

# Older Americans Act Budgeting

In today's environment, budgeting is one of the biggest challenges and greatest opportunities for a State director. Once a state director understands the various funding sources and requirements, s/he better will be able to take a broad view of the most efficient way to administer and contract for all programs. The Older Americans Act (OAA) and the Administration on Aging (AoA) guidance on use of OAA funding and flexibility particularly are important for NASUAD members.

## **Broad General Guidance in Relation to Federal Funding Sources**

Federal grants typically align with a core set of requirements:

- States may not supplant federal funds for existing state funds.
- States may supplement federal funds with existing state funds.
- AoA OAA matching funds may be state and/or local funds, in-kind donations, or volunteer hours. In-kind match is based on fair market value of services and facilities.
- CMS Medicaid/Medicare matching funds must be state dollars.
- Block Grants (i.e. Social Services Block Grant, Public Health Grant-in-Aid, etc.) require that matching funds must be state and/or local funds.

## **Specific AoA OAA Guidance**

AoA distributes OAA (non competitive grant funds) funds via an Inter-State Funding Formula. The formula is based on five key factors:

1. State's population of 60 yrs+ based on most recent data from the Census;
2. No State will get less than  $\frac{1}{2}$  of 1% of the total appropriation;
3. Territories receive varying smaller amounts;
4. No State will be allocated less than the amount that State received in FFY 2006; and
5. When federal appropriation increases over the amount of the appropriations in FFY 2006, the increases are proportional.

States distribute OAA funds via an Intra-State Funding Formula (IFF) that has to be submitted with the State's Aging Plan. The Plan along with the Formula, has to be approved by the AoA Secretary. States may amend their State Plan and Funding

Formula anytime. States develop an intrastate funding formula using Census Data, Factors and Percentage Weights. AoA requires:

- Formula is created with input from the AAAs;
- Use most recent census data;
- Consider Factors such as:
  - Geographical distribution of older adults;
  - Older adults with greatest economic need;
  - Older adults with greatest social need;
  - Low-income minority older individuals; and
- States may use a base amount in their IFFs.

Factors may vary by age groups and unique population demographics for a particular State. The variances of the percentage weights applied to each Factor can vary. Most State IFFs place a greater weight on the population 60 yrs+ Factor.

States may submit a different IFF for Title VII LTCOP funding distribution. Some states use the number of licensed LTC facilities, number of LTC facilities beds and geographical miles in a PSA.

Match requirements are the various percentages of State and Local funds that are required to match the federal dollars for each program under a Title of the OAA. Match requirement is twenty five percent of which state funds are generally ten percent and local funds are fifteen percent.

### **Maintenance of Effort**

Maintenance of Effort (MOE) is the amount of State money that your State has to commit to spending each fiscal year on a particular program. MOE is not required for all OAA programs. An MOE is required for the LTCOP. States must continue to fund the LTCOP at the level that they were funding the Program in FFY2000. For SCSEP, states must continue to fund the SCSEP at the level that they were funding the Program in FFY2000.

### **Unique Budget Rules including Transfers**

The OAA also includes a number of specific budgeting requirements as well as flexibilities. First, state agencies may make up to a 30% transfer between Title IIIB supportive services and Title IIIC 1-2 meals. State agencies may request of AoA to have a higher % of transfer between B and C. The state agency "transfer" is for the State as a whole - not for individual PSA/AAAs. Transfers often happen at the AAA level. Under Title V - SCSEP, states must use 75 percent of the funds for the participants. SUA may request a wavier from the 75 percent requirement to a lower percentage of 65 percent. For Title III D - Disease Prevention and Health Promotion,

in January 2001 AoA indicated that “States are instructed to ensure that an amount equivalent to this increase in funds from their total allotment for Disease Prevention and Health Promotion Services is used for the purpose of providing activities related to medication management, screening, and education to prevent incorrect medication and adverse drug reactions.” Approximately 25 percent (varies by State) of the appropriation must be dedicated to medications management services. Regarding Title III E – NFCP, the NFCP appropriations are based on the State’s population of 70 yrs+. Up to 10 percent of the NFCP funds may be used to support relatives caring for children with developmental disabilities under the age of 18 years-plus. Under Title III – State Agency Administration, states may expend the greater of 5% of their total allotment or \$500,000 for administration. Finally, under Title III – AAA Administration, states may utilize a maximum of 10 percent of their total allotment (after application of State Plan Administration) for Area Plan Administration. The total must be broken down further to identify the amount of funds utilized from each program allotment.

## **Budget Cycles**

The federal fiscal year begins October 1st and ends the next calendar year on September 30th. Quite often the federal fiscal year does not match a State’s fiscal year. For example if the state fiscal year begins July 1st and ends the next calendar year on June 30th, the state’s second budget quarter will overlap the federal first quarter budget. Most often states project next year’s federal funds based on the previous year’s federal allocation in planning the state agency’s budget.

It is recommended that states diagram the state budget cycle. From historical information, States generally know the anticipated amount of federal funds (minus grants). Later in the federal fiscal year (beyond first quarter), AoA issues Notices of Grant Awards (NGA) defining exactly the amount of federal funds for each OAA title. The NGA awards arrive separately throughout the year for each OAA title. The federal funds will need to be amended into the agency budget. With permission from the AoA regional offices, federal funds may be “held over” from one federal fiscal year to another. Federal competitive grants are awarded at various times throughout a calendar year. For example a state may receive a federal grant and the grant period may be from April 1st through a defined period of time. This cycle of grant budgeting will be totally different from the state budget cycle and the Federal budget cycle.