EXECUTIVE CHAMBERS
HONOLULU

August 9, 2019

EXECUTIVE MEMORANDUM

TO: All Department Heads

SUBJECT: Administration of Operating Grants Pursuant to Chapter 42F, Hawai‘i Revised Statutes

The following guidelines will apply to operating grants appropriated pursuant to Chapter 42F, HRS.

1. All Chapter 42F, HRS, operating grant funds are subject to the allotment system and applicable current budget execution policies and policy directives regarding Chapter 42F grants. The department head of the designated State expending agency (STATE) is delegated the authority to approve the expenditure of the respective Chapter 42F operating grant funds.

2. Each department should submit a Request for Allotment (Form A-19) for each operating grant that it plans to expend to the Department of Budget and Finance (B&F). A copy of the department head’s approval to expend the respective grant appropriation must be attached. General fund restrictions shall not be imposed on operating grants.

3. All contracts for operating grants shall utilize the attached Form 42F Contract (see Attachment 1, AGREEMENT FOR GRANTS) and shall be executed in a timely manner following the date of the legislation awarding the grant or allocation of operating grant funds in the STATE’s respective fiscal year budget allocation or as appropriate pursuant to current budget execution policies and policy directives regarding Chapter 42F grants. (Note: the attachments referred to in the AGREEMENT FOR GRANTS do not refer to the attachments to this memorandum.)

4. Section 42F-104, HRS, provides that contracts for grants are to be effective as of the first day of the fiscal year for which the funds are appropriated. Thus, grant recipients who have met the legal requirements of Sections 42F-103 and 42F-104, HRS, are eligible to receive reimbursement for expenditures incurred after July 1st of the appropriate fiscal year but prior to the execution of the contract with the STATE. The grant recipient must submit proof of expenditures to the STATE, and the expenditures must be related to the scope of work set forth in the grant application.
An exception to the Comptroller's Memorandum No. 2009-14, *Contract Execution Date*, dated June 24, 2009 (see Attachment 2), 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 Section 42F-104, HRS.

5. Section 42F-104, HRS, provides that up to one-fourth (25%) of the amount appropriated for a Chapter 42F grant may be disbursed prior to the execution of a contract where the STATE has determined that there is good reason to do so. The statute thus provides for partial payments to grant recipients in advance of an executed contract. The following guidelines will apply to the advancement of Chapter 42F operating grant funds prior to the execution of a contract.

   a. On an exception basis, the STATE 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.

   b. Where the STATE has determined that there is good reason to advance operating grant funds pursuant to Section 42F-104, HRS, the grantee must sign the AGREEMENT REGARDING ADVANCEMENT OF HAWAII REVISED STATUTES CHAPTER 42F OPERATING GRANT FUNDS (see Attachment 3).

   c. In exchange for the advancement of operating grant funds, the grantee must agree to provide the STATE with a full and complete accounting of all operating grant funds disbursed in advance of the executed contract, as may be determined by the STATE.

   d. The grantee must agree that if, for any reason, a contract is not approved or executed, the full amount of operating grant funds that were advanced shall be reimbursed to the STATE within 45 days of written notification that the contract was not approved or will not be executed.

   e. Any advance disbursement to the grantee must be detailed in the COMPENSATION AND PAYMENT SCHEDULE of the attached Chapter 42F, HRS, contract form (see Attachment 1). A contract for the grant executed by all parties is not needed prior to the advance disbursement and should not delay the Department of Accounting and General Services' processing of the advanced disbursement to the grantee.

6. Section 42F-107, HRS, requires the Governor to notify grant recipients within 90 days of the effective date of the legislation awarding a grant if the grant is not allocated or released or is still pending. B&F will compile this information based on the Requests for Allotments that are processed (i.e., departments do not need to submit status reports) and will fulfill the reporting requirement.

Should you have any questions about this memorandum, please contact your assigned B&F budget analyst.

[Signature]

DAVID Y. IGE  
Governor, State of Hawai'i

Attachments