

Summary of Federal Grant Funding to the State of California

FEDERAL FISCAL YEAR 2017

CALIFORNIA GOVERNOR'S OFFICE OF PLANNING AND RESEARCH

Executive Summary

Under Assembly Bill 1348¹, the State Clearinghouse, located within the Governor's Office of Planning and Research (OPR), established a federal grant administrator to serve as a primary point of contact for information on federal grants related to community, economic, and local development. The purpose of the federal grant administration is to coordinate, manage, and maximize federal grant opportunities within the State of California.

By January 1, 2018, the federal grant administrator is required to prepare and issue an annual summary of federal grant funding to the California State Legislature. This summary tracks the following performance metrics: number of federal grants awarded to the state in prior and current years; number of federal grant applications submitted for grant funding; total federal dollars received by the state, school districts, and local governments each year; and number of training sessions hosted, attendance at those events and any other relevant information regarding federal grant activities within the state. This first federal grant summary report covers federal fiscal funding year 2017, as well as the three years prior to establishment of the federal grant administrator position.

The 2017 federal fiscal year ended on September 30, 2017, and the federal grant administrator assumed its role in October 2017. Due to the limited time and the limited amount of data currently available from federal databases, the information gathered regarding California federal grant awards and funds received is incomplete. It will be imperative for the federal grant administrator, in the upcoming fiscal year, to identify and track federal grant opportunities and award dollars. As such, this report also outlines the federal grant administrator's strategy and approach for fiscal year 2018 to maximize federal grant funding dollars. The federal grant administrator, as the resource for state and local governments, will assist interested parties on applying for and managing federal grants; support the establishment of a statewide network of individuals who serve as a point-of-contact for federal grant opportunities; provide and facilitate in-person and online training to encourage and improve the ability to pursue and manage federal grants; and develop and maintain information on the OPR's website related to new federal grant opportunities, grant management best practices, and other resources to support the ability of state and local governments and nonprofit entities to apply and manage federal grants.

This summary report will serve as the foundation and baseline for federal grant performance metrics in the next fiscal year and all years following.

¹ https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201520160AB1348

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Introduction

Grants are becoming an increasing part of the federal government's process for advancing new federal policies. Billions of dollars in federal grants are awarded each year to state programs and projects to carry out United States laws. These grants are awarded based on formulas established by law or through a competitive process, and fund ideas and projects that provide public services, stimulate the economy, and benefit the general public. According to data collected by the Office of the New York State Comptroller, the federal government allocated over \$650 billion in federal grants to state and local governments in 2016, on the basis of formulas established by law or through a competitive process for project grants. Of that, California received over \$90 billion, or 14 percent, of total federal grant funding dollars.²

While California seems to fare well in federal grant funding, in total, California receives significantly less per tax dollar than the majority of states. Table 1 provides an overview of federal government expenditures received versus state taxes paid. In 2016, California received 7.28 percent less than the national average, while paying 11.14 percent more in taxes per capita compared to other states. The only area where California received more funding than the national average was in the area of grants, receiving nearly 21 percent more in grant funding per capita. This, however, has not always been the case. For example, in 2013, California received only \$66 billion in federal grant dollars, which was below the national average for states, according to the National Conference of State Legislatures.³

In order to ensure that California continuously maximizes federal grant funding, Assembly Bill 1348⁴ provides the coordinating functions necessary to manage federal grant opportunities for the state and local governments, by establishing a federal grant administrator. Several states, including Arizona, Maryland, Massachusetts, Nevada, and Rhode Island, have already created a Federal Grant Office to maximize their state's federal grant opportunities. These offices work to remove federal grant administration hurdles by providing grant support, such as identifying funding opportunities, developing collaborations, coordinating grant activities with multiple stakeholders, and tracking and organizing data.⁵ Even small improvements in the cumbersome process of identifying, tracking, applying and competing, and spending federal grant dollars can mean large returns for California.⁶

As part of its duties, the federal grant administrator prepares a summary of federal grant funding that identifies and analyzes performance metrics for the funding year. The statute states that:

“On or before January 1, 2018, and annually thereafter, the federal grant administrator shall prepare a summary of federal grant funding to the state that includes, but is not limited to, all of the following performance metrics:

- (1) Number of federal grants awarded to the state during the three years prior to the establishment of the federal grant administrator and during the report year.
- (2) Number of completed federal grant applications submitted by the state during the report year.
- (3) Total federal dollars received by the state through federal grants during the report year.
- (4) Total federal grant dollars expended by the state during the report year.

² <http://www.osc.state.ny.us/press/releases/oct17/100317.htm>

³ http://www.leginfo.ca.gov/pub/15-16/bill/asm/ab_1301-1350/ab_1348_cfa_20160509_153910_sen_comm.html

⁴ https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201520160AB1348

⁵ <http://grant.nv.gov/>

⁶ http://www.leginfo.ca.gov/pub/15-16/bill/asm/ab_1301-1350/ab_1348_cfa_20160509_153910_sen_comm.html

- (5) Total federal grant dollars received in the state by school districts and local governments during the report year.
- (6) Number of training sessions hosted by the federal grant administrator and attendance at those events during the report year.
- (7) Other relevant information regarding federal grant activities within the state during the report year, as determined by the federal grant administrator.”⁷

On September 30, 2017, the federal fiscal year ended. In October 2017, the federal grant administrator began performing the duties of the job. This report serves as the first summary of California’s federal grant funding performance metrics. Based on the limited time for the federal grant administrator to collect data, this report compiles basic information, and is the beginning of a baseline of data for future funding years. The federal grant administrator will use data obtained for this report to assess trends, implement process improvements to maximize California’s federal grant dollars, and leverage State funds to increase public benefit.

⁷ https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201520160AB1348

Table 1: California Tax Dollars in Comparison to 50 States & D.C., Federal Fiscal Year 2016

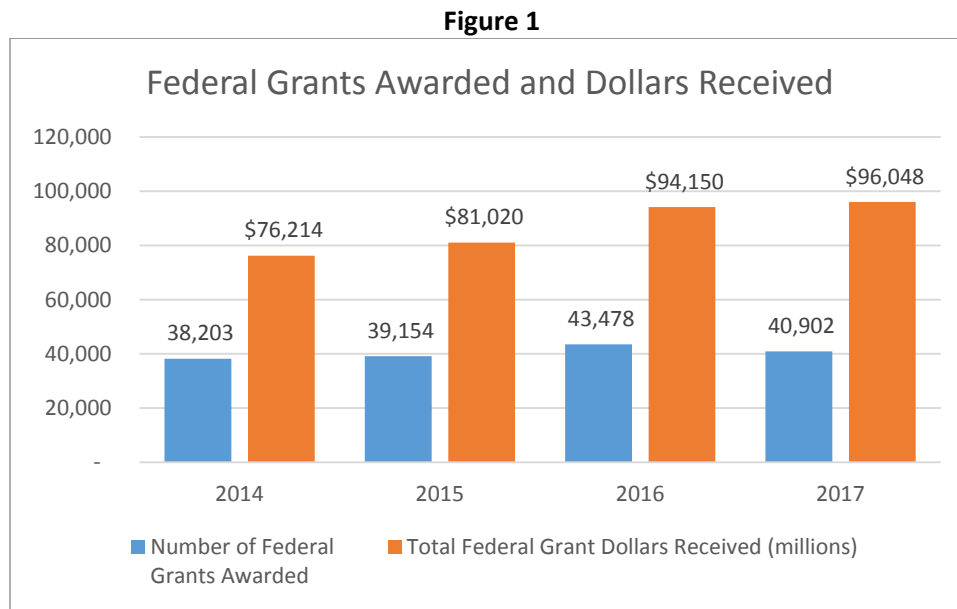
Federal Fiscal Year 2016	National: 50 States & D.C.		California			National: 50 States & D.C.		California		
	Actual Total (millions)	Proportional Total (millions)	Actual Total (millions)	Difference (millions)	Difference (%)	Per Capita	Per Capita	Per Capita Difference	Per Capita Difference (%)	
Expenditures	\$ 3,613,666	\$ 438,949	\$ 407,006	\$ (31,942)	-7.28%	\$ 11,183	\$ 10,370	\$ (814)	-7.28%	
Taxes Paid	\$ 3,061,920	\$ 371,929	\$ 413,366	\$ 41,438	11.14%	\$ 9,476	\$ 10,532	\$ 1,056	11.14%	
Balance of Payments (Expenditures Minus Revenues)	\$ 551,746	\$ 67,020	\$ (6,360)	\$ (73,380)		\$ 1,708	\$ (162)			
Direct Payments	\$ 2,261,862	\$ 274,746	\$ 233,634	\$ (41,112)	-14.96%	\$ 7,000	\$ 5,952	\$ (1,047)	-14.96%	
Grants	\$ 655,228	\$ 79,590	\$ 96,042	\$ 16,452	20.67%	\$ 2,028	\$ 2,447	\$ 419	20.67%	
Procurement (Contracts)	\$ 445,140	\$ 54,071	\$ 53,338	\$ (733)	-1.36%	\$ 1,378	\$ 1,359	\$ (19)	-1.36%	
Wages and Salaries	\$ 251,437	\$ 30,542	\$ 23,993	\$ (6,549)	-21.44%	\$ 778	\$ 611	\$ (167)	-21.44%	
Expenditures	\$ 3,613,666	\$ 438,949	\$ 407,006	\$ (31,942)		\$ 11,183	\$ 10,370			
Individual Income Tax Less Refunds	\$ 1,540,541	\$ 187,128	\$ 222,568	\$ 35,440	18.94%	\$ 4,768	\$ 5,671	\$ 903	18.94%	
Social Insurance	\$ 1,106,333	\$ 134,385	\$ 138,717	\$ 4,332	3.22%	\$ 3,424	\$ 3,534	\$ 110	3.22%	
Corporate Tax	\$ 299,559	\$ 36,387	\$ 39,487	\$ 3,100	8.52%	\$ 927	\$ 1,006	\$ 79	8.52%	
Excise Taxes	\$ 94,754	\$ 11,510	\$ 8,781	\$ (2,729)	-23.71%	\$ 293	\$ 224	\$ (70)	-23.71%	
Estate and Gift Tax	\$ 20,734	\$ 2,519	\$ 3,813	\$ 1,295	51.41%	\$ 64	\$ 97	\$ 33	51.41%	
Taxes Paid	\$ 3,061,920	\$ 371,929	\$ 413,366	\$ 41,438		\$ 9,476	\$ 10,532			

Source: Office of the New York State Comptroller, <http://www.osc.state.ny.us/press/releases/oct17/100317.htm>, Report on FFY-2016; published Oct 2017

Federal Grants Awarded and Dollars Received

Mandated by the Federal Funding Accountability and Transparency Act (FFATA) of 2016, USAspending.gov provides a public record of the federal grant funds administered state by state for each fiscal year. The database reports the name of the entity receiving the federal award, the amount of the award, the recipient's location, the place of performance location, as well as detailed information about the grant.⁸

Figure 1 documents the number of federal grants awarded to the State of California, as well as the total federal dollars received, during the three years prior to the establishment of the federal grant administrator and during the reporting year. Federal fiscal years 2014, 2015, 2016, and 2017 are shown. For the report, it is important to recognize the difference between the state fiscal year (July 1 – June 30) and the federal fiscal year (October 1 – September 30). When data originates from USAspending.gov or other federal resources, it is based on federal fiscal years.



Source: USAspending.gov

According to USAspending.gov, in federal fiscal year 2014, 38,203 federal grants were awarded to California state and local government agencies, nonprofit organizations, foundations, and institutions of higher education, totaling over \$76 billion. California federal grant awards steadily increased in the two following federal fiscal years, 2015 and 2016, with 39,154 and 43,478 federal grants awarded to California, respectively. Federal grant dollars received in those years also increased to over \$81 billion and \$94 billion. While the reporting year of 2017 saw a decline in the number of federal grants awarded to California, the amount of funding received increased for California. In federal fiscal year 2017, 40,902 federal grants were awarded, totaling over \$96 billion.⁹

⁸ <http://grant.nv.gov/About/Publications/>

⁹ <https://www.usaspending.gov/transparency/Pages/statesummary.aspx?StateCode=CA&FiscalYear=2017>

The decline in actual grant awards, in comparison to funding received in 2017, cannot be easily explained by analyzing the federal government's data. While USAspending.gov attempts to provide transparency on the federal government's grant spending, analysis of the data shows that information is not consistent, and therefore, may be inaccurate. For example, California web page on USAspending.gov states that \$96,048,415,434 was received by California in federal fiscal year 2017; however, supporting data uploaded to the website only accounts for \$95,669,861,079. While this may be a minor accounting error, the discrepancy in funding is nearly \$400 million. Additionally, Table 1, shown earlier in this report, indicates that California received \$96.05 billion in grant funding during federal fiscal year 2016, another inconsistency in data.

The Federal Grant Administrator worked with the California Research Bureau (CRB) to better understand the data discrepancies described above. The CRB contacted USAspending.gov staff who indicated that the dashboard data (\$96.05 billion) is based on voluntary Primary Place of Performance reporting, while the download award amount (\$95.67 billion) is based on mandatory Recipient Location reporting. USAspending.gov staff also cautioned that the data posted is only updated as of September 9, 2017, so data does represent awards made through the full fiscal year, which ended on September 30, 2017.¹⁰

It is imperative that in future funding years, the federal grant administrator obtains true and correct data, in order to properly analyze the current federal funding landscape and identify strategies to improve federal grant success for California. In the upcoming fiscal year, it is the goal of the federal grant administrator to document and track California's federal grant award information. Data collected will be represented in the 2018 annual report, and will be used to better assist state and local agencies in searching for federal grant funding opportunities and increasing federal award dollars to California.¹¹

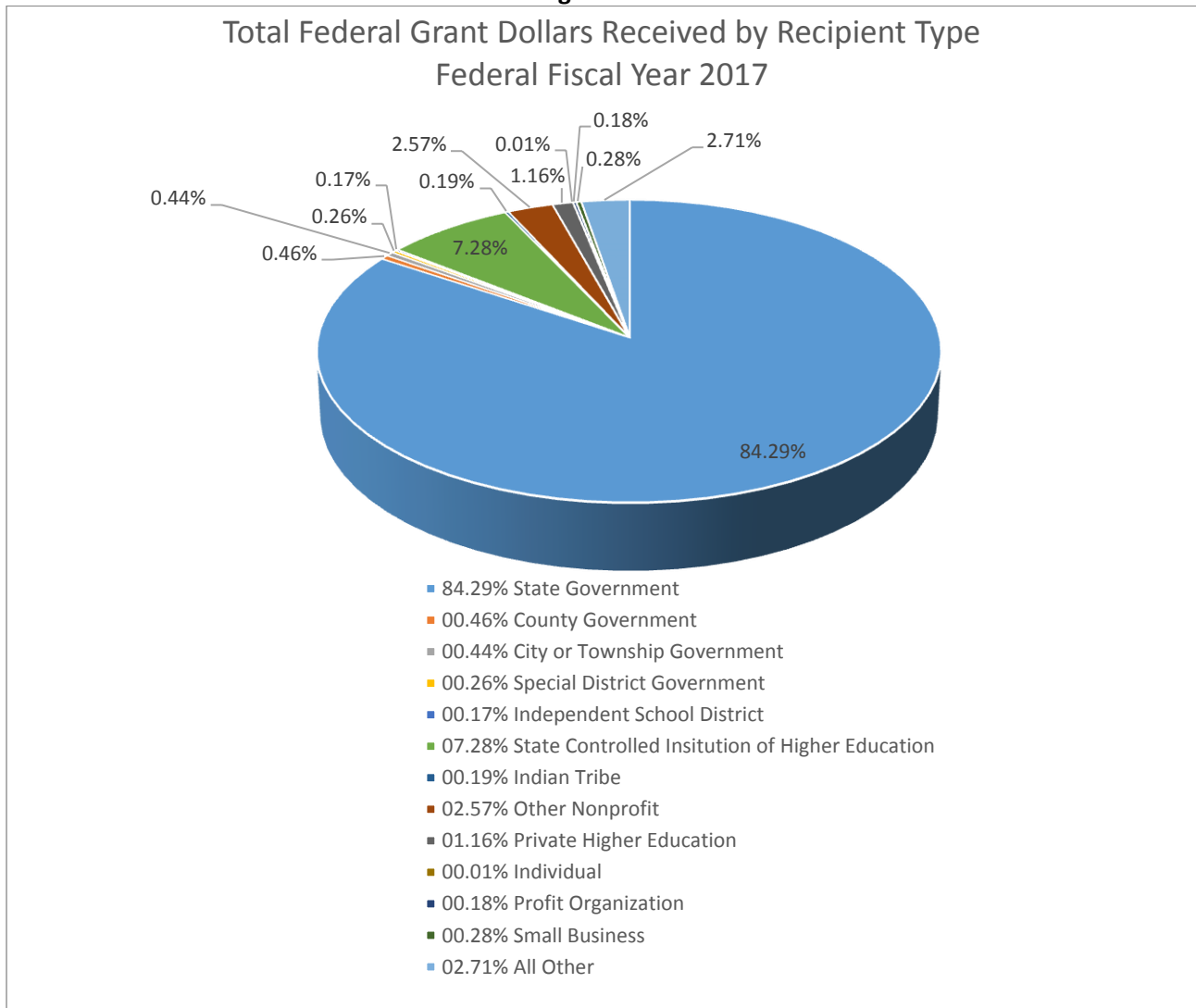
¹⁰ California Research Bureau

¹¹ <https://www.fiscal.treasury.gov/fstraining/events/EricBrennercomments.pdf>

School districts and local governments

As discussed previously, California received over \$96 billion in federal grant dollars in fiscal year 2017. Figure 2 summarizes the percent of grant dollars received by recipient type. The majority of federal grant funds received by California in 2017 went to a state government entity (84.29 percent). This is logical as most federal grant funds received by state government agencies are then passed along through various mechanisms to other entities (including, but not limited to, official sub-recipient relationships).¹² A much smaller portion of the federal funds went directly to counties, cities, special districts and independent school districts. In federal fiscal year 2017, school districts and local governments received \$1.2 billion.¹³

Figure 2



Source: USAspending.gov

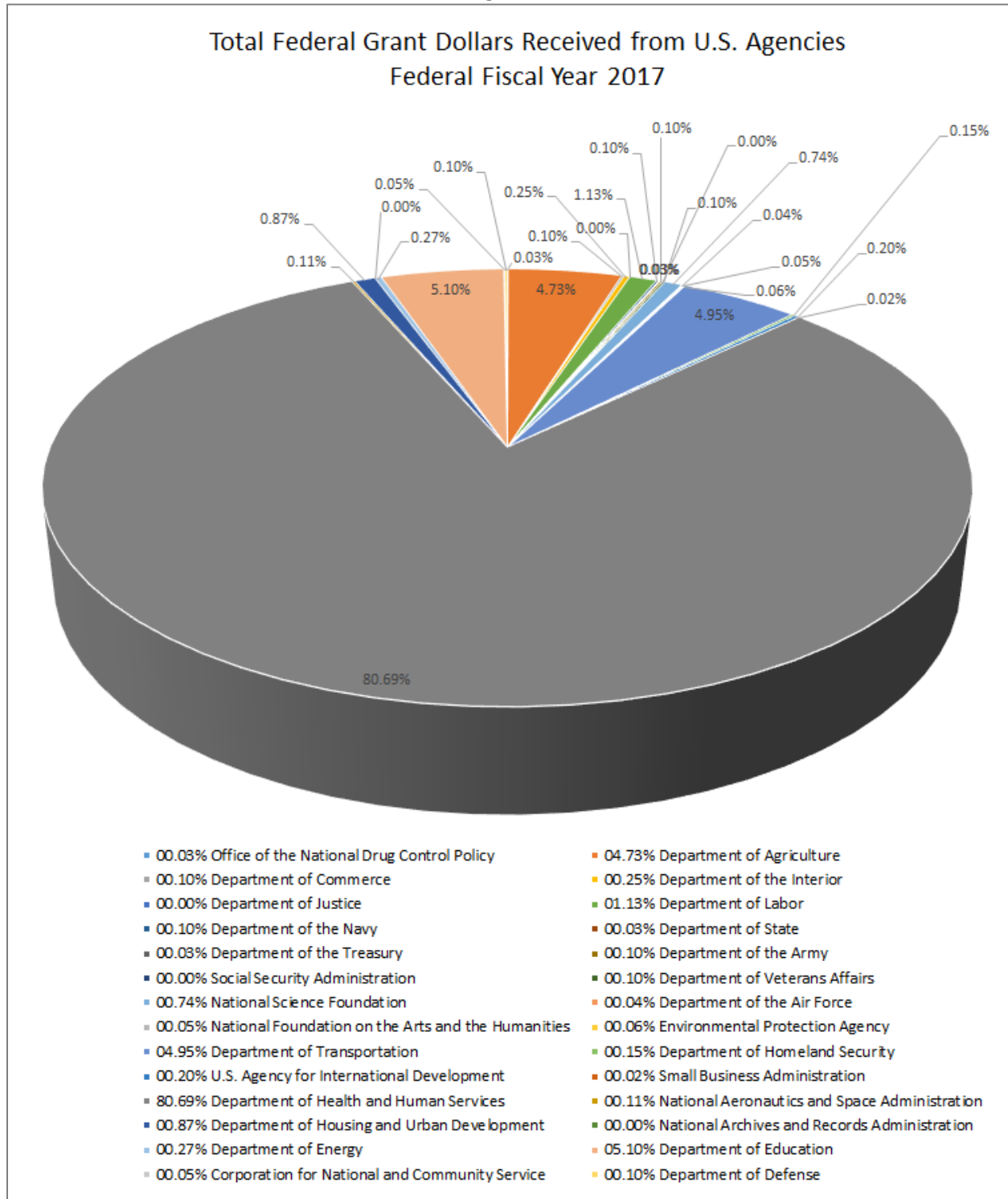
¹² <https://www.fiscal.treasury.gov/fstraining/events/EricBrennercomments.pdf>

¹³ <https://www.usaspending.gov/DownloadCenter/Pages/DataDownload.aspx>

Grant dollars from federal agencies

The percent of grant dollars received from federal agencies is summarized in Figure 3. The Department of Health and Human Services awarded the bulk of federal grant funds to California (80.69 percent).

Figure 3



Source: USAspending.gov

Federal Grant Applications Submitted

The Federal Grant Administrator worked with the California Research Bureau to determine the number of completed federal grant applications submitted by the State of California during the federal fiscal year of 2017. This topic area lacked literature and a tracking process. Data was unavailable to fulfill this reporting requirement.

The California Research Bureau contacted the Nevada Grant Office to determine the method used to capture the number of grant applications submitted by its state on an annual basis. The Nevada Grant Office does not have the data for its state, and is still in the process of developing a system to track the number of federal grant applications (SF-424). The process being developed by Nevada will require all stakeholders to notify the grant office when a federal grant application is submitted.

The Federal Grant Administrator hopes to capture this number in future report years, after developing a tracking system similar to the Nevada Grant Office. The Federal Grant Administrator will work to establish a requirement for the appropriate stakeholders in California to report the federal grant application numbers to a designated entity on a quarterly or annual basis.¹⁴

¹⁴ California Research Bureau

Federal Grant Dollars Expended

The Federal Grant Administrator also worked with the California Research Bureau to determine the total federal grant dollars expended by the State of California during the federal fiscal year of 2017. In their research, only federal grant expenditures administered by a California state agency is currently tracked. Applicants receiving direct funding from the federal government are not currently tracked.

The California Department of Finance reports federal expenditures in its Federal Compliance Audit Report.¹⁵ The most current federal expenditure information is as of June 30, 2016. According to the report, \$93.4 billion in federal revenues were expended in the state fiscal year of 2015-2016.¹⁶ The Schedule of Expenditures of Federal Awards lists all awards expended by federal agency/federal program title for fiscal year 2015-2016.

According to the Department of Finance, the June 30, 2017 report will not be issued until March 2018.¹⁷

¹⁵ Department of Finance. Federal Compliance Audit Report for the Fiscal Year Ended June 30, 2016, March 2017. Available at: <https://www.bsa.ca.gov/pdfs/reports/2016-002.pdf>.

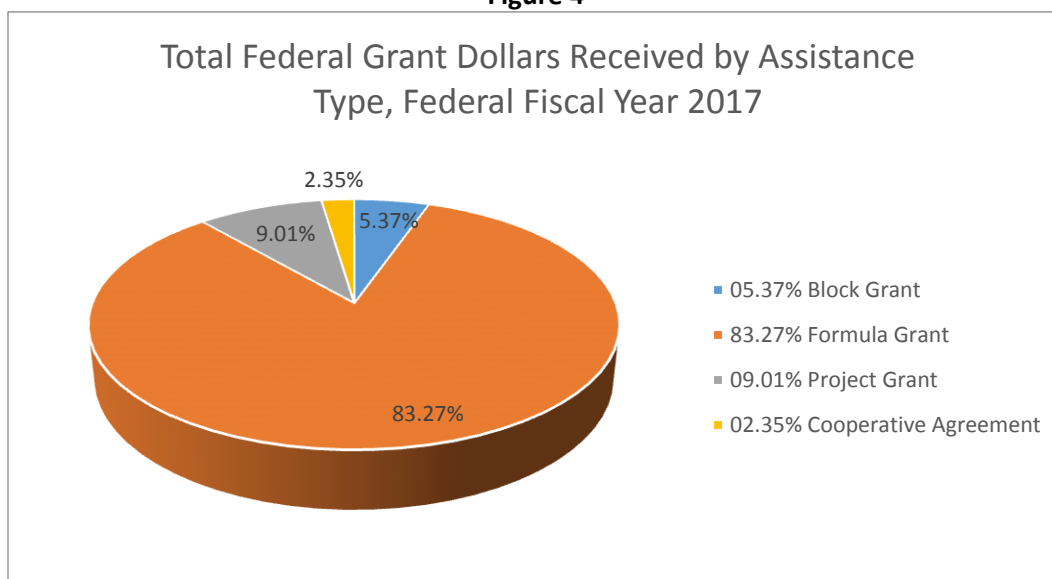
¹⁶ Department of Finance. Federal Compliance Audit Report for the Fiscal Year Ended June 30, 2016, March 2017, p. 91-101. Available at: <https://www.bsa.ca.gov/pdfs/reports/2016-002.pdf>.

¹⁷ California Research Bureau

Federal Grant Activities

There are four types of federal grants that California is eligible for: formula grants, project grants, block grants, and cooperative agreements. Descriptions of these types of grants and examples of California programs that have received these types of grants are described below.

Figure 4



Source: USAspending.gov

Formula grants

A formula grant is a grant mandatorily awarded to state governments based on statistical criteria for specific types of work. Legislation directs who is eligible for the grant, what criteria must be met, and the amount of funds to be disbursed. Formula grants are different than other grants, as they are noncompetitive. Funds must be awarded based on the formula set out in legislation.

For example, Medi-Cal is a formula grant, funded under the federal government's Medicaid program. The Medicaid program is jointly funded by the federal government and states, with the federal government providing matching funds to state governments for activities that fall within Medicaid coverage. A formula, called the Federal Medical Assistance Percentage (FMAP), is used to determine the amount of federal funds each state receives for Medicaid assistance.¹⁸ The FMAP varies by state based on criteria, such as per capita income; however, so long as the regulations are followed and the services are provided, all states will receive the funds allocated in the formula.¹⁹ In 2017, California received approximately \$67 billion federal dollars for Medi-Cal, which funded two-thirds of program costs based on the FMAP formula.²⁰

Figure 3 shows a breakdown of federal fiscal year 2017 grant dollars received in California by grant type. 83.27 percent of grants awarded were formula grants. In comparison to total federal grant dollars

¹⁸ <https://www.medicaid.gov/medicaid/financing-and-reimbursement/>

¹⁹ <https://blog.grants.gov/2016/07/13/what-is-a-formula-grant/>

²⁰ <http://www.lao.ca.gov/Publications/Report/3612#Overview>

received in the State of California (described earlier in Figure 2), formula grants similarly mirror the amount of grants awarded directly to California’s state government, suggesting that competitive awards received directly by the state government are very small.

Project grants

A project grant is a tool of the federal government to fund ideas and projects that provide public services, stimulate the economy, and benefit the general public. “[Project] grants can be awarded for a wide-variety of activities, such as innovative research, recovery initiatives, infrastructure building, or any of the other of hundreds of funding programs in the Catalog of Federal Domestic Assistance (CFDA).”²¹ Project grant programs typically originate from laws and then are administered by the appropriate federal agency. Awards resulting from project grant programs are discretionary grants, meaning that the awardees are selected competitively based on a set of published evaluation criteria defining merit and eligibility. Once a grant is awarded, the federal government allows the awardee to complete the project without substantial involvement (unlike a cooperative agreement described later). Competitive federal grants for purposes such as research, implementation of education reforms, or transportation projects are a growing share of the national economy.

An example of a project grant is a Highway Planning and Construction grant awarded to help State department of transportation, such as the California Department of Transportation, to plan, construct, and preserve the National Highway System. Funding is provided directly to states for engineering services and “planning, design, construction, and rehabilitation of the highways and bridges that are on or provide access to federal owned lands.”²² Highway Planning and Construction grants in California totaled \$148 million in federal fiscal year 2017.²³

Block grants

A block grant is typically awarded by the federal government to a state government and generally allow for more autonomy and flexibility to the states to decide how to implement a grant program. “States may use the block grant funding to establish a program or to make sub-awards to local organizations to provide the services within their region. As long as the legislatively defined purpose and parameters are met, the primary block grant recipients may elect how to utilize the funding.”²⁴

An example of a block grant is the Specialty Crop Block Grant Program (SCBGP) administered by the United States Department of Agriculture (USDA) and awarded to the California Department of Food and Agriculture (CDFA). The purpose of the SCBGP “is to solely enhance the competitiveness of specialty crops”, such as fruit and vegetables. In federal fiscal year 2017, CDFA was awarded \$22.3 million in SCBGP funding, which they further sub-awarded to local organizations in a competitive solicitation to fund 72 projects. All projects awarded propose to further the mission of the USDA’s program.²⁵

²¹ <https://blog.grants.gov/2017/02/07/new-series-what-is-a-grant/>

²² <https://www.federalgrantswire.com/highway-planning-and-construction.html#.WgYQuVtSzIU>

²³ <https://www.usaspending.gov/DownloadCenter/Pages/DataDownload.aspx>

²⁴ <https://blog.grants.gov/2017/05/23/what-is-a-block-grant-updated/>

²⁵ https://www.cdfa.ca.gov/egov/Press_Releases/Press_Release.asp?PRnum=16-042

Cooperative agreements

A cooperative agreement is a grant in which the Federal awarding agency or pass-through entity works together with a non-Federal entity recipient to conduct research in a highly specialized area.²⁶

For example, the National Institutes of Health (NIH) entered into a seven year cooperative agreement with the Scripps Research Institute in La Jolla, California to establish the Center for HIV/AIDS Vaccine Immunology and Immunogen Discovery. NIH is supporting a coordinated, multi-disciplinary team of researchers to “accelerate the development of a preventative HIV vaccine through state-of-the art technologies and advanced knowledge in immunological and clinical research, genomics, and bioinformatics and proteomics.”²⁷ This agreement receives \$31 million per year for the seven year project term.²⁸

²⁶ <https://blog.grants.gov/2016/07/19/what-is-a-cooperative-agreement/>

²⁷ https://www.scripps.edu/research/chavi_id/

²⁸ <https://www.nih.gov/news-events/news-releases/nih-awards-31-million-hiv/aids-vaccine-immunology-immunogen-discovery>

Federal Grant Administrator Activities

Establishment of a federal grant network in California

Per AB 1348, the federal grant administrator is establishing a network of individuals, statewide, “who serve as [the] point of contact for federal grant opportunities, including, but not limited to, individuals in local governments, special districts, institutions of higher education, nonprofit organizations, and foundations.”

In 2018, the federal grant administrator will propose meetings with the statewide network. The purpose of the meetings will be to inform participants of available funding opportunities, discuss training needs, address funding barriers, and assess best practices. Information gathered at such meetings can be used to develop a strategic plan for obtaining additional federal funding.

Additionally, the federal grant administrator will work with representatives from state and local government and other interested parties to apply for and manage federal grants. This includes facilitating in-person and online training for interested entities to “encourage and improve the ability to pursue and manage federal grants.”²⁹ The federal grant administrator will also seek out targeted and specialized trainings hosted by the federal government, and inform relevant parties of the statewide network.

The federal grant administrator will then include the number of training sessions hosted and the number of attendees present at those events in the annual summary report. No training sessions were hosted by the federal grant administrator during federal fiscal year 2017, so no attendance can be reported. The federal fiscal year ended on September 30, 2017, and the federal grant administrator began performing duties in October 2017.

Federal grant resources for the OPR website

In 2018, the federal grant administrator will “develop and maintain information on the Office of Planning and Research’s Internet Web Site related to new federal grant opportunities, grant management best practices, and other resources to support the ability of state and local governments and nonprofit organizations to apply and manage federal grants.”³⁰ Currently available data regarding California federal grant awards and funds received is limited; however, the federal grant administrator will seek to collect data through the statewide network. The federal grant resource web page will be used to identify and track federal grant opportunities and award dollars. The website will be used to publicize funding opportunities, disseminate accurate data, update the network on upcoming trainings, and promote federal grant funding dollars received.

²⁹ https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201520160AB1348

³⁰ https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201520160AB1348

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