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STATE APPROPRIATION OF FEDERAL FUNDS SUBCOMMITTEE
OF THE
HOUSE STANDING COMMITTEE ON BUDGET

Report to Members of the
Second Session of the Sixty-seventh General Assembly

State of Iowa
1978

FINAL REPORT
STATE APPROPRIATION OF
FEDERAL FUNDS SUBCOMMITTEE
of the
HOUSE STANDING COMMITTEE ON BUDGET

Recent years have witnessed a growing concern by state legislatures regarding the lack of legislative control over federal dollars coming into the state for various programs. This concern stems in part from the all too familiar situation where a state must assume financial responsibility for a program which was initiated and previously supported by federal funds. To give state legislatures more control over the use of federal funds for state programs and to enhance long range budget planning, one-third of the states have enacted legislation or have structured budget bills require the appropriation of specific amounts of federal funds by the General Assembly. The Legislative Council authorized the appointment of a Subcommittee of the House Standing Committee on Budget to examine the problem and to consider the development of legislation for Iowa setting up a mechanism for the appropriation of specific amounts of federal funds by the General Assembly.

The following legislators were appointed to the Subcommittee:

Representative Fred Koogler, Chairperson
Representative Gregory Cusack
Representative Norman Jesse
Representative Lowell Norland
Representative Delwyn Stromer
Representative Andrew Varley
Representative Richard Welden

ISSUES

The Subcommittee completed its work in two meetings. Representatives from interested state agencies including the Comptroller's Office, the Office for Planning and Programming, the Board of Regents, the Department of Transportation, the Legislative Fiscal Bureau and the Legislative Service Bureau were invited to discuss problems which they perceive in the state appropriation of federal funds and to explain current procedures regarding the acceptance and monitoring of federal dollars. Issues raised and discussed at that time were:

1. Can a state constitutionally appropriate federal funds? The Colorado Supreme Court ruled that this power applies only when a match in state funds is involved. A Pennsylvania court is expected to rule on this issue soon.
2. Can a legislative committee appropriate funds? It was suggested that this might be an unconstitutional delegation of legislative authority, however there was some disagreement on this question.

3. It was noted that problems might arise from the differences in the state and federal fiscal years.
4. The state Board of Regents expressed the concern that appropriating federal funds for education would put Iowa institutions at a competitive disadvantage.
5. The problem of keeping track of requests for federal funds and of legislative input in general received considerable attention. Questions involving increased Subcommittee and staff workload and interim schedules were raised. The Comptroller's Office currently monitors approved requests for federal funds to determine if the funds were actually spent and used for the designated purpose. The Legislative Fiscal Bureau keeps a record of all plans and grant applications but underscored the need for a system to determine whether an agency should be applying for funds. The Federal Funds Clearinghouse of the Office for Planning and Programming reviews numerous requests as mandated by federal statutes and known as the A-95 process. This review is primarily to avoid duplicative efforts and can involve many state agencies for any given proposal. A ten-day listing of current grants is prepared and all applications are public record.

RECOMMENDATIONS

The Subcommittee devoted the afternoon portion of its first meeting and its entire second meeting to the development and refinement of legislation. A Committee on Budget bill (Study Bill 217) prepared at the close of the 1977 session was used as a basis for discussion. This bill provides that all federal funds except pass-through funds to local governments shall be deposited in the general fund of the state and be available for appropriation by the general assembly. A state agency, including the board of regents and legislative offices could not receive and expend federal funds unless the funds were appropriated in a specific amount to the agency by the general assembly. During the interim, the budget committees meeting jointly would review all proposed expenditures not included in the state budget because timing prevented their inclusion but an agency could receive and expend funds without the committees' approval of the appropriation.

Two major issues became readily apparent: Should funds for any particular purpose be excluded from the state appropriations process and how can the general assembly continue to control the receipt and expenditure of federal funds when not in session?

The Subcommittee determined that project grants for research and funds for student aid programs under the state Board of Regents should not be considered "federal funds" in the bill and

therefore should not require appropriation by the general assembly. (See section one, subsection two). Concerning the second issue, the Subcommittee recommends that during the interim state agencies may apply for, receive and administer funds which were not available for inclusion in the budget but may not expend such funds until the Budget Committees meeting jointly approve the proposed expenditure. (See section four, subsection two).

With these two major changes the Subcommittee recommends Study Bill 217--attached Bill I--to the House Committee on Budget for passage.

ADDITIONAL ACTIVITIES AND RESEARCH

The Subcommittee was extremely interested in how other states appropriate federal funds. Accordingly, the staff developed and sent a survey to 34 other states which addressed such topics as increased staff and committee time attributed to the appropriation of federal funds, interim procedures and problems encountered by the states in assuming this additional responsibility. The response rate has been good and a compilation of results will be available to interested legislators.

The Subcommittee has also asked that interested state agencies, including those who had representatives in attendance at the meetings, provide written comments on Study Bill 217 as redrafted by the Subcommittee to the staff for review.

BILL I

PROPOSED HOUSE FILE _____

By (PROPOSED COMMITTEE ON
BUDGET BILL)

Passed House, Date _____ Passed Senate, Date _____

Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

1 An Act relating to the appropriation of federal funds by
2 the general assembly.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. Chapter two (2), Code 1977, is amended by
2 adding sections two (2) through four (4) of this Act.

3 Sec. 2. NEW SECTION. DEFINITIONS. As used in sections
4 three (3) and four (4) of this Act:

5 1. "State agency" means all state offices, departments,
6 boards, commissions, councils, committees, institutions under
7 the control of the state board of regents, the governor's
8 offices, the courts and offices of the legislative branch
9 of state government.

10 2. "Federal funds" means any financial assistance available
11 to a state agency by the United States government, whether
12 a loan, grant, subsidy, augmentation, reimbursement or in
13 any other form. "Federal funds" does not include federal
14 pass-through funds to local governments and organizations
15 which do not require additional state matching funds and
16 projects grants for research and funds for student aid programs
17 carried on within institutions under the control of the state
18 board of regents.

19 Sec. 3. NEW SECTION. RECEIPT OF FEDERAL FUNDS.

20 1. All federal funds shall be deposited in and credited
21 to the general fund of the state and shall be available for
22 appropriation by the general assembly as part of the state
23 budget. Detailed and accurate accounting records shall be
24 maintained for such federal funds.

25 2. The provisions of subsection one (1) of this section
26 shall not apply where the general assembly has created a
27 special fund and has specifically provided for the receipt
28 of federal funds through the special fund and for their use
29 for a specific purpose. However, funds deposited in the
30 special fund shall be used for the purpose designated by the
31 general assembly.

32 Sec. 4. NEW SECTION. APPROPRIATION OF FEDERAL FUNDS.

33 1. Except as provided in subsection two (2) of section
34 three (3) of this Act and subsection two (2) of this section,
35 a state agency shall not expend any federal funds for a purpose

1 for which federal funds have not been appropriated whether
2 such funds are advanced prior to expenditure or as
3 reimbursement, except upon appropriation of specific amounts
4 of such funds by the general assembly.

5 2. When the general assembly is not in session, state
6 agencies may apply for, receive and administer federal funds
7 which were not appropriated by the general assembly because
8 they became available at such time as to preclude the
9 possibility of their inclusion in the budget enacted by the
10 general assembly but shall not expend such federal funds until
11 the budget committees of the house and senate meeting jointly
12 review and approve the proposed expenditure of funds.

13 Sec. 5. Section seven point nine (7.9), Code 1977, is
14 amended to read as follows:

15 7.9 FEDERAL FUNDS ACCEPTED. The governor is authorized
16 to accept for the state, the funds provided by any Act of
17 Congress for the benefit of the state of Iowa, or its political
18 subdivisions, provided there is no agency to accept and
19 administer such funds, and ~~he~~ the governor is authorized to
20 administer or designate an agency to administer the funds
21 until such time as an agency of the state is established for
22 that purpose, subject to the provisions of sections three
23 (3) and four (4) of this Act.

24 Sec. 6. Section seven point fifteen (7.15), Code 1977,
25 is amended to read as follows:

26 7.15 FEDERAL FUNDS FOR HIGHWAY SAFETY. The governor,
27 in addition to other duties and responsibilities conferred
28 upon ~~him~~ the governor by the Constitution and laws of this
29 state, is hereby empowered to contract for the benefits
30 available to this state under any Act of Congress for highway
31 safety, law enforcement, or other related programs, and in
32 so doing, to co-operate with federal and state agencies,
33 private and public organizations, and with individuals, to
34 effectuate the purposes of these enactments. The governor
35 shall be responsible for and is hereby empowered to administer,

1 either through ~~his~~ the governor's office or through one or
2 more state departments or agencies designated by ~~him~~ the
3 governor or any combination of the foregoing the highway
4 safety, law enforcement and related programs of this state
5 and those of its political subdivisions, all in accordance
6 with said Acts, sections three (3) and four (4) of this Act
7 and the Constitution of the state of Iowa, in implementation
8 thereof.

9 Sec. 7. Section seven A point three (7A.3), subsection
10 twelve (12), Code 1977, is amended to read as follows:

11 12. Apply for, receive, administer, and utilize federal
12 or other funds available for achieving the purposes of this
13 chapter, subject to sections three (3) and four (4) of this
14 Act.

15 Sec. 8. Section seven A point seven (7A.7), subsection
16 one (1), Code 1977, is amended to read as follows:

17 1. Utilize grants or other financial assistance made
18 available by the state, federal government, or any other
19 public or private sources for performing the functions of
20 the division, subject to sections three (3) and four (4) of
21 this Act. Nothing in this subsection shall prevent or impair
22 the powers of other state agencies or local governments to
23 contract for, receive, or utilize grants directly from the
24 federal or local governments or from any other public or
25 private source.

26 Sec. 9. Section eighteen point one hundred forty-five
27 (18.145), Code 1977, is amended to read as follows:

28 18.145 FEDERAL FUNDS. The board, the governor, or the
29 director may apply for and accept federal or nonfederal gifts,
30 loans, or grants of funds and to use the same to pay all or
31 part of the cost of carrying out any project under the provi-
32 sions of this chapter, subject to sections three (3) and four
33 (4) of this Act.

34 Sec. 10. Section twenty-eight point ten (28.10), subsection
35 five (5), Code 1977, is amended to read as follows:

1 5. Apply for, receive, contract for, and expend federal
2 funds and grants and funds and grants from other sources,
3 subject to sections three (3) and four (4) of this Act.

4 Sec. 11. Section twenty-eight point sixteen (28.16), Code
5 1977, is amended to read as follows:

6 28.16 ACCEPTING GRANTS IN AID. The corporation formed
7 under sections 28.11, 28.14 and 28.15 is hereby authorized
8 to accept grants of money or property from the federal
9 government or any other source and may ~~upon-its-own-order~~
10 use its money, property or other resources for any of the
11 purposes herein, subject to sections three (3) and four (4)
12 of this Act.

13 Sec. 12. Section eighty point twenty-six (80.26), Code
14 1977, is amended to read as follows:

15 80.26 FEDERAL FUNDS FOR HIGHWAY SAFETY. The commissioner
16 of public safety, when authorized by the governor pursuant
17 to section 7.15, may accept, administer and expend funds
18 provided by any Act of Congress for highway safety, law
19 enforcement or any activities generally related to the duties
20 of the department of public safety as provided in this chapter,
21 subject to sections three (3) and four (4) of this Act.

22 Sec. 13. Section eighty C point five (30C.5), unnumbered
23 paragraph one (1), Code 1977, is amended to read as follows:

24 The commission with approval of the governor may accept
25 funds, grants, services, facilities and property from any
26 source, and all such receipts of the commission, including
27 gifts, grants-in-aid and other revenue, ~~are-hereby-appre-~~
28 ~~riated~~ shall be expended for carrying out the purposes of
29 this chapter, subject to sections three (3) and four (4) of
30 this Act. The expenditure of any funds available to the
31 commission shall be by warrant to the treasurer of the state,
32 drawn by the state comptroller upon vouchers authorized by
33 the executive director of the commission.

34 Sec. 14. Section three hundred three point ten (303.10),
35 Code 1977, is amended to read as follows:

S.F. _____ H.F. _____

1 303.10 ACCEPTANCE AND USE OF MONEY GRANTS. All federal
2 grants to and the federal receipts of the agencies receiving
3 funds under this chapter ~~are appropriated~~ shall be used for
4 the purpose set forth in the federal grants or receipts,
5 subject to sections three (3) and four (4) of this Act.

6 Sec. 15. Section three hundred three A point seven
7 (303A.7), unnumbered paragraph one (1), Code 1977, is amended
8 to read as follows:

9 The commission is authorized and empowered to receive,
10 accept, and administer any money or moneys appropriated or
11 granted to it, separate and apart from the general library
12 fund, by the federal government or by any other public or
13 private agencies, subject to sections three (3) and four (4)
14 of this Act.

15 Sec. 16. Section three hundred seven A point four (307A.4),
16 unnumbered paragraph one (1), Code 1977, is amended to read
17 as follows:

18 Where funds have been allotted or appropriated or may
19 hereafter be allotted or appropriated by the government of
20 the United States for the improvement of streets and highways
21 in this state, and the federal statutes or the rules and regu-
22 ~~lations~~ of the federal government provide or contemplate that
23 such work shall be under the supervision of the commission,
24 said commission is hereby authorized and empowered to let
25 the necessary contracts for such construction work, to
26 supervise and direct such construction work, to comply with
27 the federal statutes and rules, and to co-operate with the
28 federal government in the expenditures of said federal funds,
29 subject to sections three (3) and four (4) of this Act.

30 Sec. 17. Section three hundred eight A point two (308A.2),
31 Code 1977, is amended to read as follows:

32 303A.2 FUNDS. The state conservation commission may
33 accept in the name of the state funds contributed by such
34 groups; and such funds shall be used exclusively in the
35 establishment of bikeways as herein provided. Additional

1 funds as may be necessary in purchasing signs and otherwise
2 carrying out the provisions of this chapter may be expended
3 by the conservation commission if authorized by the general
4 assembly pursuant to appropriations for such purposes; and
5 the commission shall be authorized to accept and expend federal
6 funds made available for the purposes of aiding in the
7 implementation of this chapter, subject to sections three
8 (3) and four (4) of this Act.

9 Sec. 18. This Act is effective January 1, 1979.

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EXPLANATION

11 This bill prohibits state agencies, including board of
12 regents institutions and legislative offices, from receiv-
13 ing and expending federal funds except upon the appropria-
14 tion of specific amounts by the general assembly. The system
15 is structured so that all federal funds would, upon receipt,
16 be deposited in the general fund of the state. When the
17 general assembly is not in session, state agencies could apply
18 for, receive and administer federal funds which became
19 available at a time as to preclude the possibility of their
20 inclusion in the state budget but could not expend such until
21 the budget committees meeting jointly review and approve the
22 proposed expenditures of federal funds. Funds for post-
23 secondary educational research and student aid are exempt
24 from the state appropriations requirements.

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