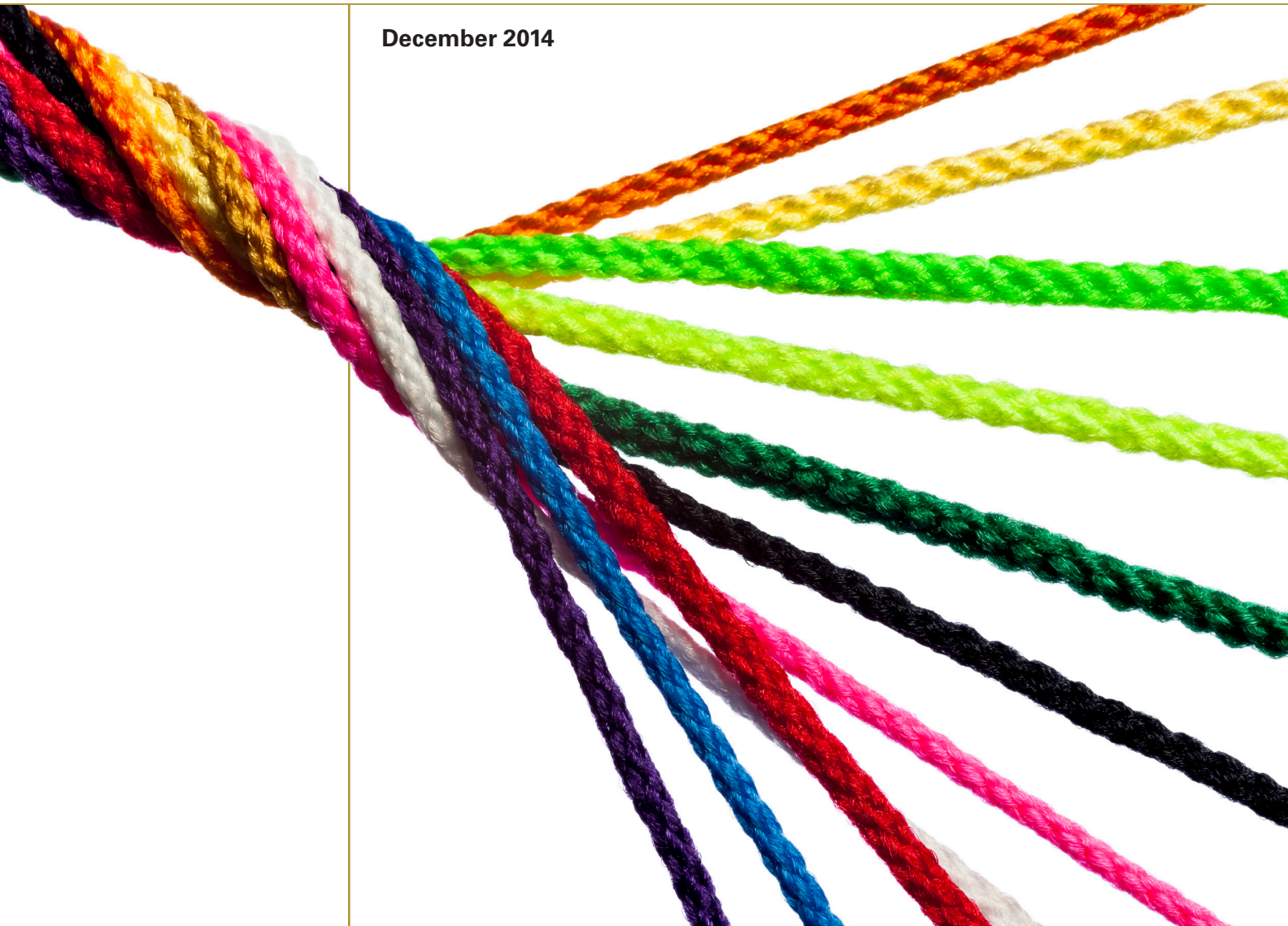


Intergovernmental
Partnership

Collaboration Series

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Blended and Braided Funding:
A Guide for Policy Makers and Practitioners





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AGA is *the* member organization for financial professionals in government. We lead and encourage change that benefits our field and all citizens. Our networking events, professional certification, publications and ongoing education help members build their skills and advance their careers.

About AGA's Intergovernmental Partnership

AGA established the Intergovernmental Partnership to open the lines of communication among governments with the goal of improving performance and accountability. Comprised of high-ranking officials

from the federal, state and local levels of government and higher education, the Intergovernmental Partnership is dedicated to identifying and solving some of the most vexing management and accountability issues facing

governments today. AGA provides staff support to the Intergovernmental Partnership and serves as a neutral third party in fostering cooperation and communication among different levels of government.

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Preface

In an era of fiscal restraints, when governments are leveraging resources to ‘do more with less,’ this guide is intended to help officials at all levels of government put their resources to optimal use. Federal grants account for \$550 billion, annually, in federal spending. This spending supports 2,275 federal programs across 68 federal agencies.¹ Services funded with these dollars are frequently delivered by states, counties, municipal governments and their grantees.

What if you were told there is a way of responding to this multiplicity of programs? What if funds serving similar populations could be administered with greater flexibility to help bring about program efficiencies, improve outcomes and save on costs? To help explain how

Federal grants account for \$550 billion, annually, in federal spending. This spending supports 2,275 federal programs across 68 federal agencies.¹

funds from a variety of sources can serve the public in a comprehensive, coordinated and efficient manner, AGA’s Intergovernmental Partnership brought together federal, state and local government experts to explain how governments can leverage resources and improve program

performance. In developing this guide, the Intergovernmental Partnership sought to assist those who set government policy, including Congress and presidential administrations, state legislators, governors, city councils, and mayors. This guide also provides some basic ‘how to’ information for those responsible for increasing the efficiency and effectiveness of funds through blended or braided funding.

Chapter I: Overview

We live in a world of competing challenges, priorities and solutions. As the public and government officials pursue a quest for greater transparency and accountability, they are also striving to ‘do more with less’ and leverage resources to promote ‘outcomes versus outputs.’ This guide is designed to bridge the gap between the programmatic opportunity provided by innovative partnerships and administrative flexibilities, and the integrity required by accountability frameworks and performance metrics. It is intended to begin a collective conversation, a journey of exploration, into understanding what is possible, and charting a path to what is practical in the world of federal financial assistance.

Like any great American journey — the 1804 expedition by Lewis and Clark, the race to put a man on the moon by 1969 or the quest for Olympic gold by the men’s ice hockey team in 1980 — success takes inspiration, innovation and implementation.

What is Braided or Blended Funding?

- **Braided Funding:** Financial assistance from individual funding streams to states, local governments and other pass-through entities is coordinated by all stakeholders so each individual award maintains its award-specific identity.
- **Blended Funding:** Financial assistance from individual funding streams to states, local governments and other pass-through entities is merged by all stakeholders into one award and each individual award loses its award-specific identity.

Funds within the same project may be both blended and braided.

With the issuance of this guide, AGA’s Intergovernmental Partnership seeks to leverage the innovative concepts of blending and braiding funds as a way to drive increased stakeholder collaboration and enhanced programmatic outcomes, while maintaining an accountability model that ensures program integrity throughout the lifecycle of the activity.

What Are Blended and Braided Funds?

This guide examines two administrative approaches for increasing efficiency and effectiveness across programs: braiding and blending funds.

With braided funding, financial assistance from several sources is coordinated by those receiving the funds, to support a single initiative or strategy, while each individual award maintains its award-specific identity.



AGA's Intergovernmental Partnership views braided funding — which can be done without specific statutory authority — largely as an exercise in good project management.

Blended funding allows for more integrated administration than braided funding and requires statutory authority. With blended funding, financial assistance is combined under a single set of reporting and other requirements, and resources contributed from each individual funding stream lose their original award-specific identity. As discussed later in this guide, Congress has specifically permitted blended funding for some federal programs through appropriations and statutory authorization. The specific language used to authorize blended funding is included in this guide, as examples for those drafting laws.

Both braided and blended funding approaches are intended to promote the effective use of government funds by leveraging money being spent on separate programs serving similar populations. Both help balance financial accountability with administrative flexibility as a way to drive meaningful program outcomes.

It is important to recognize that funds within a project can be both blended and braided. If, by law, the blending of funds has been authorized for some — but not all — programs within a project, those implementing the project should consider using a combination of blended and braided funding.

This guide addresses the braiding and/or blending of funds from individual funding streams — including the various levels of government, universities, non-profit organizations and foundations. It discusses all types of financial assistance, such as discretionary awards and entitlement programs, though specific statutory authority to blend funds generally applies to more limited sets of financial assistance.

Challenges of the Current System

Focus on Compliance Rather than Outcomes

The current approach to accountability focuses on compliance, often without a complementary emphasis on performance or outcomes. Auditors review programs against compliance requirements that are not only imposed at the federal level, but also by state and local governments, and other pass-through entities. As a result, managers implementing programs have incentive to meet compliance requirements—and disincentive to experiment or to try innovative solutions.

Program Fragmentation, Overlap and Duplication

Program fragmentation and overlap are major obstacles to the efficient use of program resources. The Government Accountability Office (GAO) is statutorily mandated to annually inform Congress of the federal programs, agencies, offices, and initiatives — either within departments or government-wide — that have duplicative goals or activities. GAO has documented these duplications in four consecutive annual reports. (See **Figure 1**.)²

As an example of fragmented and overlapping funding, in [May 2012](#), GAO reported that eight federal agencies obligated roughly \$2.8 billion to administer 26 homelessness programs.³ Three of these agencies—the U.S. Departments of Health and Human Services (HHS), Housing and Urban Development (HUD), and Veterans Affairs (VA)—are responsible for the majority of programs and dollars, 22 of 26 programs, and 89 percent of total funds. GAO found that these agencies and the U.S. Department of Labor (Labor) have multiple programs that offer similar services to similar beneficiaries.⁴

GAO reported, “Fragmentation and overlap in some programs has

been caused in part by their legislative creation as separate programs under the jurisdiction of several agencies.” Some service providers told GAO it was difficult to manage homeless programs because the programs receive funds from multiple agencies, each with various reporting requirements. GAO concluded, “Our work has shown that fragmented and overlapping federal programs result in administrative burdens, additional work for local service providers, and a confusing service delivery system for beneficiaries.”

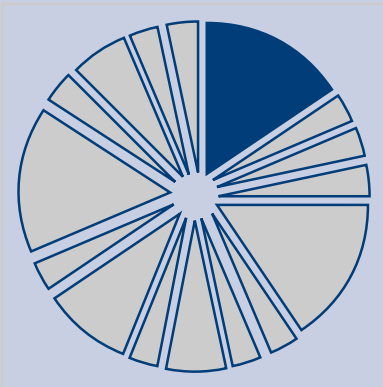
Furthermore, GAO found that fragmentation and overlap stem from programs being developed incrementally to address the specific needs of certain populations. As it relates to homeless issues, GAO reported that, “Fragmentation of services and overlap in some programs is partly due to their legislative creation and partly due to programs evolving to offer services that meet the variety of needs of persons experiencing homelessness.”⁵ To address these and other issues, Congress created the [U.S. Interagency Council on Homelessness](#) (USICH) in 1987. The USICH is an independent agency whose membership consists of the heads, or their designees, of 19 federal departments and agencies. Charged with coordinating the federal response to homelessness, it is responsible for creating, along with the private sector, a national partnership at every level of government to reduce, and eventually end, homelessness in the nation. USICH is a promising model for leveraging resources — and for blending and braiding program resources — as a means of enhancing program efficiency and outcomes.

Proliferation of Requirements over Time

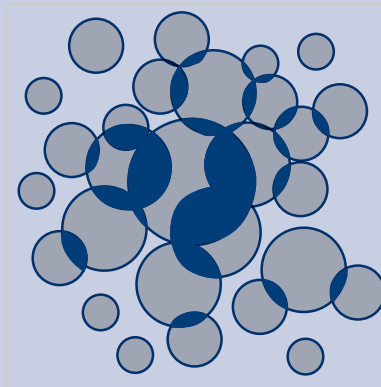
With each passing year, new laws and ordinances are enacted at all levels of government. Regulations and guidance are then issued to implement these legislative actions. Since these are seldom repealed,

FIGURE 1: GAO DEFINITIONS

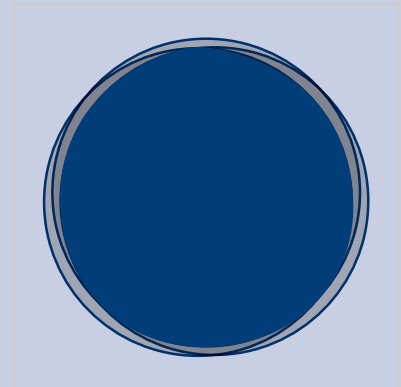
Fragmentation refers to those circumstances in which more than one federal agency (or more than one organization within an agency) is involved in the same broad area of national need and opportunities exist to improve service delivery.



Overlap occurs when multiple agencies or programs have similar goals, engage in similar activities or strategies to achieve them, or target similar beneficiaries.



Duplication occurs when two or more agencies or programs are engaged in the same activities or provide the same services to the same beneficiaries.



Source: GAO

requirements are continually added over time. For example, since enacted in 1965, the Elementary and Secondary Education Act (ESEA) has grown from 32 pages to more than 1,000 pages, when printed with congressional report language explaining it. While not a perfect means of assessing the extent of government regulation, it is noteworthy that the Federal Register, which contains proposed and final regulations along with notices, corrections and presidential documents, was 2,620 pages when first published in 1936. In 2012, it was more than 78,000 pages. While the number of Federal Register pages may not accurately reflect regulatory burden, since a short regulation may impose more burden than a long regulation, one wonders how complicated program implementation will become two or three generations from now.

In recent years, efforts have been made to mitigate the increase in regulation. One example is Executive

Order 13563, Improving Regulation and Regulatory Review, which was issued in 2011. This executive order requires each agency to identify and consider regulatory approaches that reduce burden and maintain flexibility. Agencies are also required to submit a retrospective analysis of existing rules to the Office of Information and Regulatory Affairs, and determine whether existing regulations should be modified, streamlined, expanded or repealed, as to make the agency's regulatory program more effective or less burdensome in achieving the regulatory objectives. Agencies responding to this executive order have issued plans, offering hundreds of proposals to determine how regulations might be clarified or streamlined to be more effective and/or less burdensome.

This guide discusses several federal statutes that authorize blended funding. The discussion does not include all instances in which blended funding is permitted. Instead, we

focus on continuing initiatives that have been underway for more than a decade — Performance Partnership Grants (PPGs), under the U.S. Environmental Protection Agency (EPA) and school-wide programs, under the U.S. Department of Education (ED). We also address more recent initiatives devoted to providing increased flexibility in the administration of programs that receive federal funds. We conclude by presenting an overview of lessons learned from existing initiatives and a decision framework for those who are considering the blending or braiding of funds.

In issuing this guide, the Intergovernmental Partnership provides administrators options for overcoming obstacles through a holistic and streamlined approach to effective and efficient program implementation.



Chapter II: The Environmental Protection Agency's Performance Partnership Grants

This chapter focuses on EPA's PPGs and details what has been learned through EPA's extensive work on blended funding. It explains the legal authority for PPGs⁸ in terms of law, regulations and guidance. It also discusses the features that differentiate PPGs from traditional types of funding, as well as their benefits and challenges.

Since the mid-'90s, EPA has successfully worked with states and tribes on blending program funds to achieve more programmatic, financial and management flexibility in implementing the nation's environmental protection system. EPA's initiative began because, under traditional environmental program grants (categorical grants), states receive funds in 'silos' to implement various initiatives, including those dealing with water, air, waste, pesticides and toxic substances. Categorical grant funds can only be spent on activities that fall within the statutory and regulatory boundaries of each individual grant. Faced with environmental problems that often cut across these

funding silos, there has been a general recognition that states and tribes need greater flexibility in the use and management of categorical grants. In 1996, Congress responded with appropriations language authorizing EPA to award PPGs. This enabled states and tribes to combine funds from more than one EPA program grant into a single grant with a distinct budget.⁹ EPA's blended project was authorized with a simple clause referencing PPGs, which were pilot tests the agency was already conducting. The authorization to blend funds only applies to EPA funds.

In 2001, EPA issued revised regulations governing all environmental program grants to states and tribes, and established new provisions for the administration and management of PPGs at [40 CFR Part 35, Subparts A and B](#).¹⁰

The [regulation](#) states the PPG program is designed to:

1. strengthen partnerships between EPA and state and interstate agencies through joint planning

and priority-setting and better deployment of resources;

2. provide state and interstate agencies with flexibility to direct resources where they are needed most to address environmental and public health priorities;
3. link program activities more effectively with environmental and public health goals and program outcomes;
4. foster development and implementation of innovative approaches such as pollution prevention, ecosystem management and community-based environmental protection strategies; and
5. provide savings by streamlining administrative requirements.¹¹

The EPA issued two companion guides — [Best Practices Guide for Performance Partnership Grants with States](#) and [Best Practices Guide for Performance Partnership Grants with Tribes](#) — to help state, and tribal officials understand, and take full advantage of, the features and

benefits of PPGs.¹² These publications provide information on how states and tribes can maximize and distribute available resources to the highest-priority needs.

Congress designated 19 state and tribal categorical environmental program grants as eligible for blending when it authorized the PPG program. Through a PPG, states and tribes can choose to combine two or more EPA environmental program grants into a single blended grant agreement. Individual EPA categorical program grants that can be combined into one PPG include myriad issues from air pollution and radon to wetlands and toxic substances. As of 2013, 43 state environmental agencies have used PPGs to combine categorical grants.¹³ Total grant funds eligible for blending into PPGs average \$1.1 billion per year.

PPGs have been effectively used by states and tribes to address a variety of management issues, including:

- **Emergency Situations:** PPG flexibility provided Mississippi and Louisiana the ability to target

and redeploy resources needed to respond to environmental issues caused by Hurricanes Katrina and Rita. Colorado used PPG flexibility to repair water systems impacted by forest fires and extreme drought. To provide disaster relief for severe flooding events, EPA worked with Iowa to reprogram carryover funds from another state's PPG to finance critical water quality monitoring necessary to protect public health.

- **Supporting State-Specific Priorities:** South Dakota used a PPG to support the Spruce Up South Dakota effort and geologic mapping in the Black Hills. Texas and Maine have used PPG flexibility, as well. Both shifted resources from within their water programs to concentrate on the re-issuance of priority water permits and reduce overall permitting backlog.

Features of PPGs

PPGs offer savings on administrative costs, as well as more flexible ways to fund priority needs and programs. Specific features of PPGs — which are based on the implementing regulation and guidance — include:

- **Consolidated budget:** Each PPG must have a consolidated budget that includes the amount of funds combined from each program;
- **Consolidated work plan:** The implementing regulation requires states to develop a 'consolidated work plan' that addresses programs combined in the PPG;
- **Explanation of benefits:** The consolidated work plan must include a rationale commensurate with the extent of any programmatic flexibility (increased effort in some programs and decreased effort in others) that explains the basis for priorities, the benefits to be achieved and the impact on any programs where funding will be reduced;



- **Single, composite match:** Many states have found that the PPG's single, composite match requirement is particularly valuable. For example, under the PPG's composite match requirement, Nebraska was able to use excess state funds for water and air programs to cover the Resource Conservation and Recovery Act cost-share requirements, for which there were insufficient state funds;¹⁴
- **Permitted activities:** Each environmental grant can finance a specified set of activities associated with a particular program. Once combined in a PPG, the funds are not tied to the individual programs. PPG funds can be used for any activity eligible under at least one of the combined grants;
- **PPG carryover funds:** Funds available after a state has met all of its work plan commitments are not tied to a particular EPA program. Because PPGs can fund a wide range of activities, many states have used PPGs to support projects that cut across program boundaries. Some examples of this include upgrading data systems, carrying out geographic and sector initiatives, and conducting multi-media compliance inspections; and
- **Flexibility to meet needs:** Working with EPA, states can take advantage of a range of benefits, including the ability to propose strategic goals and priorities tailored to the programs included in the PPG, and the ability to report on resources used in the aggregate, rather than under each individual program.

PPGs also allow states to **adjust the relative amount of work to be performed** in each program area, in

Since the mid-'90s, EPA has successfully worked with states and tribes on blending program funds to achieve more programmatic, financial and management flexibility in implementing the nation's environmental protection system.

accord with the state's needs and priorities. The state must continue to meet all base program requirements. However, the state can negotiate a work plan that decreases lower priority activities in exchange for increases in activities that address a higher priority need. Some states have used PPG flexibility to help them respond to environmental problems stemming from emergencies, such as hurricanes and droughts.

Accountability within PPGs

Even though PPGs offer states greater flexibility in meeting environmental challenges, EPA must still ensure that all core programs continue to be adequately implemented, regardless of shifts in emphasis among the programs. To balance flexibility with accountability, the following features have been incorporated into PPGs:

- **Goals and objectives:** EPA's environmental results order requires each proposed grant be linked to the goals and objectives in

EPA's strategic plan. Under this order, all grant work plans must include well-defined outputs and, to the extent practicable, distinct outcomes.

- **Output and outcome measures:** EPA regions assure the work plan for each grant includes appropriate output and outcome measures. It is relatively easy to determine whether a state achieves the outputs (activities) set out in a grant work plan. It is more difficult to determine what effect these activities have on outcomes — such as actual improvements in the environment — because they are also affected by external variables. EPA's website contains information about establishing outputs, outcomes and performance measures.
- **Joint evaluations:** States and EPA conduct joint evaluations of environmental program grants and PPGs. The results are used to support multiparty planning and priority setting. Progress and accomplishments are reported in national and regional program databases, and grant progress reports.
- **Consideration of past performance:** EPA's evaluation of funding applications also includes an assessment of applicants' past performance in reporting on outputs and outcomes. Therefore, to paint a fuller picture of results, **EPA uses a range of measures — environmental results, program outcomes, outputs, and other activity measures.**

General information on PPGs is available on [EPA's website](#).

What Makes Blended Funding Different?

EPA program officials highlight a number of ways in which PPGs differ from typical approaches to funding.

- rather than being negotiated within individual programs and organizational 'silos,' PPGs are developed in a process that not only involves EPA and state program managers, but also senior leaders who bring a broader perspective about environmental needs and priorities;
- streamlined administrative and grant reporting by requiring only one grant application, budget, and financial status report for all included programs;
- grant expenditures need only be tracked to the total funds awarded in the PPG and not to the original sources of the funds;
- PPGs also provide for the use of a composite cost share for all grants included in the PPG, which helps states and tribes that might struggle to meet match requirements for a particular grant program if it is not included in a PPG; and
- provide the opportunity to strategically distribute resources to the highest priority needs.

Benefits of Blended Funding

Benefits cited by states and EPA include the ability to:

- address emergency situations and changing conditions — states have used funding flexibility to quickly shift funds to environmental response and recovery efforts associated with tornados, flooding and oil spills;
- reduce management costs and address staffing problems — states have used the cash management flexibility of the PPG to maintain priority state positions during temporary hiring freezes;
- meet cost-share requirements — several states have used extra state funds for its water programs to meet the federal match requirement for clean air programs that had insufficient state funds;
- efficiently redirect carryover funds to another program — states can redirect carryover funds from a closed PPG to fund priority activities in another program area; and
- fund cross-cutting projects and initiatives — states have used PPGs to fund crosscutting efforts, such as integrating inspections, compliance assistance, and permitting for air, water, and waste programs in a specific sector, such as animal feeding operations.

Challenges of Blended Funding

Despite almost two decades of success, there are still some challenges that EPA, states and tribes must address to achieve PPGs' potential. Persistent challenges include:

- establishing the ongoing senior leadership needed to maintain the shift away from program 'silos,' in the long term;
- institutionalizing the coordination mechanisms needed to integrate grant work plan negotiations into EPA, state and tribal business practices; and
- fully leveraging government funds, since PPGs only apply to EPA funds whereas states also receive grant funds from other federal agencies to accomplish environmental goals.



Chapter III: Schoolwide Programs — Title I of the Elementary and Secondary Education Act

“Schoolwide Programs,” authorized under Title I of ESEA, were reauthorized in 2001 as the No Child Left Behind Act. The ESEA authorizes funds to be consolidated with other federal, state and local funds, in order to upgrade the entire educational program of a school that has a high percentage of low-income families.¹⁵ Under the provision, schools develop a school-wide plan to blend funds based on the premise that comprehensive reform strategies, rather than separate, add-on services, are most effective in raising academic achievement for the lowest scoring students in a school.¹⁶

School-wide plans are developed through a collaborative effort among the teachers, principals, other staff and, where appropriate, pupil-services personnel and parents. If a plan relates to a secondary school, students are also involved. The plans target needs identified through an assessment, and they specify activities that will be undertaken to meet a school’s goals and objectives.

While language in the ESEA contains a number of requirements, it also gives the U.S. secretary of education authority to exempt school-wide programs that consolidate funds from some federal requirements. This exemption authority offers principals, teachers and others flexibility from the compliance requirements incorporated in separate programs, in return for developing a strategic plan for improving their school. It gives those closest to the school the opportunity to make decisions about the activities they believe are best suited to move students forward.

The ESEA:

- requires a comprehensive needs assessment and the ability to determine if the needs have been met;
- requires a year-long planning process to develop the school-wide plan;
- spells out the components of a school-wide plan;
- requires the plan be developed within one year (with certain

exceptions), after consultation with parents and those who will carry out the plan;

- gives the U.S. secretary of education the authority to exempt school-wide programs from statutory or regulatory provisions of noncompetitive formula grant programs and discretionary grant programs that the secretary administers; and
- requires a commitment to specific strategies and activities that address those needs

To reduce the barriers associated with blended funding, the ESEA requires states to:

- encourage schools to consolidate funds from other federal, state and local sources; and
- modify or eliminate state fiscal and accounting barriers so that schools can easily consolidate funds from federal, state and local sources (See **Figure 2.**)

The law’s focus on accounting is notable, as it specifically exempts

FIGURE 2: TITLE I OF THE NO CHILD LEFT BEHIND ACT

Excerpt: Title I of the No Child Left Behind Act Section 1111(c)(9) and (10)

c) Other Provisions to Support Teaching and Learning. — Each State plan shall contain assurances that—

(9) the State educational agency will encourage schools to consolidate funds from other Federal, State, and local sources for schoolwide reform in schoolwide programs under section 1114;

(10) the State educational agency will modify or eliminate State fiscal and accounting barriers so that schools can easily consolidate funds from other Federal, State, and local sources for schoolwide programs under section 1114.

school-wide programs that consolidate funds from maintaining program-specific accounting records. It states in section 1114, (a)(3)(C):

RECORDS — A school that consolidates and uses funds from different Federal programs under this section shall not be required to maintain

separate fiscal accounting records, by program, that identify the specific activities supported by those particular funds as long as the school maintains records that demonstrate that the Schoolwide Program, considered as a whole, addresses the intent and purposes of each of the Federal programs

that were consolidated to support the Schoolwide Program.

As part of that school-wide plan, critical performance activities are chosen to reach the whole school's improvement goals. These performance activities can differ from the traditional compliance-related activities. The U.S. Department of Education's 2014 Single Audit compliance supplement (ED compliance supplement) provides that a school consolidating funds into a school-wide pool, is not required to meet most of the statutory and regulatory requirements of the federal programs included in the consolidation as long as it meets the intent and purposes of those programs.¹⁷ (See **Figure 3**.)

For example, if a school-wide plan prescribed 10 performance activities and auditors found that only a portion of them were carried out, or that funds were used for other activities not included in the plan, they could call attention to these differences and could potentially question related costs.



FIGURE 3: U.S. DEPARTMENT OF EDUCATION COMPLIANCE REQUIREMENTS

Excerpt: U.S. Department of Education, A-133 Compliance Supplement Cross-Cutting Section, 2. Schoolwide Programs, Compliance Requirements, p. 4-84.000-29

c. A schoolwide program school that consolidates Federal, State, and local funds in a consolidated schoolwide pool may use those funds for any activity in the school. (Consolidating funds in a schoolwide program means that a school treats the funds like they are a single “pool” of funds—i.e., the funds lose their individual identity and the school has one flexible pool of funds.) The school is not required to maintain separate records that identify by program the specific activities supported by those funds. Also, the school is not required to meet most of the statutory and regulatory requirements of the Federal programs included in the consolidation as long as it meets the intent and purposes of those programs.

In a blending and braiding of funds environment, accountability is focused on the activities chosen as the path to high performance. It is critical that oversight of these activities is carried out in a manner that provides a feedback loop, which adds to continuous improvement in service delivery. ED resources on school-wide programs:

[Designing Schoolwide Programs](#) (DOC)

Non-regulatory guidance issued March 2006 by the U.S. Department of Education.

[Title I Fiscal Guidance](#) (DOC)

Non-regulatory guidance issued February 2008 by the U.S. Department of Education.

Chapter IV: Other Federal Provisions Promoting Flexibility

This chapter addresses other initiatives devoted to providing increased flexibility in the administration of programs that receive federal funds. The first section deals with Performance Partnerships, while the second addresses *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, which was issued in December 2013.

Performance Partnerships for Disconnected Youth

Performance Partnership pilots offer a unique opportunity to test innovative, cost-effective and outcome-focused strategies for improving results for disconnected youth. The Consolidated Appropriations Act, 2014 (the Act, see Section 526 of Division H) provides authority to ED, Labor, and HHS, along with the Corporation for National and Community Service and the Institute of Museum and Library Sciences, to enter into up to ten

Performance Partnership agreements with states, localities or tribes, which gives grantees additional flexibility in using discretionary funds across multiple federal programs. Entities that seek to participate in these pilots will commit to achieve significant improvements for disconnected youth, in exchange for this new flexibility.

For the purposes of the pilots, the term “disconnected youth” refers to low-income young people, aged 14-24, who are homeless, in foster care and/or involved in the justice system. It also applies to youths who are unemployed or not enrolled in (or at risk of dropping out of) an educational institution.¹⁸

Under Performance Partnerships, states, localities, and tribes may blend fiscal year (FY) 2014 discretionary funds — formula and competitive grants — from the specified federal agencies in order to implement outcome-focused strategies for serving disconnected youth. In general, the pilots are designed to facilitate flexible use

of existing funding streams made available under the Act. While the Act did not appropriate specific new funds to support pilots for FY 2014, agencies plan to combine a small amount of 2014 funding to support start-up grants that will likely be hundreds of thousands of dollars, each. Start-up funds may be used to build capacity to implement Performance Partnerships, including such activities as planning, governance, data collection and analysis, coordination, and evaluation.

In order to establish the most effective and appropriate set of requirements for each pilot, federal agencies may waive requirements associated with individual programs contributing funds. Performance Partnership authority enables heads of affected federal agencies to not only exercise existing waiver authority, but also to waive any statutory, regulatory or administrative requirement they are otherwise not authorized to waive.



Performance Partnership pilots offer a unique opportunity to test innovative, cost-effective and outcome-focused strategies for improving results for disconnected youth.

It must be noted this is only true as long as the waiver is in keeping with important safeguards. Specifically, waivers must be consistent with the statutory purposes of the federal program and necessary to achieve the pilot's outcomes, and result in either administrative efficiencies or an increased ability of individuals to access services. In addition, requirements related to nondiscrimination, wage and labor standards, and allocations of funds to state and sub-state levels cannot be waived.

In practice, Performance Partnership waiver authority should enable applicants to take a more youth-centric approach to services by first identifying the target population and the most effective strategies for serving those individuals. Next, funding streams appropriate to support the approach will be selected. Clarifying which program rules and requirements need to be waived in order to implement the strategy is the final step.

Each pilot will be governed by a performance agreement between a lead federal agency, designated by the Office of Management and Budget (OMB), and will act on behalf of all participating federal agencies and the respective representatives of all state, local, or tribal governments participating in the agreement. Key items each Performance Partnership agreement will include:

- the length of the agreement;
- the federal programs and federally-funded services involved;
- the federal and non-federal funds being used;
- the state, local or tribal programs involved;
- the population(s) to be served;
- cost-effective federal oversight procedures, as well as state, local or tribal oversight procedures to maintain accountability for the use of federal funds;
- the outcome(s) the pilot is designed to achieve;
- the outcome-measurement methodology; and
- the consequences of not achieving specified outcomes.¹⁹

The components mirror provisions included in other plans, including EPA's PPG and ED's school-wide programs, in that they focus on performance activity, rather than compliance activities. The Performance Partnership agreement stresses the importance of collaboration while determining what is to be accomplished and how outcomes are to be measured.

A [solicitation](#) for the pilots was released in November 2014 and the pilots are likely to be selected over the winter of 2014. Pilots selected under FY 2014 authority may not extend beyond September 30, 2018.

Federal Uniform Guidance

OMB, in December 2013, directed federal agencies to permit grantees increased flexibility in administering federal grants with the issuance of *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This new Uniform Guidance opens up the opportunity to waive certain compliance requirements and approve new strategies for innovative program designs, which improve cost-effectiveness and encourage effective collaboration across programs to achieve desired outcomes. The Uniform Guidance points to models described in OMB Memorandum 13-17 (M-13-17), "[Next Steps in the Evidence and Innovation Agenda](#)."²⁰ Models referenced in M-13-17 include tiered evidence grants, *Pay for Success* and other pay for performance approaches, and Performance Partnerships allowing blended and braided funding. The goals for these models include financially supporting approaches with strong evidence of effectiveness and building more evaluation into grant-making to promote learning about what works. In addition to these specific models, the OMB Circular notes that M-13-17 also encourages agencies to pursue other strategies to increase cost-effectiveness in high-priority programs.

Chapter V: Lessons Learned and Recommendations

This chapter captures lessons learned from blended and braided funding case studies discussed in the previous chapters. We are also making a number of recommendations for those authorizing or implementing a project with blended or braided funding.

Lessons Learned

After reviewing new and existing projects during compilation of this guide, we concluded blended and braided funding offers:

- a greater ability to meet the public's needs;
- the opportunity to learn by providing an opportunity to experiment;
- increased flexibility to achieve defined outcomes;
- the capability to determine program success based on identified outcomes and measures;
- the ability to avoid program duplication, overlap and fragmentation;
- audits focused on activities that

support desired outcomes;

- an increased focus on performance and outcomes vs. compliance;
- increased ability to focus more on program goals and less on administration; and
- greater stakeholder collaboration, coordination of services and comprehensive project management.

Recommendations Relating to both Blended and Braided Funding

■ For legislators:

- use clear, simple language — if legislation creating the project is complicated, the regulations and implementing guidance are likely to further complicate the program;
- require a needs assessment and a consolidated project plan;²¹ and
- tie accountability to outputs, outcomes and performance measures agreed upon when developing the project plan,

rather than concentrating solely on compliance requirements.

■ For those implementing blended and braided programs:

- conduct a **needs assessment** (see p. 8 of the U.S. Department of Education's [Designing Schoolwide Programs – Non-Regulatory Guidance](#));
- develop a **consolidated project plan** in collaboration with all project stakeholders. Include interested individuals from the programs being combined and a broad cross section of relevant disciplines, including grants managers, program officials, accountants and legal professionals. Become familiar with GAO's recommended approaches to enhance collaboration in interagency groups, contained in its 2014 report on [Managing for Results](#);
- develop a **consolidated budget** that includes the amount of funds combined from each program; and



- **monitor accountability** by evaluating outputs, outcomes and performance measures included in the project plan.

Recommendations Related Specifically to Blended Funding

For blended funding, which requires specific statutory authorization, we recommend the following:

- For **legislators**:
 - specify the types of flexibility applicable to a blended project (See **Figure 4.**) and/or give the agency head authority to waive certain compliance requirements. Furthermore, approve new strategies to improve cost-effectiveness

and encourage effective collaboration across programs to achieve outcomes.

- For those **implementing blended** programs:
 - if not specifically authorized in legislation, consult counsel on the legality of waivers, including those to help align goals, objectives, and accountability;
 - focus on outcomes, rather than strictly on compliance with program and administrative requirements, to keep requirements as clear and simple as possible. This change in focus remains a work in progress, but it is important to begin testing new approaches to accountability; and

- simplify accounting by permitting funds to be blended without requiring maintenance of separate fiscal accounting records, by program, to identify specific activities supported by those particular funds. One possibility might be to create a separate Catalog of Federal Domestic Assistance (CFDA) number or accounting designation for a blended project.

- For legislators **and** those implementing blended programs:
 - focus more on performance-based accountability; and
 - minimize accounting barriers.

FIGURE 4: OPTIONS FOR FLEXIBILITY

The following are specific types of flexibility that may be applicable to a blended project. They are based on those permitted by EPA for the Performance Partnership Grants (PPGs) discussed earlier in this guide. We are not recommending any specific option, but providing a list of possible legislative provisions or waivers that, where possible, would allow recipients to:

- increase effort in some programs and decrease effort in others. This allows grantees to target higher priority activities or respond to natural disasters or other emergencies;
- meet a composite match from any combination of program resources, rather than coming up with individual matches on a program-by-program basis. States can meet the composite match from any combination of program sources, rather than come up with individual matches program-by-program. This allows a state to overmatch with funds from a program that has more than adequate resources to help cover the match for a program that is strapped for resources;
- use project funds for any activity that is eligible under at least one of the combined grants;
- allow funds available after a state has met all of its project plan commitments to be used for activities that cut across program boundaries. Examples include upgrading data systems and carrying out initiatives on a geographic basis; and
- target high-priority needs, including those resulting from natural disasters or emergencies.

Chapter VI: Decision Framework

This chapter provides a decision framework to use while determining whether to blend or braid funds. It is designed to identify previously overlooked issues during the decision-making process. Only questions that could expose a potential fatal flaw are listed; that is, if the answer to one of our questions is “no,” the project should probably be revised or reconsidered. While this decision-making framework is geared toward the implementers of braided or blended funding, it is equally applicable to entities, like legislative bodies, that set program policy; fiscal leaders, such as comptrollers and chief financial officers that monitor consolidated funding; and even the oversight community, as they formulate and carry out oversight activities.

Five basic questions should be considered while determining whether your project is a good candidate for blended and braided funding. All of these questions apply to both blended and braided funding, but it is important to add a threshold question if you will be blending funds: “Do I have statutory authority to blend funds?”

Questions to Ask When Pursuing Blended or Braided Funding:

1. Can I clearly articulate the scope of my project and what I am trying to achieve?
2. Have I identified suitable partners?
3. Have I verified that sufficient resources will be available to accomplish what I want to achieve?
4. Have I identified potential barriers or challenges to implementation and determined how I can overcome them?
5. Have I established how I will know whether my goals have been achieved?

Each of these questions is broken into sub-questions to provide additional insight into your decision. If your answers to the sub-questions are predominately “yes,” then we recommend proceeding with the additional steps outlined in this guide.

A “no” answer is an indication that the project needs further development or aspects of your project should be reconsidered.

Question 1

Can I clearly articulate the scope of my project and what I am trying to achieve?

Explanation: Determine whether you are trying to do more of something or simply expand the scope of an existing project. Make sure you can articulate how braiding or blending funds would help accomplish what you want to achieve.

Question 2

Have I identified suitable partners?

Common Goals – Do the potential partners/programs have common or similar goals?

Explanation: Blending or braiding funds is more likely to be successful if the funds being combined are already intended to serve a common goal. For example, if you are seeking to address student homelessness, you might want to consider leveraging funds from the U.S. Departments of Housing and Urban Development, Agriculture and Education, whose programs share related missions.



Partner Eligibility — Have you verified that each partner is eligible to use the other's funds?

Explanation: In some cases, funding sources are tied to a specific recipient class. For example, if some dollars are to be specifically made available only to tribal governments, then you would not be able to use those dollars for an alternative purpose or recipient.

Operational Status — Do the potential partners already operate existing projects with aligned goals?

Explanation: Aligned project goals will help the entity ensure funding is used for the appropriate purpose, as designated by law or regulation, and that the potential partners' programmatic goals have a greater chance to succeed. For example, if two segments of state government are both working on projects associated with emergency preparedness, their funding sources might be available to be pooled and their program objectives might support greater program outcomes in a blended or braided funding construct.

Risks — Can I tolerate the risks that potential partners bring?

Explanation: As one entity decides whether to partner with another, there must be a clear understanding of financial and organizational risks. For example, if a non-profit recipient wants to partner with a local government, both parties should understand the stability and financial management capacity of each organization before finalizing an arrangement to pool funds.

Organizational Structure — If partnering with another organization(s), am I familiar enough with their organizational culture to believe a relationship will work?

Explanation: See previous explanation of "Risks."

Financial and Programmatic Management — Do the partners have sound financial and programmatic management?

Explanation: See previous explanation of "Risks."

Fiscal Cognizance — Is there already an entity in place to serve as a responsible fiscal agent to manage the funds being combined?

Explanation: Among the arrangements that must be defined and agreed upon is which entity (or entities) will oversee and manage the pooled funding. If there is a responsible fiscal party already available to manage pooled funds, it makes it easier for the decision making process to move forward. Establishing a responsible fiscal agent or organization will ensure there is a clear line of financial management and accountability throughout the life of the project. Regardless of whether it is a single entity or a group effort, roles and responsibilities of each partner must be detailed and documented.

Question 3

Have I verified that sufficient resources will be available to accomplish what I want to achieve?

Have potential partners provided information demonstrating that their portion of the funding is, or soon will be, available for blended or braided funding?

Explanation: Partners need assurance that the appropriate dollars will be available prior to announcing, applying for or awarding the project.

Is there a requirement that your entity provide any matching funds or in-kind services and, if so, can you satisfy this requirement?

Explanation: Certain federal programs require a recipient to 'match' funding or in-kind services to help carry out the project. Entities should be aware of these requirements prior to finalizing a blended or braided

funding model, so that the match requirements are properly articulated and met.

Question 4

Have we identified potential barriers or challenges to implementation and determined how we can overcome them?

Are potential funding sources free of legal impediments or strings (program, fiscal, reporting or other requirements)?

Explanation: Have I inventoried, and do I fully understand, all of the limitations placed on my use of the funds?

If the funding sources are not free of legal impediments or strings, can I adapt to them?

Explanation: Can I adjust my program and/or implementation strategy to accommodate legal requirements, while still meeting my desired outcomes?

If I cannot adapt to the legal impediments or strings, can I request a waiver?

Explanation: Some funding sources come with specific appropriations/legislative requirements. An entity may have to contact its parent organization and partners to see if a regulatory waiver can be granted to allow more flexible use of the funding.

Is my organization's infrastructure suited to meeting the requirements of blended or braided funding?

Explanation: Determine whether your organization has the financial management processes/systems and oversight capacity to ensure financial integrity.

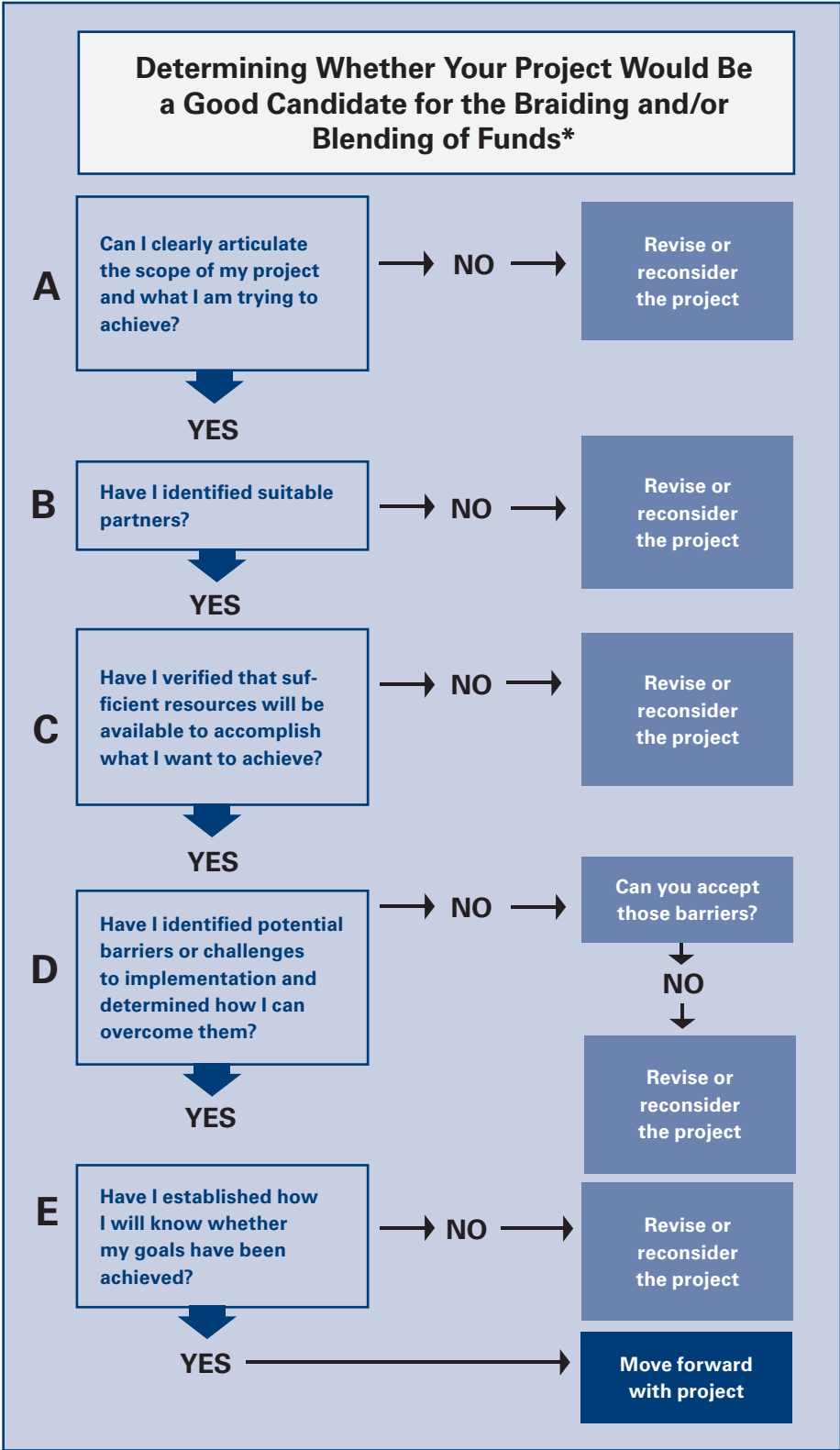
Question 5

Have I established how I will know whether my goals have been achieved?
Have you and your partners agreed on desired outcomes and how these outcomes will be measured?

Explanation: Each partner should understand and agree to a common set of outcomes that will be funded by the common pool of resources, as well as the way in which success will be measured as the project evolves.

Have you and your partners agreed how you will oversee the project's use of resources?

Explanation: Do I have a plan and infrastructure to effectively oversee the project's resources (monetary, human, technical, etc.) and account for these resources during the life of the project.



* For blended funding, first verify that there is statutory authority to blend funds.



Conclusion

By blending and braiding funds, AGA's Intergovernmental Partnership believes that governments can leverage funds from a variety of sources to serve the public in a more comprehensive, coordinated and efficient manner. However, it will take hard work to reach the point where policies and tools are available to successfully execute blended and braided projects without having to overcome barriers.

Advance planning is essential to the success of any blended or braided project. A consolidated project plan should be based on a needs assessment, developed by all stakeholders, contain mutually agreeable outcomes,

and be used by auditors and others to determine whether funds have been spent as planned.

AGA's Intergovernmental Partnership urges leaders and financial managers to pursue stakeholder collaboration, maximize program resources, enhance program outcomes and help strike a balance between increased flexibility and project accountability.

By blending and braiding funds, AGA's Intergovernmental Partnership believes that governments can leverage funds from a variety of sources to serve the public in a more comprehensive, coordinated and efficient manner.

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