Options to grow federal grants

Eliminating self-imposed barriers to bringing more federal resources into Connecticut

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Options

1. Simplify federal-state fund matching
2. Align federal and state definitions
3. Allow in-kind matches on federal grants
4. Set up a grant matching fund
5. Establish central federal funding office

Note: these options support each other.
(They are not mutually exclusive.)

Simplify federal-state fund matching

- Many state grant programs (e.g., TOD, STEAP) bar using federal funds to meet non-state cost share requirements
- This prohibition is neither in federal/state law but is administratively added by state agencies via grant program guidelines
- Effects of this:
  - Increased complexity when trying to use state funds to leverage federal funds (satisfying state-local AND federal-nonfederal matching requirements)
  - Applicants who cannot fund a local match forego applying to federal grants → fewer opportunities to bring in federal tax dollars to CT
- **Solution: waiver lifting this restriction**

Align federal and state definitions

- Criteria in state grant eligibility/priority determinations do not align with federal criteria in same area. (E.G., EDA economic distress criteria conflict with DECD distressed municipality criteria)
- In some cases, grant program criteria are set by state law; in others, they are determined administratively by state agencies
- Effects:
  - Projects solicited by state agencies for federal programs may not be competitive under those programs
  - Projects developed for state grant programs may not be eligible or score high on federal grant programs → missed opportunity to bring in additional federal funds
  - Additional overhead to develop federal grant applications (cannot reuse state ones)
- **Solution: use federal definitions in state grant programs**

Allow in-kind matches on federal grants

- "In-kind" is the calculated value of real property, equipment, goods, or services
- Many federal grant programs allow the use of in-kind expenditures (instead of cash) to meet non-federal cost share requirements
- State agencies often attach a condition on federal programs that flow through them disallowing this option
- Effects:
  - Applicants cannot count existing in-kind expenditures towards federal grants
  - Instead must find a cash match → limiting factor on going after federal funds (or increased burden on local taxpayers)
- **Solution:**
  - **Default to allowing in-kind matches unless there is a specific need to disallow them**
  - **Track state in-kind expenditures so that they can be used as a match**
  - **Create a uniform protocol for municipalities and COGs to use to account for in-kind**

Set up a grant matching fund

- Most federal grants require a non-federal cost share (“match”)
- Finding match is a major hurdle to overcome. Options:
  - Use state grants (currently disallowed by CT)
  - Use in-kind (currently disallowed by CT in some cases)
  - Use local resources (increases local tax burden and may require bonding referendums)
- A statewide grant matching pool or ‘challenge fund’ would eliminate this obstacle and encourage applications. Could cover all or part of non-federal share
  - A protocol could be set up to encourage municipalities to be entrepreneurial in their grant hunting
- State has interest in obtaining federal awards at all levels: more grants → more jobs, more state tax revenues (fund could partly pay for itself)
- Force multiplier: if local investment in area X has a multiplier of 3, and a federal grant is 80/20, the effective multiplier is 15!
- **Solution: establish a state grant matching fund**

Establish central federal funding office

- Approach to grants has been reactive (develop grant application after a solicitation has been announced – often leads to a rushed process)
- Little coordination among applicants (many groups chasing the same grants, while other grants are ignored). # of awards CT gets under each grant realistically is limited so we are competing against ourselves – suboptimal use of resources
- Solution: set up central office to coordinate on federal funding:
  - Develop and implement strategy to maximize federal participation
    - E.g. a state match fund for federal TOD grants, instead of a 100% state TOD grant
  - (Re)design programs to maximize federal funding
  - Identify future grants and determine priorities to apply to
  - Standing interagency workgroups to disseminate information about opportunities and coordinate responses
  - Develop projects, secure funds for these priorities in advance of solicitations