

POLICY: LENGTH OF A GRANT

Statement of policy: The policy on the length of a grant was implemented at the November 3, 2005, Board for Financing Water Projects Public Meeting.

Purpose: To establish a timeline for Water Conservation or Capital Improvement Grants.

Background: In the past, all funding agreements were for a five-year period. At present, approximately half of the total committed funds have not been spent. The large amount of committed but unspent funds may create a problem for the program in the future, in that there may not be the bond funds available to cover the already committed grants.

The Governor's Budget for the Treasurer's Office establishes the value of bonds that can be sold each year to fund this program. This budget is based on several items, including cash used in previous years. With five-year grants, there is a possibility of little cash being used in one year, and then a lot of cash being requested the following year. To best serve the grantees, a constant cash flow will reduce the chance of not having funds to pay for approved projects.

All the funding agreements have a statement that reimbursement is contingent on bond sales, but most grantees would like to be paid within a week or two of submitting a pay request. When a grant is awarded and no work done on it for a few years, the construction costs typically increase from the previously estimated costs. This usually results in the grantee returning to the Board for Financing Water Projects for an increase in the grant amount.

Policy: It is the policy of the Board for Financing Water Projects to limit simple, one-phase grants to a period of two years, one year for design and one year for start of construction. Multi-phase projects may need more time, one year per phase, up to the maximum allowed of five years.

This policy does not preclude a grantee from presenting a case for a longer grant length based on extenuating circumstances.