



FIRST THINGS FIRST

The right system for bright futures

AGENDA ITEM:

Approvals process and authority for program budgets and expenditures

Second Read

BACKGROUND:

A vast majority of FTF funds (90% of Tobacco Tax revenues and Interest Income) are spent through the Program account. FTF statutes recognize this fact by providing guidance on the financial oversight. This guidance contains both generalities and some specificity. This item intends to set Board fiscal implementation policy, addressing items for direct Board approval and designated authority to the Executive Director.

RECOMMENDATION:

The Board approve this document as its operating policy.

FTF CONTACT:

Josh Allen

602 771 5099

jallen@azftf.gov

BOARD GUIDANCE AND SENTIMENT RELATED TO THE USE AND IMPLEMENTATION OF THE ITEMS OUTLINED IN THIS DOCUMENT

The Board's delegation of authority under this policy, for the various types of non-FTF directed/non-procurement approvals to the Executive Director, should be used in limited situations. It is the intent of the Board to retain responsibility for acting on the budget setting and awards process within the Programs Account. While the Executive Director will have authority to take action under this policy, it should be exercised judiciously and in those circumstances where waiting to the next Board meeting would create undo programmatic hardship. Additionally, when the Executive Director does exercise authority under this policy, the Board requires that the approval and its fiscal impact be expressly delineated as part of the financial update provided to the Board at its next meeting.

In adopting this policy, the Board also wants to make clear that while noting multi-year contracts are an option, they are not an option they believe should be used except on a very limited and case by case basis where significant rationale for such an agreement is present. The Board believes that as a result of its annual budgeting process and the volatile revenue source for the agency that annual contracts with options for renewal are a more prudent fiscal instrument at this time. However, examples of where a multi-year agreement might make sense include when another government is actively seeking a multi-year agreement to accommodate its process realities, or to allow potential future grant renewals for a grantee to align with the out fiscal year cycle when their original engagement starts close to the end of the current fiscal year.

FUNDING PLAN (STRATEGY ALLOTMENTS)

Approval:

Regional--

"Each regional partnership council shall annually develop a regional plan for expenditure during the next fiscal year of funds budgeted [allocated] by the Board . . . to meet the needs identified in its region." (ARS 8-1161.D)

"After its regional plan has been approved by the Board, each regional partnership council shall conduct the approved programs directly and/or make the approved grants. . . ." (ARS 8-1161.E)

In accordance with this statutory language, initial regional plans (which have been operationalized and are currently known as Funding Plans) are approved by the Board.

Statewide--

". . . from the program account . . . no more than ten percent may be used to fund statewide grants or programs directly by the Board pursuant to section 8-1192." (ARS 8-1185.A)

"The Early Childhood Development and Health Board may . . . Authorize expenditure of funds . . . to operate programs and services provided directly by the board to fund statewide grant programs . . ." (ARS 8-1192.B)

The budget documents required under ARS 8-1184 have come to serve as the basis for establishing the Statewide Program Budget. This portion of the overall budget can be viewed as the Statewide Funding Plan. Approval of this initial budget (or Statewide Funding Plan) must be approved by the Board.

Regional and Statewide --

There is no specific limit related to a contract period for a grantee approved by the Board, and as such they can be for longer than 1 year (limited by other applicable state law, ARS 41-2546, which places the limit at 5 years). A multi-year contract, expressly approved by the Board initially as a multi-year contract, does not need to be approved by the Board each year, and can be budgeted and accounted for according to the appropriate fiscal year allotments (such action has immediate impact on future year funding plans) and award amounts. If and when a multi-year contract is ever issued, contract language related to termination for lack of funding will be enhanced to account for the complexities of a future commitment.

Rollovers/Extensions:

Regional --

Awards originally approved by the Board which have unspent funds at the end of the fiscal year or contract period (whichever is first) may be used to complete the remainder of the scope of work under a new "extended" contract period based on the recommendation of the Regional Council and approval of the Executive Director.

Statewide --

Based on ARS 8-1185.A and the Board's applied interpretation of this section, Statewide Programs are not able to budget and add previous years unspent funds to the current year allocation and subsequent program allotments.

Amendment:

Regional and Statewide --

Generally speaking, the Scope of Work 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 circumstances do not require Board action when they arise but they do require approval by the Executive Director.

These situations include the following:

- Regional Councils in consultation with FTF's Deputy Director for Policy and Programs (for regional programs) or FTF's Deputy Director of Policy and Programs (for Statewide and Regional Programs) may recommend changes to a current grantee's agreement to include elements or components of work that were part of the original Scope of Work, but not implemented under the final service award.
- Regional Councils in consultation with FTF's Deputy Director for Policy and Programs (for Regions) or FTF's Deputy Director of Policy and Programs (for Statewide and Regional Programs) may recommend changes to a current grantee's agreement to include service areas if they were part of the original Scope of Work, but not part of the final award requirements.
- Regional Councils in consultation with FTF's Deputy Director for Policy and Programs (for Regions) or FTF's Deputy Director of Policy and Programs (for Statewide Programs) may work with the grantee to clarify data related to the service units and/or standards of

Director with notice to the Board. A final appeal of this decision may be made by the grantee to the Board. However, the appeal to the Board must be submitted no more than 35 days after the grantee receives certified notice of the action.

PROGRAMS DIRECTLY CONDUCTED BY FTF

Approval/Expenditure:

Regional --

"After its regional [funding] plan has been approved by the Board, each Regional Partnership Council shall conduct the approved programs directly . . ." (ARS 8-1161.E)

In accordance with this language after the Board approves a Regional Council's Funding Plan the decision can be made by the Regional Council to conduct the program directly under its approved Regional Funding Plan. If a Regional Council chooses to conduct a program directly the budget (share of the strategy allotment – whole or part) and subsequent expenditure of this budget may be approved by the Executive Director.

Statewide --

Statute does not provide specific direction in regards to Statewide programs and services undertaken directly by FTF. As such guidance can be derived from the regional process.

After the Board approves the Statewide Funding Plan the Deputy Director for Policy and Programs can recommend that FTF administer the program directly. If such a recommendation is made, the budget (share of the strategy allotment – whole or part) and subsequent expenditure of this budget may be approved by the Executive Director.

Regional and Statewide --

Expenditures made directly through FTF in support of a strategy identified within a Board approved Regional Council's Funding Plan and/or Statewide Funding Plan are subject to FTF's normal administrative structure and procurement practices.

Clerical errors to allotment amounts entered into Funding Plan within the accounting system which require system updates to correct that error shall be approved by the Deputy Director for Operations and logged similar to any other journal entry (JE) update to allow for tracking.

DEFINITION(S)

Allocation

Board approved annual funding amount for a Region or Statewide Programs.

Allotted and Unallotted

The amount of funds directed to a strategy area, and reported as part of the funding plan.

The amount of allocation not allotted to a specific strategy is considered unallotted and available for future allotment to a strategy.