

FISCAL REVIEW SECTION – LEGISLATIVE REFERENCE BUREAU

Executive Summary: 2005 Proposed Budget – Grant and Aid Fund, Grants and Aid - Current Levy Special Purpose Account

1. Overview – Only grants that are anticipated in the new Budget year (2005) are reflected in the Proposed Budget. Grants awarded in the current budget year (2004) are not shown, even though they may include activities that will occur in the new year (2005). **(Page 1)**

2. 2005 Projections – The 2005 Proposed Budget anticipates grants with a grantor share of \$81,360,664 will be awarded to the City in 2005. This includes a grantor share of \$18,000,000 for unanticipated grants. Grant expenditures require Common Council approval. **(Pages 1 and 2)**

3. In-Kind Share Elimination – The expenditure authority for In-Kind City share has been eliminated because the city's FMIS no longer records this expenditure. Prior to this change, the in-kind City share grant match was contained within department budgets. It is no longer necessary to deduct the in-kind contribution from the Grant And Aid Budget. **(Page 2)**

4. Grants and Aid – Current Levy Special Purpose Account – This account has been budgeted at \$50,000 for a number of years. Excess funds are typically carried over into the next budget year for a maximum of three years. The balance of \$50,000 reverted to the Tax Stabilization Fund at the end of 1999 because 1999 was the third year of the maximum carryover cycle. The account was funded in the 2001 Budget for \$5,000. The \$5,000 reverted to the Tax Stabilization Fund at the end of 2001. The 2005 Proposed Budget does not fund this account. **(Page 3)**

FISCAL REVIEW SECTION – LEGISLATIVE REFERENCE BUREAU

2005 Proposed Budget Summary – Grant and Aid Fund

	2003 Actual	2004 Adopted	% Chg	2005 Proposed	% Chg
Grantor Share (Non-City)	\$72,221,627	\$ 71,908,461	-0.4%	\$81,360,664	13.4%
In-Kind City Share	\$0	\$0	0.0%	\$0	0.0%
Local Share (Current Levy)	\$0	\$0	0.0%	\$0	0.0%
Project Total	\$72,221,627	\$ 71,908,461	-0.4%	\$81,360,664	13.4%
Less In-Kind Contribution	\$0	\$0	0.0%	\$0	0.0%
TOTAL	\$72,221,627	\$ 71,908,461	-0.4%	\$81,360,664	13.4%

PURPOSE:

1. The Grant and Aid Fund provides expenditure authority for federal, state and other grants whose proceeds are restricted to operating expenditures for specific purposes. This fund serves as a "parent" account, which accumulates total grant funding to be allocated on a "project by project" basis during the budget year. No expenditures may be made from this account without Common Council approval as set forth by the Milwaukee Code.
2. Only grants that are anticipated to be awarded in the new Budget year (2005) are reflected in the 2005 Proposed Budget. Funds awarded in the current Budget year (2004) are not shown in this Budget, even though they may represent programs/activities that will occur in the new Budget year (2005).
3. Cash (Levy) match is provided through the Grant and Aid Special Purpose Account. An analysis of that account is attached to this analysis.

PROPOSED BUDGET HIGHLIGHTS AND ISSUES

More extensive analysis of individual grants is provided within Fiscal Review Section summaries for participating departments.

GRANTOR SHARE

	2004	2005	Difference	% Change
DOA-Administration	\$ 29,782,000	\$30,172,450	\$ 390,450	1.3%
City Development	\$ 1,525,000	\$ 1,540,000	\$ 15,000	1.0%
Fire	\$ 30,000	\$ 30,000	\$ 0	0.0%
Health	\$ 16,204,120	\$18,532,665	\$ 2,328,545	14.4%
Library	\$ 846,300	\$ 1,001,499	\$ 155,199	18.3%
	\$ 10,569,459	\$ 8,985,646	\$-1,583,813	-15.0%
	\$ 2,951,582	\$ 3,098,404	\$ 146,822	5.0%
	\$ 10,000,000	\$18,000,000	\$ 8,000,000	80.0%
	\$ 71,908,461	\$81,360,664	\$9,452,203	13.1%

1. The 2005 Proposed Budget anticipates 77 operating grants, with a grantor (non-City) share of \$63,360,664 to be awarded to the City in 2005. An additional \$18,000,000 in unanticipated grant authority is also budgeted, bringing the total amount of anticipated grantor contributions to over \$81.3 million, or about \$9.4 million more in non-City grant revenues than was received in 2004. The anticipated grantor share is expected to offset 78% of the cost of programs supported in whole or part by grants.
2. The Comptroller's Office has recommended funding authority of \$18,000,000 for "unanticipated" grants (\$18 million grantor share). The 2005 Proposed Budget provides \$18,000,000, about \$8 million more than the amount provided in 2004. Since revenues offset the account and there is no "draw down" without an award, increasing expenditure authority does not have a levy impact. The Comptroller's Office has indicated that the need for "unanticipated" funding is more generally the result of anticipated grants being received at higher than budgeted amounts, rather than new grant programs.
3. City departments with projected changes in grant funding in the 2005 Proposed Budget include:
 - DOA (Community Block Grant Administration) – A total of 9 grants for a projected increase of \$390,450 in funding. Grants include HIDTA, Emergency Shelter Grant and the HOME Program, Weed & Seed and CDBG.
 - Health Department - A total of 34 grants, resulting in an increase of \$2.3 million in the grantor share funding. A number of grants are have not been renewed in 2004, and new grants, like HUD 11 at \$3 million and the STEPS Grant at \$1.5 million are funded at a higher level. The anticipated \$18,532,666 in grant funding for 2005, is expected to exceed the levy-supported Health Department budget of \$12,565,109.
 - Fire Department. – The funding through the County Paramedic Agreement is processed as revenue beginning 2004. The 2005 funding through this agreement is anticipated at \$5.7 million. The department will receive a grant for EMS assistance for \$30,000.
 - Police Department. – With a total of 20 grants, the department will receive an estimated \$1.5 million decrease in funding. The larger grants include Law Enforcement Technology Grant, HIDTA, and Miscellaneous Homeland Security Grants.
4. The Budget Office introduced a new method of accounting for grants in the 2001 Budget. The expenditure authority for In-Kind City Share has been eliminated because the city's FMIS no longer records this expenditure. Prior to this change, the in-kind City share grant match was contained within department budgets. It was necessary to deduct the in-kind contribution from the Grant And Aid Budget, and also reduce the City's total budget.
5. In the past, the amounts for the actual Grant and Aid expenditure matched the actual sources of funds in the City's BMD2 forms. The Comptroller's Office stated if any amount is left over, it is returned to the grantor. Occasionally, federal and state grants have a balance, and sometimes the grantors have not requested the excess revenue after expenditures be returned. As a result, the leftover funding is transferred over to the Tax Stabilization Fund (TSF). For the 2005 Proposed Budget, the BMD2 shows \$72,221,627 as the 2003 Actual Expenditures with \$72,295,821 as the Actual Source Of Funds for Grants. The difference, \$74,194 from the FEMA disaster and flood relief grants, was transferred to TSF.

FISCAL REVIEW SECTION – LEGISLATIVE REFERENCE BUREAU

2005 Proposed Budget Summary: Grant and Aid – Current Levy Special Purpose Account

PURPOSE: This account provides funding authorization for out-of-pocket cash match to all non-capital grants received by the City. Not all cash match for operating grants comes from this account. The Federal Asset Forfeiture Fund, for example, was used to provide cash match for the first year of a Police Hiring Grant and again as the match of funds for a technology grant to purchase Mobile Digital Computers (MDCs).

The Grant and Aid Fund has a tax levy impact.

FACTORS AFFECTING FUNDING LEVEL: Cutbacks or increases in aids from federal and state governmental units affect this account funding level. Matching requirements imposed by funding sources also affect the funding level. There is considerable fluctuation in the City's actual need for cash match. The policy has been to carry over unused funds for the maximum of a three year period to stabilize the effects of the fluctuation. In 1996, \$50,000 was provided. No additional funding was provided in 1997, 1998 or 1999 because of the availability of carryover.

In 1999, the Grant-In-Aid Fund had a balance of \$50,000 and it was the third year in which the unused funds were carried over. The balance of \$50,000 reverted to the Tax Stabilization Fund at the end of 1999.

The 2001 Budget funded this account at \$5,000 for unanticipated out-of-pocket (current levy) expenses associated with grants requiring cash matches. Few grants require cash matches, and this appropriation will allow the City to accept a grant that may require a cash match. The \$5,000 reverted to the Tax Stabilization Fund at the end of 2001. The 2005 Proposed Budget does not provide funding for this account.

In the past 10 years, most grants received by the City have either not required a cash match, or have required a very minimal match. In the past, the Contingent Fund has been used when this account has had insufficient funds for cash match.

DEPARTMENT MANAGING ACCOUNT: DOA-Intergovernmental Relations

EXPENDITURE TRENDS

<u>2003 Actual</u>	<u>2004 Budgeted</u>	<u>% Change</u>	<u>2005 Proposed</u>	<u>% Change</u>
\$0	\$0	NA	\$0	NA

Prepared by: Angelyn Ward, (286-8661)
LRB - Fiscal Review Section
September 28, 2004