



FIRST THINGS FIRST

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GUIDELINES FOR RENEWAL OF EXISTING AGREEMENTS

Generally, a one year grant agreement with options to renew may be extended unless there is appropriate justification for the action to not renew. In some cases where changes affecting the provisions of the agreement are considered significant, an agreement cannot be renewed, requiring a new competitive award process or a new grant agreement to be initiated by a Regional Council. Each agreement should be reviewed individually to determine what steps should be taken regarding possible renewal.

Three changes, or combination of changes, affect whether a grant agreement could be renewed and thus extended into the next fiscal year:

- When the scope of work changes;
- When the amount allocated by the Regional Council increases or decreases significantly; and/or
- When grant performance does not meet the needs of the agency.

Proposed Amendments that Change the Scope of Work

Generally speaking, the Scope of Work, in terms of the intent of the program, cannot be changed without rebidding a grant or renegotiating an agreement. However, there are some modifications within a scope of work that do not require rebidding or renegotiation. These include the following:

- Regional Councils could expand a current grantee's agreement to include additional elements or components of work that were part of the original Scope of Work, but not implemented under the final service award.
- Regional Councils could expand a current grantee's agreement to include additional service areas if they were part of the original Scope of Work, but not part of the final award requirements.
- Regional Councils would like to provide more services to additional children/participants, the added cost of which is no more than 10 percent higher than the existing annualized amount. Changes beyond 10 percent are allowable when justification and documentation strongly support how this action is in the best interest of the community receiving the benefit and that a competitive process would not provide additional benefit or services to the community or there are not additional quality providers to deliver the service.

The following examples highlight scenarios as well as provide explanations as to why the example is allowable or not allowable.

- Example: A Regional Partnership Council obtains approval of an RFGA to fund programs to implement the Nurse Family Partnership model program. The grantee was funded based on their application to implement that specific program, but now the Regional Council would like the grantee to implement the Parents as Teachers model program instead. This programmatic change would not be allowed as it significantly changes a specific requirement in the RFGA scope of work. If the Regional Council wanted to require the Parents as Teachers program, a new competitive process would be necessary.

- Example: A Regional Partnership Council's approved RFGA included delivery of parent education, early literacy and community based training. The grantee is currently implementing only community based education and literacy services (not parent education). A review of performance and capacity indicates that the grantee would be able to expand to include the parent education. This programmatic change would be allowable because it includes an expansion of a programmatic element/component that was part of the original Scope of Work. If the grantee had additional costs that were necessary for this expansion those costs would also be allowable increases for renewal purposes.
- Example: The RFGA that was approved was limited to services being provided only in one city or area of a particular Region (Area A). The Regional Council now wishes to expand services to another area of the region (Area B). Amending existing grants to provide that expansion would not be allowable because other service providers that could have successfully provided services in Area B did not have the opportunity to compete. If the original Scope of Work included all areas of the region or specified both Area A and Area B (or even additional areas) then it would be allowable as well.

Proposed Amendments that affect the dollar value of grant agreements

Generally speaking, grant agreements cannot be renewed without going back out to bid or without renegotiating the agreement if the dollars allocated under the grant agreement, being considered for renewal, are increased by more than 10 percent. Usually the purpose for a dollar change is that the level of work required or scope of work has changed. The section above provides guidance on when grant agreements may be affected and be required to be rebid under those circumstances. The 10 percent limitation is a rule of thumb. The Arizona State Procurement Office generally considers a "material change" as a 10 percent increase for goods and services in quantity and price. Changes beyond 10 percent are allowable when justification and documentation strongly support how this action is in the best interest of the community receiving the benefit and that a competitive process would not provide additional benefit or services to the community or there are not additional quality providers to deliver the service. Small dollar grants may be able to be renewed at a larger percentage increase than large dollar grants. For example, a grant that is for \$15,000 may be able to be extended above \$16,500 without being rebid or renegotiated, whereas a grant for \$1,000,000 should likely be rebid if an increase over 10 percent is considered and the justification described above is not clear and substantial.

If a grant is for less than a full year, the value of the grant should be annualized to determine if the subsequent year allocation is greater than 10 percent. For example, a grant may require the expenditure of \$50,000 per month to deliver certain services. The grant is only in effect for 8 months of the first fiscal year, for a total of \$400,000. For the second fiscal year, the approved funding level is \$650,000. This grant does not require rebid or renegotiation since the annualized value of the first year grant was \$50,000 per month, which equates to \$600,000 per year. The value of the second year grant will be less than 10 percent of an increase over the annualized amount for the first year ($\$650,000/\$600,000 = 8.3\%$).

In any instance where the dollar amount of the grant agreement has been increased, the justification for the increase must be documented. In addition, the grantee must provide information in the grant renewal packet as to how the additional funds will be used. This information is to be included in both the narrative and budget sections of the renewal packet.

If the amount of the grant agreement is being reduced by a Regional Council, there is no need to rebid or renegotiate unless the organization does not agree to the renewal at a lesser amount.

To renew or not to renew when grantee performance is unacceptable

Regional Councils should examine grant performance in considering whether or not to recommend renewal of a grant agreement. This examination should include available reporting data elements, narrative input. If a Regional Council determines that grant performance does not meet the Regional Council's needs based upon factual evidence under the provisions of the grant, the Regional Council may decide to not renew and to rebid or enter into an agreement with a different governmental entity. Regional Councils may also renew programs based on findings that there are reasonable causes for delays in implementation, or other issues that have been or will be overcome by the grantee in the coming year. Note, based on factual evidence, Regional Councils may decide not to submit grant renewal documents to a grantee thus making the decision to not renew.

If grantee performance is satisfactory under the grant agreement, and if no other changes occur to the scope of work or financial value of the grant that would require rebid or renegotiation, the Regional Council should renew the grant.

Note, for grantees that are in their first year of implementation of First Things First funded programs, required grantee reporting may only be available for the first quarter and provide limited information.