

CHAPTER 4300
DEPARTMENT OF EMPLOYMENT AND ECONOMIC
DEVELOPMENT
COMMUNITY BLOCK GRANTS

GENERAL			
4300.0100	DEFINITIONS.	4300.1500	COMPARISON OF COMPETITIVE APPLICATIONS WITHIN CATEGORIES.
4300.0200	PURPOSE.	4300.1600	EVALUATION OF HOUSING PROJECTS.
4300.0300	OBJECTIVE OF THE COMPETITIVE PROGRAM.	4300.1700	EVALUATION OF PUBLIC FACILITIES PROJECTS.
4300.0400	APPLICATION OF FEDERAL LAW.	4300.1900	EVALUATION OF COMPREHENSIVE PROGRAM PROJECTS.
	GRANT APPLICATION, EVALUATION, AND DETERMINATION	4300.1901	EVALUATION OF ECONOMIC DEVELOPMENT PROJECTS.
4300.1100	TYPES OF COMPETITIVE GRANTS AVAILABLE.	4300.2000	DETERMINATION OF GRANT AWARDS.
4300.1101	ECONOMIC DEVELOPMENT GRANTS; NONCOMPETITIVE.		CONTRACTS AND RECORDS
4300.1200	APPLICATION PROCESS AND REQUIREMENTS.	4300.3100	GRANT AGREEMENTS.
4300.1300	EVALUATION OF APPLICATIONS.	4300.3200	RECORD KEEPING AND MONITORING.
4300.1400	COMPARISON OF ALL COMPETITIVE APPLICATIONS; DEMOGRAPHIC POINTS.		

GENERAL

4300.0100 DEFINITIONS.

Subpart 1. **Scope.** As used in this chapter, the following terms have the meanings given them.

Subp. 2. **Application year.** "Application year" means the state fiscal year beginning July 1 and ending June 30.

Subp. 2a. [Renumbered Subp. 3a]

Subp. 2b. **Business and community development application.** "Business and community development application" means the official consolidated application form as developed by the Department of Employment and Economic Development to be used to apply for funding assistance from various assistance programs administered by the Business and Community Development Division.

Subp. 3. **Business and community development need.** "Business and community development need" means a demonstrated deficiency in housing stock, public facilities, economic development opportunities consistent with part 4300.1901, or other services which are necessary for developing or maintaining viable communities.

Subp. 3a. **Commissioner.** "Commissioner" means the commissioner of the Minnesota Department of Employment and Economic Development.

Subp. 4. **Competitive grant.** "Competitive grant" means a grant application that is evaluated and ranked in comparison to other applications in the same grant category and includes housing, public facilities, and comprehensive applications.

Subp. 5. **Comprehensive program.** "Comprehensive program" means a combination of at least two interrelated projects which are designed to address community development needs which by their nature require a coordination of housing, public facilities, or economic development activities. A comprehensive program must be designed to benefit a defined geographic area, otherwise known as a program area.

Subp. 5a. **Division.** "Division" means the Business and Community Development Division in the Department of Employment and Economic Development to which the program is assigned.

Subp. 5b. **Economic development grant.** "Economic development grant" means an agreement between the state and an eligible recipient through which the state provides

money to carry out specified programs, services, or activities designed to create new employment, maintain existing employment, increase the local tax base, or otherwise increase economic activity in a community.

Subp. 6. **Economic development project.** "Economic development project" means one or more activities designed to create new employment, maintain existing employment, increase the local tax base, or otherwise increase economic activity in a community.

Subp. 7. **Eligible activities.** "Eligible activities" means those activities so designated in United States Code, title 42, section 5305 (1981) and as described in Code of Federal Regulations, title 24, sections 570.200 to 570.207 (1981).

Subp. 8. **General purpose local government.** "General purpose local government" means townships as described in Minnesota Statutes, chapter 365; cities as described in Minnesota Statutes, chapters 410 and 412; and counties.

Subp. 9. **Grant.** "Grant" means an agreement between the state and an eligible recipient through which the state provides funds to carry out specified programs, services, or activities.

Subp. 10. **Grant close out.** "Grant close out" means the process by which the division determines that all applicable administrative actions and all required work have been completed by the grant recipient and the department.

Subp. 11. **Grant year.** "Grant year" means any period of time during which the United States Department of Housing and Urban Development makes funds from any federal fiscal year available to the state for distribution to local governments under United States Code, title 42, sections 5301 to 5316 (1981), and includes the period of time during which the division solicits applications and makes grant awards.

Subp. 11a. **Housing and community development needs assessment.** "Housing and community development needs assessment" means an analysis of priority community needs as required by Section 104 of the Housing and Community Development Act of 1974, United States Code, title 42, section 5304(b)(3).

Subp. 12. **Infrastructure.** "Infrastructure" means the basic physical systems, structures, and facilities, such as roads, bridges, water, and sewer, which are necessary to support a community.

Subp. 13. **Low and moderate income.** As it applies to federal sources of funding, "low and moderate income" means income which does not exceed 80 percent of the median income for the area, with adjustments for smaller and larger families. State funds are not limited to or constrained by low and moderate income requirements.

Subp. 14. **Metropolitan city.** "Metropolitan city" means a city over 50,000 population or a central city of a standard metropolitan statistical area that receives entitlement grants under United States Code, title 42, section 5306 (1981) directly from the United States Department of Housing and Urban Development.

Subp. 15. **Nonentitlement area.** "Nonentitlement area" means an area that is not a metropolitan city or part of an urban county.

Subp. 16. [Repealed, 14 SR 1098]

Subp. 17. **Per capita assessed valuation.** "Per capita assessed valuation" means the adjusted assessed valuation divided by population.

Subp. 18. [Repealed, 20 SR 2254(NO. 42)]

Subp. 19. **Poverty persons.** "Poverty persons" means individuals or families whose incomes are below the poverty level as determined by the most current data available from the United States Department of Commerce, taking into account variations in cost of living for the area affected.

Subp. 20. **Program.** "Program" means the community development block grant program for nonentitlement areas.

4300.0100 COMMUNITY BLOCK GRANTS

838

Subp. 21. **Program area.** "Program area" means a defined geographic area within which an applicant has determined that there exists a need for community development activities. A program area may be a neighborhood in a community or an entire community.

Subp. 22. **Program income.** "Program income" means gross income earned by the grant recipient from grant supported activities, excluding interest earned on advances.

Subp. 23. [Repealed, 20 SR 2254(NO. 42)]

Subp. 24. [Repealed, 14 SR 1098]

Subp. 25. **Slums and blight.** "Slums and blight" means areas or neighborhoods which are characterized by conditions used to describe deteriorated areas in Minnesota Statutes, section 462.421, or which are characterized by the conditions used to describe redevelopment districts in Minnesota Statutes, section 273.73, subdivision 10.

Subp. 26. **Single purpose project.** "Single purpose project" means one or more activities designed to meet a specific housing or public facilities community development need within a defined program area.

Subp. 27. **Urban county.** "Urban county" means a county which is located in a metropolitan area and is entitled to receive grants under United States Code, title 42, section 5306 (1981), directly from the United States Department of Housing and Urban Development.

Statutory Authority: *MS s 116J.035; 116J.401; 116J.403; 116J.873*

History: *8 SR 1263; L 1987 c 312 art 1; 14 SR 1098; 20 SR 2254(NO. 42); L 2003 1Sp4 s 1*

4300.0200 PURPOSE.

This chapter gives procedures for evaluating applications for grants and awarding them to eligible applicants by the Department of Employment and Economic Development under United States Code, title 42, sections 5301 to 5316 (1981), and regulations adopted in Code of Federal Regulations, title 24, part 570, and under Minnesota Statutes, section 116J.873.

Statutory Authority: *MS s 116J.401; 116J.403; 116J.873*

History: *8 SR 1263; L 1987 c 312 art 1; 14 SR 1098; L 2003 1Sp4 s 1*

4300.0300 OBJECTIVE OF THE COMPETITIVE PROGRAM.

The primary objective of this program is to develop viable urban communities by providing decent housing and a suitable living environment and by expanding economic opportunities, principally for persons of low and moderate income. Activities funded under this program shall not benefit moderate income persons to the exclusion of low income persons. All funded activities must be designed to:

A. benefit low and moderate income persons;

B. prevent or eliminate slums and blight; or

C. alleviate urgent community development needs caused by existing conditions which pose a serious and immediate threat to the health or welfare of the community where other financial resources are not available to meet those needs.

Statutory Authority: *MS s 116J.035; 116J.401; 116J.403*

History: *8 SR 1263; L 1987 c 312 art 1; 20 SR 2254(NO. 42)*

4300.0400 APPLICATION OF FEDERAL LAW.

If it is determined that any provisions of parts 4300.0100 to 4300.3200 are inconsistent with federal law, then federal law controls to the extent necessary to eliminate the conflict.

Statutory Authority: *MS s 116J.401; 116J.403*

History: *L 1987 c 312 art 1*

GRANT APPLICATION, EVALUATION, AND DETERMINATION

4300.1100 TYPES OF COMPETITIVE GRANTS AVAILABLE.

Subpart 1. **Single purpose grants.** The division shall approve grant applications for funding for single purpose projects. The division shall place single purpose grant applications in one of the following categories for purposes of evaluation:

A. housing projects which include one or more activities designed to increase the supply or quality of dwellings suited to the occupancy of individuals and families; or

B. public facilities projects which include one or more activities designed to acquire, construct, reconstruct, or install buildings or infrastructure which serve a neighborhood area or community.

Subp. 2. **Comprehensive grants.** The division shall approve comprehensive grants for two or more projects which constitute a comprehensive program as described in part 4300.0100.

Subp. 3. [Repealed, 11 SR 2416]

Statutory Authority: *MS s 116J.401; 116J.403; 116J.873*

History: *8 SR 1263; 11 SR 2416; L 1987 c 312 art 1; 14 SR 1098*

4300.1101 ECONOMIC DEVELOPMENT GRANTS; NONCOMPETITIVE.

The division shall approve grants for economic development projects for funding throughout the application year, or until the funds reserved have been exhausted.

Statutory Authority: *MS s 116J.401; 116J.403; 116J.873*

History: *8 SR 1263; L 1987 c 312 art 1; 14 SR 1098*

4300.1200 APPLICATION PROCESS AND REQUIREMENTS.

Subpart 1. **Business and community development application manual.** The division shall make the business and community development application manual, additional instructional materials, and forms available on a year-round basis. The manual and additional materials and forms shall instruct applicants in the preparation of applications and describe the method by which the division will evaluate and rank applications.

Subp. 2. **Eligibility requirements.** Any unit of general purpose local government, including cities, counties, and townships located in a nonentitlement area or electing exclusion from an urban county under United States Code, title 42, section 5302 (1981), may apply for a grant. An eligible applicant may apply on behalf of other eligible applicants. Applications submitted on behalf of other applicants must be approved by the governing body of all local governments party to the application. An eligible applicant may receive only one competitive grant per grant year and no eligible applicant shall be included in more than one competitive application. An eligible applicant may receive one economic development grant in addition to a competitive grant each application year.

Subp. 3. **Disqualification of applicants.** Applications from otherwise eligible applicants shall be disqualified if it is determined by the division that any of the following conditions exist:

A. there are outstanding audit findings on previous economic development or competitive grants and the grantee has not objected on a reasonable basis to the findings or demonstrated a willingness to resolve the findings;

B. previously approved projects have passed scheduled dates for grant close out and the grantee's ability to complete the project in an expeditious manner is in question; or

C. the applicant has not made scheduled progress on previously approved projects and the grantee's ability to complete the project in an expeditious manner is in question.

Subp. 4. **Contents of business and community development application.** The contents of a business and community development application must be consistent with the

4300.1200 COMMUNITY BLOCK GRANTS

840

informational requirements of this chapter and must be on a form prescribed by the division. A complete business and community development application shall include, but not be limited to:

- A. needs narrative, summarizing the needs for the proposed project;
- B. project summary, summarizing the activities to be completed and the scope of the project;
- C. activities and budget, detailing the estimates associated with each proposed activity;
- D. assurances, necessary to comply with the federal or state requirements as a prerequisite to receiving state or federal funding;
- E. resolution, from the submission of the local government applicant approving the application and authorizing execution of the grant agreement according to the requirements of the Business and Community Development Division if funds are made available; and
- F. supporting materials, attachments that are designed to verify or support information in items A to E.

The division may request additional information from the applicant if it is necessary to clarify and evaluate the application.

Subp. 5. **Time limit for submitting applications.** While competitive applications may be submitted at any time during the year, a formal yearly closing date for receipt of applications shall be established. Complete competitive applications shall be evaluated following the closing date for competitive applications. The notice must be published in the State Register at least 120 days before the closing date. Economic development project applications may be submitted at any time during the application year.

Subp. 6. **Regional review.** The applicant must submit a complete copy of the application to the Regional Development Commission, where such a commission exists, or the Metropolitan Council, where it has jurisdiction, for review and comment in accordance with Minnesota Statutes, section 462.391, subdivision 3, or Minnesota Statutes, section 473.171, respectively.

Statutory Authority: *MS s 116J.035; 116J.401; 116J.403; 116J.873*

History: *8 SR 1263; 11 SR 2416; L 1987 c 312 art 1; 14 SR 1098; 20 SR 2254(NO. 42)*

4300.1300 EVALUATION OF APPLICATIONS.

All applications shall be evaluated by the division. A fixed amount of points shall be established as the maximum score attainable by any application. Points shall be made available within each class of rating criteria according to parts 4300.1400 to 4300.1900. Economic development project applications must meet threshold criteria in order to be evaluated.

Statutory Authority: *MS s 116J.401; 116J.403; 116J.873*

History: *8 SR 1263; L 1987 c 312 art 1; 14 SR 1384*

**4300.1400 COMPARISON OF ALL COMPETITIVE APPLICATIONS;
DEMOGRAPHIC POINTS.**

Subpart 1. [Repealed, 14 SR 1384]

Subp. 2. **Evaluation of community need.** Up to 30 demographic points shall be awarded based on evaluation of community need, which shall include:

- A. the number of poverty persons in the area under the applicant's jurisdiction;
- B. the percentage of persons resident in the area under the applicant's jurisdiction who are poverty persons; and

C. the per capita assessed valuation of the area under the jurisdiction of the applicant, such that points are awarded in inverse relationship to applicants' per capita assessed valuation.

Subp. 3. [Repealed, 14 SR 1384]

Statutory Authority: *MS s 116J.401; 116J.403; 116J.873*

History: *8 SR 1263; L 1987 c 312 art 1; 14 SR 1098; 14 SR 1384*

4300.1500 COMPARISON OF COMPETITIVE APPLICATIONS WITHIN CATEGORIES.

After completing the general competition described in part 4300.1400, the division shall place each application in the appropriate grant category in accordance with part 4300.1100. The categories are housing projects, public facilities projects, and comprehensive programs. Two hundred and ten of the total 240 points available for each application shall be awarded based on a comparison of the applications within each of the categories as further described in parts 4300.1600 to 4300.1900.

Statutory Authority: *MS s 116J.401; 116J.403; 116J.873*

History: *8 SR 1263; L 1987 c 312 art 1; 14 SR 1384*

4300.1600 EVALUATION OF HOUSING PROJECTS.

Subpart 1. **Project need.** Up to 90 of the points available in the housing category competition shall be awarded by the division based on evaluation of the need for improvements or additions to the housing stock serving low and moderate income persons as evidenced by:

- A. housing units that are occupied by low and moderate income persons and are either substandard or pose a threat to the health or safety of the occupants;
- B. an inadequate supply of affordable housing for low or moderate income persons; or
- C. other documented conditions that give evidence of the need for improvements or additions to the housing stock serving low and moderate income persons.

Subp. 2. **Project impact.** Up to 90 of the points available in the housing category competition shall be awarded by the division based on evaluation of the extent to which the proposed activities will eliminate deficiencies in the housing stock serving low and moderate income persons.

Subp. 3. **Project cost effectiveness.** Up to 30 of the points available in the housing category competition shall be awarded by the division based on:

- A. evaluation of the extent to which the proposed activities will make cost effective use of grant funds including coordination with, and use of, funds from other public and private sources; and
- B. evidence that the cost of the proposed activities per benefiting household is reasonable.

Statutory Authority: *MS s 116J.401; 116J.403; 116J.873*

History: *L 1987 c 312 art 1; 14 SR 1384*

4300.1700 EVALUATION OF PUBLIC FACILITIES PROJECTS.

Subpart 1. **Project need.** Up to 90 of the points available in the public facilities category competition shall be awarded by the division based on evaluation of the extent to which the proposed activities are necessary to improve provision of public services to low and moderate income persons or to eliminate an urgent threat to public health or safety.

Subp. 2. **Project impact.** Up to 90 of the points available in the public facilities category competition shall be awarded by the division based on evaluation of the extent to which the proposed activities will reduce or eliminate the need identified under subpart 1, and, in the case of activities designed to improve the provision of public services to low

4300.1700 COMMUNITY BLOCK GRANTS

842

and moderate income persons, an evaluation of the extent to which the proposed activities directly benefit low and moderate income persons.

Subp. 3. **Project cost effectiveness.** Up to 30 of the points available in the public facilities category competition shall be awarded by the division based on evaluation of the extent to which the proposed activities will make cost effective use of grant funds, including consideration of:

A. the extent to which the requested grant funds are necessary to finance all or a portion of the costs;

B. evidence that the cost of the proposed activities per benefiting household or person is reasonable; and

C. the extent to which the project benefits existing, rather than future, population, except in cases where the proposed activities are necessary due to expected development or growth which is beyond the applicant's control.

Statutory Authority: *MS s 116J.401; 116J.403; 116J.873*

History: *L 1987 c 312 art 1; 14 SR 1384*

4300.1800 [Repealed, 8 SR 1263]**4300.1900 EVALUATION OF COMPREHENSIVE PROGRAM PROJECTS.**

Subpart 1. **Program need.** Up to 90 of the points available in the comprehensive program category competition shall be awarded by the division based on evaluation of need for the proposed comprehensive program, including consideration of:

A. the number of low and moderate income persons in the program area;

B. the percentage of residents in the program area which are of low or moderate income; and

C. the need for the proposed comprehensive program as evidenced by at least two of the following: the need for improvements or additions to the housing stock serving low and moderate income persons, the need for new or improved public facilities in the program area, or employment problems in the program area.

Subp. 2. **Program impact.** Up to 90 of the points available in the comprehensive program category competition shall be awarded by the division based on evaluation of the extent to which the proposed comprehensive program will eliminate or reduce the need identified under subpart 1, and the extent to which the proposed program will improve the long term physical or economic condition of the program area and its residents.

Subp. 3. **Program cost effectiveness.** Up to 30 of the points available in the comprehensive program category competition shall be based on evaluation of the extent to which the proposed comprehensive program will make cost effective use of grant funds, including consideration of coordination with, and use of, funds from other public and private sources.

Statutory Authority: *MS s 116J.401; 116J.403; 116J.873*

History: *L 1987 c 312 art 1; 14 SR 1384*

4300.1901 EVALUATION OF ECONOMIC DEVELOPMENT PROJECTS.

Subpart 1. **In general.** Evaluation of economic development applications consists of eligibility threshold screening and project review. Applications must meet the eligibility thresholds in order to be referred for project review. Applications that fail to meet eligibility thresholds may be revised and resubmitted.

Subp. 2. **Federal and state eligibility thresholds.** Applicants for federal funds shall provide a description of the ways that activities address one of the federal objectives described in part 4300.0300 and the state economic development objectives in items A to D. Each activity proposed for funding must be eligible under current federal regulations.

Applicants for state funds shall describe how they will meet the following state economic development objectives:

- A. creation or retention of permanent private sector jobs;
- B. stimulation or leverage of private investment;
- C. increase in local tax base; or
- D. improved employment and economic opportunity for Minnesota citizens to create a reasonable standard of living.

Subp. 3. **Project review.** Applications that meet eligibility thresholds will be awarded points by the division based on evaluation of the two rating categories: project design and financial feasibility. Applications must attain at least 400 of the 600 available points for economic development to be recommended for funding. Applications must score at least half of the points available in each of the two rating categories.

Four hundred points will be awarded based on an evaluation of project design including an assessment of need, impact, and the capacity of the applicant to complete the project in a timely manner. Need for an economic development project must be based on the value and benefit of the project as it relates to securing and improving economic stability while giving consideration to deficiencies in employment opportunities and circumstances contributing to economic vulnerability and distress. Consideration of impact must be based on the extent to which the project positively affects or addresses the creation or retention of permanent private sector jobs, the wage level of those jobs, and the increase in tax base. Consideration of capacity must be based on demonstration of administrative capability, realistic implementation schedules, and the ability to conform to state and federal requirements.

Two hundred points will be awarded based on an evaluation of the effective use of program funds to induce economic development. Consideration of financial feasibility must include investment analysis, commitment of other funds, and other factors relating to the type of program assistance requested.

Subp. 4. **Funding recommendations.** Applications that attain at least 400 points will be recommended to the commissioner for funding. Applications not recommended for funding may be revised and resubmitted.

Statutory Authority: *MS s 116J.035; 116J.401; 116J.403; 116J.873*

History: *8 SR 1263; L 1987 c 312 art 1; 14 SR 1384; 20 SR 2254(NO. 42)*

4300.2000 DETERMINATION OF GRANT AWARDS.

Subpart 1. **Funds available for grants.** The amount of funds available for grants shall be equal to the total allocation of federal funds made available to the state under United States Code, title 42, section 5306, after subtracting an amount for costs available to the division for administration of the program, as allowed by that law, plus any money made available by the state legislature. The department is not liable for any grants under this chapter until funds are received from the United States Department of Housing and Urban Development.

Subp. 2. **Division of funds.** Of the federal funds available in each grant year, 30 percent shall be reserved to fund single purpose grants, 15 percent shall be reserved for economic development grants, and 55 percent shall be reserved by the commissioner to fund comprehensive grants. However, the commissioner may modify the proportions of funds available if the commissioner determines that there is a shortage of fundable applications in any category.

Subp. 3. **Funding list.** Within each grant category, a list of applications shall be prepared in rank order of the scores received after evaluation pursuant to parts 4300.1300 to 4300.1900. Based on these lists, and subject to the availability of funds within each category, applications with the highest rank shall be recommended to the commissioner for funding. In the case of a tie between any two applications within any category, the application with the higher demographic points shall receive the higher ranking on the list.

4300.2000 COMMUNITY BLOCK GRANTS

844

Subp. 4. **Approval by commissioner.** The list of applications recommended for funding, including recommended grant awards, shall be submitted by the division to the commissioner for approval. A decision by the commissioner not to approve any application recommended for funding must be made in writing to the applicant, giving reasons for disapproval.

Subp. 5. **Reduction in amount requested.** The division may recommend an application for funding in an amount less than requested if, in the opinion of the division, the amount requested is more than is necessary to meet the applicant's need. If the amount of the grant is reduced, the reasons for the reduction shall be given to the applicant.

Subp. 6. **Grant ceilings.** No competitive single purpose grant may be approved for an amount over \$600,000. No comprehensive grant may be approved for an amount over \$1,400,000. No economic development grant may be approved for an amount over \$500,000.

Statutory Authority: *MS s 116J.035; 116J.401; 116J.403; 116J.873*

History: *8 SR 1263; 11 SR 2416; L 1987 c 312 art 1; 14 SR 1384; 20 SR 2254(NO. 42)*

CONTRACTS AND RECORDS

4300.3100 GRANT AGREEMENTS.

Subpart 1. **Grant contract required.** A grant contract shall be offered to each applicant whose application is approved for funding. The contract must be signed by a person authorized to commit the applicant to legally binding agreements and to execute the contract.

Subp. 2. **Contents of grant contract.** The grant contract must include:

A. a work program that indicates completion dates for major parts of the project and a projected budget supporting the work program;

B. a description of the manner in which payments will be made to grant recipients; and

C. assurances that the grant recipient will comply with all applicable state and federal laws, including the federal laws or regulations for which the state is made responsible for enforcement in Code of Federal Regulations, title 24, sections 570.495 and 570.496.

Subp. 3. **Use of program income.** Program income from sources such as reimbursements to and interest from a grant recipient's loan program, proceeds from disposition of real property, and proceeds from special assessments must be used for eligible activities. The division shall reduce future grant payments by the amount of any unobligated program income that an applicant has and shall take whatever additional action is necessary to recover any remaining amounts owed. In accordance with Code of Federal Regulations, title 24, section 570.494(b)(4), interest earned by grant recipients on grant funds before disbursement is not program income, and it must be returned to the United States treasury.

Subp. 4. **Grant account required.** Grant recipients must establish and maintain separate accounts for grant funds.

Subp. 5. **Restrictions on use of funds.** No grant funds shall be used to finance activities not included in the grant agreement. If it is determined that an improper use of funds has occurred, the division will take whatever action is necessary to recover improperly spent funds.

Subp. 6. **Suspension of payments.** The division shall suspend payments of funds to grant recipients that are not in compliance with applicable state and federal laws, rules, and regulations. Grant recipients must return funds that are improperly expended.

Subp. 7. **Amendments to the agreement.** Amendments to the grant agreement must be in writing.

Subp. 8. **Grant termination.** If the department finds that there has been a failure to comply with the provisions of the grant agreement, that reasonable progress has not been made, or that the purposes for which the funds were granted have not been made, the department may take action to terminate the grant and/or protect the interests of the state, including requiring the return of all or part of the funds already disbursed.

Statutory Authority: *MS s 116J.035; 116J.401; 116J.403; 116J.873*

History: *11 SR 1042; 11 SR 2416; L 1987 c 312 art 1; 14 SR 1384; 20 SR 2254(NO. 42)*

4300.3200 RECORD KEEPING AND MONITORING.

Subpart 1. **Financial records.** Grant recipients shall maintain financial records that identify the source and application of funds for grant supported activities. These records must contain information about grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays, income, and other information required by the division under the responsibilities it assumes under Code of Federal Regulations, title 24, section 570.497(b). Financial records, supporting documents, statistical records, and all other records pertinent to a grant must be retained by the grant recipient for three years from the date of submitting the final financial report. No such records or documents may be disposed of while audits, claims, or litigations involving the records are in progress.

Subp. 2. **Audits.** Grant recipients must arrange for and pay for an acceptable independent audit prepared in compliance with OMB Circular A-128, which was published in the Federal Register, volume 50, number 188, page 39083, on September 27, 1985, and the Single Audit Act of 1984, Public Law 98-502, codified as United States Code, title 31, sections 7501 to 7507. Costs incurred pursuant to this requirement are eligible under this program.

Subp. 3. **Financial status report.** Grant recipients shall file financial status reports at the close of each reporting period as designated by the division and shall file a final financial report before grant close out. Financial status reports must be on forms prescribed by the division. The division may not require these reports more often than quarterly.

Subp. 4. **Performance report.** Grant recipients shall also file performance reports at the close of each reporting period as designated by the division and shall file a final performance report before grant close out. Performance reports shall be on forms prescribed by the division. The division may not require these reports more often than quarterly.

Subp. 5. **Access to records.** Representatives of the department, either the state auditor or legislative auditor as is appropriate, and federal auditors shall have access to all books, records, accounts, reports, files, and other papers, things, or property belonging to grant recipients which are related to the administration of grants and necessary for audits and monitoring compliance with parts 4300.0100 to 4300.3200.

Statutory Authority: *MS s 116J.401; 116J.403; 116J.873*

History: *11 SR 2416; L 1987 c 312 art 1; 14 SR 1384*