

## Procedural Reforms for Federal Grant Awards in Nevada's 80<sup>th</sup> Legislative Session

The U.S. government annually distributes hundreds of billions of dollars in grants to state and local governments, non-profits, educational institutions, individuals, and more. Federal grant money supports programs and services in such areas as health care, transportation, income security, education, job training, social services, community development, and environmental protection.

Federal grants nationwide amounted to roughly [\\$721.0 billion](#) in federal fiscal year (FFY) 2018. Nevada received roughly [\\$5.2 billion](#) in that same year, or just 0.01 percent of the total.

Decision makers and stakeholders have long recognized that the relative scarcity of federal grant dollars is problematic for the state. Implementation of such measures as the establishment of the Nevada State Grant Office in 2011, with expansion of its scope in 2017, along with the formation of the Nevada Advisory Council on Federal Assistance (NACFA) in 2015, have begun to remedy the problem.

Two pieces of legislation proposed in the current (80<sup>th</sup>) Legislative Session, [Senate Bill \(SB\) 205](#) and [SB 206](#) offer policy solutions that may eliminate some of the structural impediments identified by stakeholders as limiting Nevada's ability to increase the amount of federal grant money it receives. We will discuss these measures subsequently, but first, we examine the data more closely to situate the legislative initiatives in context.

### **Federal Grant Money in Nevada**

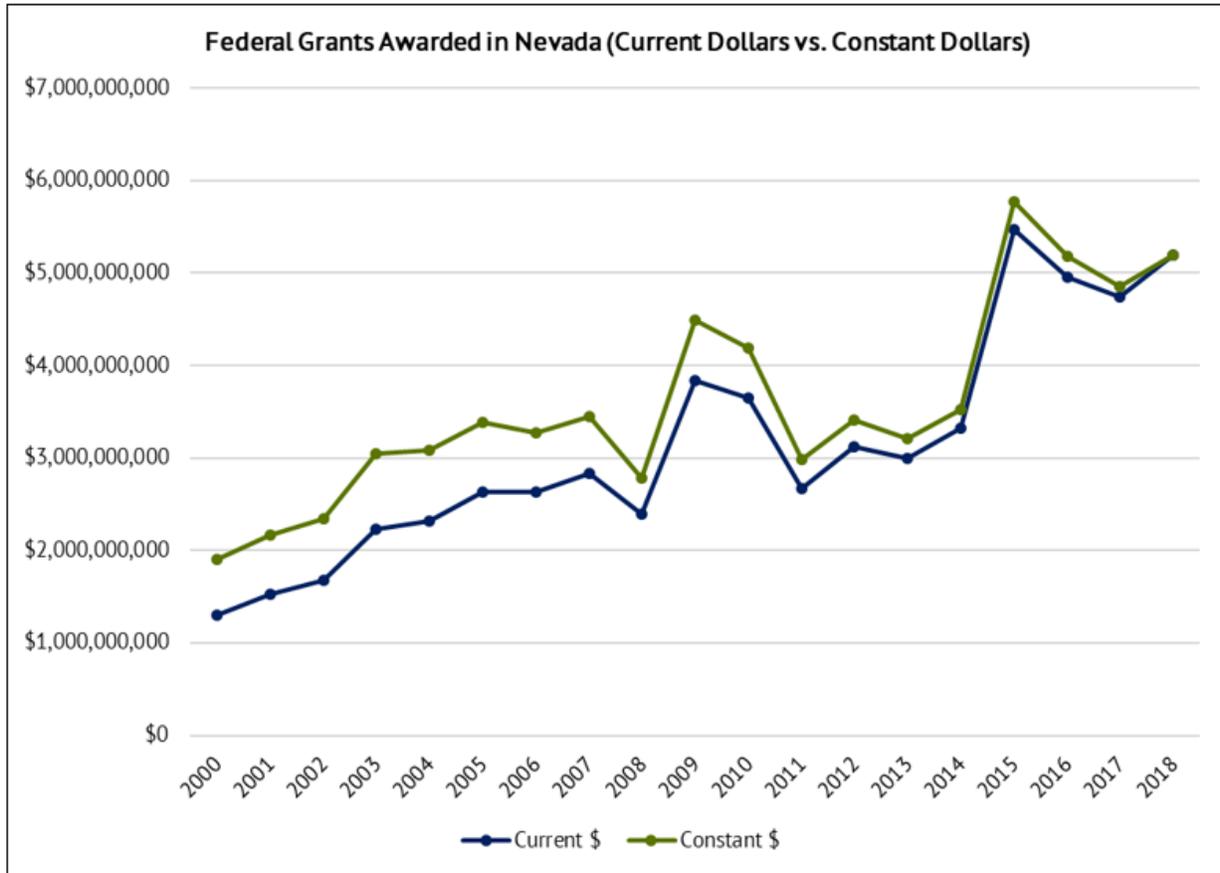
A grant is [defined](#) as, "An award of financial assistance from a federal agency to a recipient to carry out a public project or service authorized by a United States law. Unlike loans, grants do not need to be repaid. Most grants are awarded to state and local governments." As the definition suggests, grants are only one form of federal financial assistance that states receive. These include, amongst others, contracts, loans, and direct payments to individuals (e.g., Medicare, food stamps, etc.).

Grants contribute considerable financial support to states but do not necessitate an associated tax burden to obtain the revenue. In fact, about [57.0 percent of resources](#) in the federal budget are received from individual and corporate income taxes that ultimately [are returned to the states](#) in the form of grants and other federal financial assistance. When Nevadans pay their federal income taxes, the implied assumption is that programs and services will be supported by the distribution of federal money "back home."

While Nevada receives a certain share of federal funding each year, it tends to lag behind other states. Consider [federal financial assistance](#) more broadly, which encompasses all forms of assistance described previously. In FFY 2018, federal financial assistance per capita was \$6,689.97, below the national average of \$9,973.79, and significantly below North Dakota, which received the highest amount per capita at \$90,517.14. That garnered the Silver State a ranking of 47<sup>th</sup> overall in receipt of total federal financial assistance, when ranked from highest to lowest.

Despite the paucity of federal financial assistance more broadly, total federal grant money received in Nevada has increased over time, as shown in Figure 1.

**Figure 1. Federal Grants Awarded in Nevada (Current Dollars vs. Constant Dollars)**

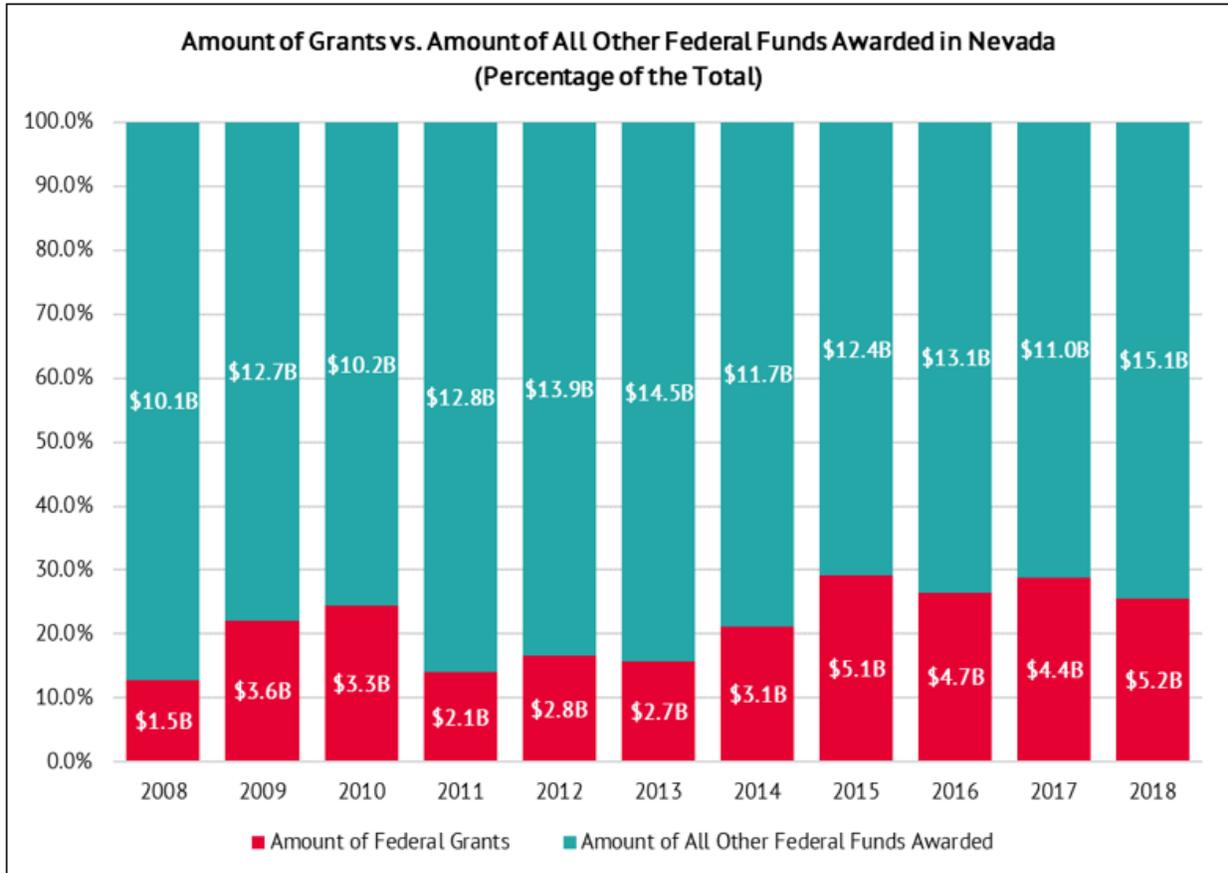


Source: Grants: [USAspending.gov](https://www.usaspending.gov) | Inflation Adjustment: U.S. Department of Labor, Bureau of Labor Statistics, “[CPI-All Urban Consumers \(Current Series\)](#)”

The figure indicates that total federal grant money awarded to Nevada between FFY 2000 and FFY 2018 in current dollars (not adjusted for inflation) and constant dollars (inflation-adjusted) has kept pace of inflation over the 19-year period. Federal grants awarded to the state increased steadily from FFY 2000 to FFY 2003, before leveling off through FFY 2007. Total grant money declined slightly in FFY 2008, before increasing considerably in FFY 2009 with the addition of American Recovery and Reinvestment Act (ARRA) of 2009 funds. The next spike, in FFY 2015, signifies the first full year that Nevada’s Medicaid expansion money was reflected in the federal grant award total. (Nevada Medicaid, Title XIX, is categorized as a grant, and expansion went into effect on January 1, 2014.) In constant dollars, total grants have increased by 172.4 percent between FFY 2000 and FFY 2018.

Figure 2 displays the relationship between federal grant money and all other forms of federal financial assistance.

**Figure 2. Amount of Grants vs. Amount of All Other Federal Funds Awarded in Nevada (Percentage of the Total)**



Source: [USAspending.gov](https://www.usaspending.gov). Note: Each stacked column segment is calculated as a percentage of the total.

Total federal grant money awarded to the Silver State has been disproportionately low relative to all other federal financial assistance over the FFY 2008 – FFY 2018 time period. After reaching nearly one-third of all federal financial assistance in FFY 2015 and FFY 2017, federal grants dipped below the prior post-Medicaid expansion low of 26.5 percent in FFY 2016 to 25.6 percent in FFY 2018. This means that just over 25 cents of every federal dollar in Nevada was grant money, while the other 75 cents of each federal dollar were allocated to other forms of federal financial assistance.

Moreover, on a per-capita basis, Nevada trails other states in receipt of federal grant money. Table 1 presents data on population-adjusted federal grant amounts for FFY 2008 through FFY 2018 for Nevada and its Intermountain West neighbors.

**Table 1. Federal Grants Per Capita, Intermountain West States**

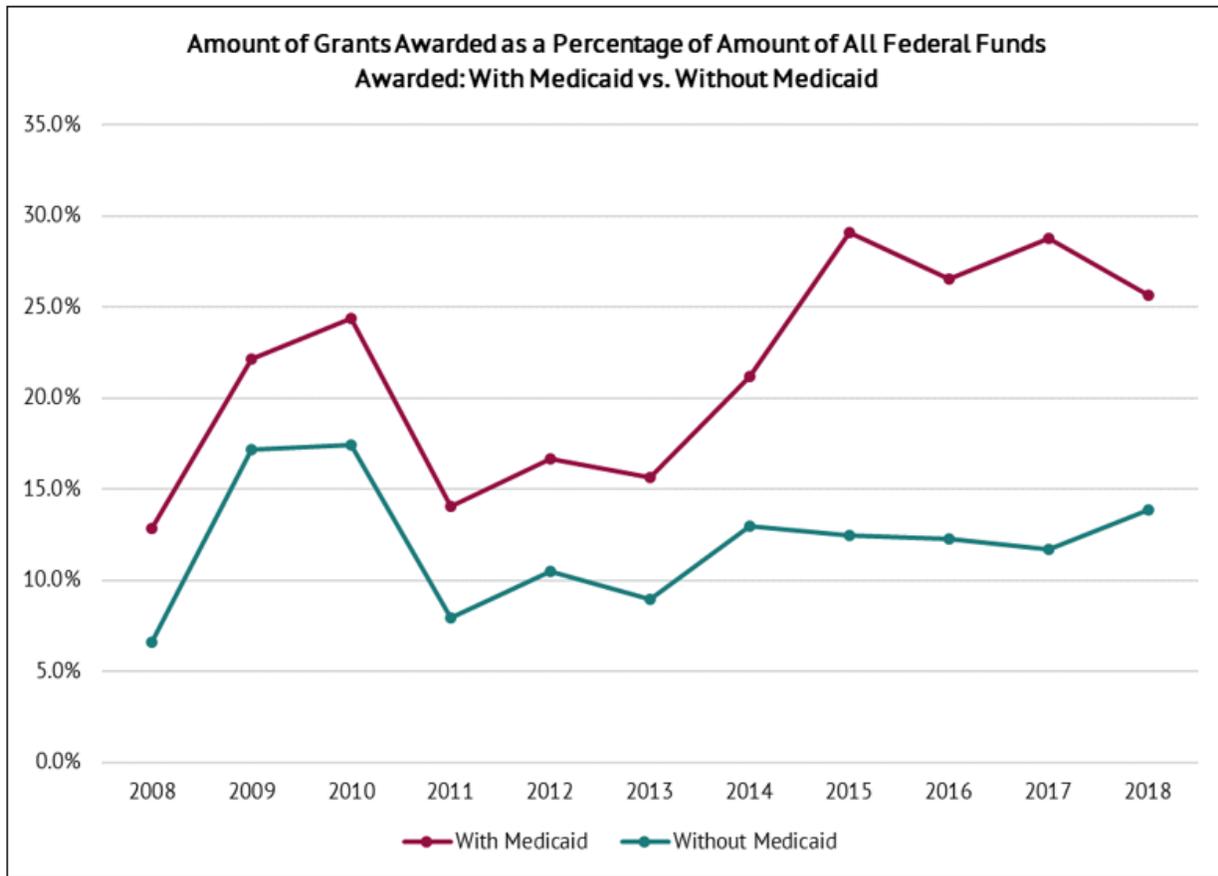
Federal Grants Per Capita, Intermountain West States														
	ARIZONA		CALIFORNIA		COLORADO		NEVADA		NEW MEXICO		TEXAS		UTAH	
	Amount (\$)	Rank												
FFY 2008	689.55	29	555.62	45	638.78	34	582.11	38	1,144.97	6	447.01	50	566.10	41
FFY 2009	1,962.15	39	2,063.66	29	1,681.16	46	1,418.26	49	3,406.83	3	1,879.22	42	1,714.83	45
FFY 2010	2,139.36	19	1,741.88	37	1,634.34	41	1,252.33	50	2,914.36	5	1,766.11	33	1,676.66	40
FFY 2011	1,721.34	26	1,896.18	19	1,183.26	48	781.06	51	2,403.14	5	1,457.08	38	1,150.13	49
FFY 2012	1,633.33	31	1,601.40	32	1,334.02	41	1,030.04	49	2,749.17	5	1,420.15	36	1,292.14	43
FFY 2013	1,350.77	37	1,718.99	20	1,303.42	41	984.19	49	2,185.18	9	1,334.20	38	1,211.83	43
FFY 2014	1,900.21	28	2,002.10	23	1,696.57	35	1,136.59	50	2,617.36	6	1,463.67	44	1,353.22	47
FFY 2015	2,010.06	22	2,108.72	19	1,734.05	35	1,822.31	30	3,116.26	4	1,550.28	41	1,246.37	48
FFY 2016	2,055.88	24	2,398.71	15	1,850.21	33	1,603.35	43	2,705.48	7	1,603.46	42	1,331.25	48
FFY 2017	1,981.46	23	2,429.35	12	1,711.47	33	1,475.78	44	2,954.49	5	1,475.00	45	1,278.61	50
FFY 2018	2,258.90	24	2,565.91	15	1,790.87	39	1,713.69	44	3,340.61	3	1,808.25	38	1,391.92	51

Source: Grants: [USAspending.gov](https://www.usaspending.gov) | Population (for per capita adjustment): U.S. Census Bureau. [FFY 2008 – FFY 2016](#); [FFY 2017](#); and [FFY 2018](#). Note: Ranked by the Guinn Center, from highest amount per capita to lowest (all states).

The general pattern places the state at or near the bottom of the rankings over the 11 years for which comparable data is available. Federal grants per capita were lowest in FFY 2008. After that, they increased in FFY 2009, with the infusion of ARRA funds, declined slightly in FFY 2010 and FY 2011, increased again in FFY 2012, and then decreased in FFY 2013. As with total federal grant money, Nevada saw an increase in grants per capita as a result of Medicaid expansion in FFY 2014 and FFY 2015. Federal grants per capita decreased thereafter in both in FFY 2016 and FFY 2017 but increased slightly in FFY 2018 to \$1,713.69, which ranked it 44<sup>th</sup> in the nation.

Figure 3 suggests that any understanding of the federal grant landscape in Nevada requires a grasp of Medicaid’s influence on funding.

**Figure 3. Amount of Grants Awarded as a Percentage of Amount of All Federal Funds Awarded: With Medicaid vs. Without Medicaid**



Source: [USAspending.gov](http://USAspending.gov). Note: Medicaid refers to Nevada Medicaid, Title XIX. “Without Medicaid” is a stylized calculation, as computed by the Guinn Center.

The dollar amount of grants awarded as a percentage of the dollar amount of all federal funds awarded in Nevada is displayed here: the burgundy line is the actual data, while the turquoise line shows the hypothetical case of Medicaid exclusion from the totality of grant awards. Up until the full year of Medicaid expansion money, that is, FFY 2015, the lines correspond with one another. Beginning in FFY 2015, however, the lines diverge considerably. Actual grant dollars, as a percentage of the total, spike to the 25 percent to 35 percent range. Hypothetical grant dollars exhibit a flattening-out effect, with a slight decrease, in the 10 percent to 15 percent range. In FFY 2018, the lines begin to converge again, which might portend a lessening of the “Medicaid effect.”

### Structural Limitations and Proposed Policy Solutions

In general, though, Medicaid skews the grant picture, and in so doing, suggests that Nevada’s grant performance is more robust than in actual practice. Medicaid is not the contributing factor to the state’s comparative weakness in increasing federal grant dollars—the point is that improvement over time may be attributed to Medicaid expansion, but it is not a zero-sum game. The issue pertains

more saliently to competitively-awarded grants, such as project grants and cooperative agreements. [These grants](#) require an application process, with competitive review and selection, unlike formula grants, which need meet only certain statistical criteria (e.g., Medicaid).

In [FFY 2017](#), the last year for which we could obtain complete data, project grants represented approximately 5.9 percent of total federal grant money received in Nevada, while cooperative agreements amounted to roughly 3.3 percent of the total. [Nationwide](#), while competitive grants constitute around 87.0 percent of all grant programs, they contribute just a 6.0 percent share of total federal grant funding.

Stakeholders in Nevada have posited that procedural and structural barriers inhibit grant procurement in the state and that administrative processes could be improved to boost competitiveness. While several impediments have been identified, two are especially pronounced and have received attention from legislators in the current (80<sup>th</sup>) Session: (1) a lack of match funding available for grants; and (2) delays in state approval for federal grant proposals. Senate Bill (SB) 205 and SB 206 in the 80<sup>th</sup> (2019) Legislative Session, respectively, propose to remedy these institutional obstacles. We will discuss each in turn.

A “[match’ is the non-federal share of costs that the grantee or the grantee’s partners are required to contribute to accomplish the purposes of the grant.](#)” Matches may be [required](#) for cost-sharing purposes and/or to demonstrate project sustainability. Currently, Nevada has no provision in law that maintains a fund to provide match dollars, meaning that some governmental and non-profit organizations that operate on thin budgets lack the capacity to compete for grants. This can create a vicious circle, whereby a given entity does not meet the selection criteria for competitiveness but cannot receive money that would aid in service delivery.

[SB 205](#) seeks to redress this problem by establishing a pilot program to award matching funds to certain governmental and non-profit organizations for applications in which a match is a required as a condition of the grant. It would make an appropriation of \$5 million from the General Fund—Nevada’s major operating fund—over the upcoming biennium, with \$2.5 million appropriated in each state fiscal year (SFY) 2020 and SFY 2021. The bill sets forth certain requirements, such as demonstrated financial need on the part of the applicant, amongst others, and the money would be awarded through the Office of Grant Procurement, Coordination and Management of the Nevada Department of Administration.

In the first hearing of the bill on March 25, 2019, [supporters asserted](#) that the legislation would eliminate a barrier to the receipt of federal grant money, driving competitiveness in the process. Given that it would be created as a pilot program, state officials would have the opportunity to quantify its efficacy. Julia Peek, Deputy Director—Programs for the Nevada Department of Health and Human Services (DHHS), [testified](#) as neutral; she observed that the agency had lost opportunities for federal grant money because of the inability to raise a match. No one testified in opposition.

[SB 206](#) intends to ameliorate a barrier to grant administration, that is, delays in state action for federal grant approval. Existing law requires the Interim Finance Committee (IFC), which is [composed](#) of members of the Senate Committee on Finance and the Assembly Committee on Ways and Means,

to approve proposed grant acceptances by state agencies. While the IFC has 45 days to render a decision on a given proposal, and if there is no action, the proposal is approved automatically, the Committee meets intermittently. This can delay application processing.

Specifically, [SB 206](#) would standardize forms and materials to streamline the application process. It permits provisional approval for grant acceptance and reduces the IFC's time frame for official approval to 30 days from 45 days. The proposed legislation would “[create alignment between the state process and the federal process that cannot change in order to reduce a grant barrier](#),” as Executive Grant Analyst JoVon Sotak (Office of Grant Procurement, Coordination and Management) testified during the first hearing of the bill on February 27, 2019. As Ms. Sotak [noted](#), processing grant acceptance requests can take anywhere from 45 to 120 days. However, many grants are short-term in nature (e.g., one-year money), and this can mean that implementation for certain grants may commence well into the execution window. This can translate into a loss of money if the federal government requires reversion upon expiration and also may disincentivize federal partnerships over the long term.

With a [possible](#) economic downturn on the horizon, significant revenue dependence on a tourism-based economy in which Las Vegas visitation reached a [four-year](#) low in 2018, and commitments from [Governor Steve Sisolak](#) and some [legislators](#) to maintain the current revenue structure, Nevada may need to devise creative solutions to fortify revenue streams. The elimination or reduction of barriers that impede grant procurement and administration could lay such a foundation.

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### **About the Kenny C. Guinn Center for Policy Priorities**

The Kenny C. Guinn Center for Policy Priorities is a 501(c)(3) nonprofit, bipartisan, independent research center focused on providing fact-based, relevant, and well-reasoned analysis of critical policy issues facing Nevada and the Intermountain West. The Guinn Center engages policy-makers, experts, and the public with innovative, data-driven research and analysis to advance policy solutions, inform the public debate, and expand public engagement.

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