requirement already exists for the Grant Agreement in Bulletin 5 and within its supporting documents
- The existing forms are available on a publicly accessible website in a downloadable format as a PDF
- Legislating the contents of Bulletin 5 creates complexities for bulletin updates and bulletin 5 waivers. The state must be nimble and adaptive
- Bulletin 5 waivers are often used to help waive specific requirements deemed unnecessary for certain state funded program to help state agencies/departments get funding and payments out the door faster to grantee/subrecipients.

Section 2 – Public Accessibility

State-funded grants; municipal grant programs; public accessibility:

- Database versus grant listing
- Maintaining a manual listing is challenging to keep updated to ensure accuracy
- Funds appropriated in this section are not sufficient to develop a grants database

Section 3 – Prompt Payment of Grant Funds

Prompt Payment:

Prompt payment:

- The requirement for payment within 30 days already exists within Agency of Administration guidance
- [Finance and Management Policy #5 – Payment Terms](#)
- The current policy has been in place since June 2008 with an update in 2013

Interest:

- Budget impact
- Resource issue
- Specific interest rate level – Cash Management Improvement Act – for FY2022, the federal interest rate was less than 1% for the Cash Management Act

Section 4 – Working Group on State Process

Working Group:

- **Committee membership:** The working group is made up of 13 total representatives. Only two of the members are from the executive branch.
- **Powers & Duties:**
 - Scope – is it just grants?
 - Processes and payment terms are outlined in Bulletin 5 and uniform guidance
 - Alternatives to reimbursement exist and are provided in detail in Bulletin 5 as well as in uniform guidance for Federally funded awards
 - There are no state indirect rates – the state must use federal rates, de minimis or a negotiated and approved rate
 - The State of Vermont already uses federal indirect rates. We are legally required to do so for federal funds and the Negotiated Indirect Cost Rate Agreement (NICRA) has always been accepted for state-funded awards as have established Indirect Cost Rate that have been approved by state agencies.
- **Reporting:** deliverables will require the support of legislative counsel