



EXECUTIVE CHAMBERS
HONOLULU

DAVID Y. IGE
GOVERNOR

December 30, 2016

EXECUTIVE MEMORANDUM

MEMO NO. 16-05

TO: All Department Heads

SUBJECT: Administration of Operating Grant Pursuant to Hawaii Revised Statutes (HRS) Chapter 42F

To improve the State's efficiency and responsiveness in administering operating grants that are appropriated each year by the state legislature, I asked several administrative departments to work together on a process improvement initiative. After consultation with the Attorney General, Director of Finance, Comptroller, and the Office of Community Services, the following guidelines will apply to operating grants appropriated from general funds pursuant to HRS Chapter 42F.


1. HRS § 42F-104 provides that contracts for grants are to be effective as of the first day of the fiscal year for which the funds are appropriated and up to one-fourth of the total grant amount may be disbursed **prior to** the execution of the contract. The statute thus provides for partial payments to grant recipients in advance of an executed contract. Accordingly, upon passage of the budget bill authorizing an operating grant pursuant to HRS Chapter 42F, the Department of Budget and Finance (B&F) will work with the Department of Accounting and General Services (DAGS) to promptly establish vendor codes for HRS Chapter 42F grantees identified by the legislature in order to facilitate the prompt disbursement of operating grant funds.
2. Pursuant to HRS § 42F-103 and -104, grant recipients who have met the legal requirements of these sections are eligible to receive reimbursement for expenditures incurred after July 1 but prior to the execution of the contract with the state agency designated by the legislature as the expending agency. The grant recipient must submit proof of expenditures to the designated state agency and the expenditures must be related to the scope of work set forth in the grant application. An exception to Comptroller's Memorandum No. 2009-14, dated June 24, 2009, (see Attachment 1) shall be made to allow all Chapter 42F operating grant contracts to be effective July 1st of the appropriate fiscal year and for the advance disbursement to accommodate the provisions of HRS § 42F-104.

3. On an exception basis, the expending state agency may disburse up to one-fourth (25%) of the total grant amount to the grantee prior to contract execution, if the grant recipient offers proof that they lack sufficient funds to proceed and will be unable to complete the scope of work stated in their grant application without such disbursement. Any advance disbursement to the grantee must be detailed in the COMPENSATION AND PAYMENT SCHEDULE of the attached HRS chapter 42F contract form. A contract for the grant executed by all of the parties is not needed prior to the advance disbursement and should not delay DAGS' processing of the advanced disbursement to the grantee.
4. All contracts for operating grants shall utilize the attached Form 42F Contract and shall be executed in a timely manner following the date of the legislation awarding the grant. (Note that under HRS § 42F-107 the governor is obligated to notify grant recipients within ninety days of the effective date of the legislation awarding a grant if the grant is not allocated or released or is still pending.)
5. Departments are to report on the status of the Chapter 42F operating grants for which they are designated as the expending agency to the B&F on a monthly basis using the format shown in Attachment 2. Please contact your assigned B&F budget analyst to obtain an electronic file that includes all of the Chapter 42F operating grants for which your department has been designated as the expending agency. Chapter 42F operating grants status reports are due to B&F five working days after the close of each month.

This memorandum supersedes the Executive Memorandum No. 16-02, dated June 24, 2016 requirement that the Governor approve expenditure of Chapter 42F operating grant funds, with respect to **operating grants only**. Approval to expend Chapter 42F **operating grant** funds is hereby delegated to Department heads. Further, departments are directed not to impose any general fund restrictions on Chapter 42F operating grants.

A form AGREEMENT FOR GRANTS is included as Attachment 3 for your use.

Should you have any questions about this memorandum, please contact Laurel Johnston, Deputy Director of the Department of Budget and Finance.


DAVID Y. IGE
Governor, State of Hawaii

Attachments