

Understanding Types of Grants and Associated Funding

The State Assistive Technology programs are formula-funded mandatory grants authorized by the Assistive Technology Act. It is important that a Program Director understands the differences between mandatory and discretionary grants and the associated funding. You may have to explain these differences to your advisory council members, people with fiscal responsibility related to your award, and/or other entities as you seek collaborations and advocate on behalf of your state program. Familiarity with the following terms and definitions should assist you with this responsibility.

- **Mandatory Grant** – A grant awarded under a program where the authorizing statute requires the head of the agency or designee to make an award to each eligible entity under the conditions and in the amount (or based on the formula) specified in the statute.
- **Discretionary Grants** – A grant for which the federal awarding agency generally may select the recipient from among all eligible recipients, may decide to make or not make an award based on the programmatic, technical, or scientific content of an application, and can decide the amount of funding to be awarded. These grants are typically used to fund “projects” (vs. “programs”).
- **Formula Funding** – A grant for which the legislation creating the program specifies a precise formula and the recipients are pre-selected. Formula grants include quantifiable elements such as population, amount of tax effort, proportion of population unemployed or below poverty level, density of housing, or other demographic data. The specified formula is a rule that tells potential recipients precisely how they can calculate the quantity of aid to which they are entitled under the provisions of grant, as long as the recipient qualifies for such assistance under the stipulation of the program. Usually, the elements in the formula are chosen to reflect characteristics related to the purpose of the aid.
- **Competitive Funding** – Unlike a formula grant, a competitive or discretionary grant awards funds on the basis of a competitive process. The funder assesses applications through a formal review process based on the legislative and regulatory requirements and published selection criteria established for the program. The review process gives the funder discretion to determine which



applications best address the program requirements and are most worthy of funding.

- Authorizing legislation – Authorizing legislation establishes a federal agency or program and the terms and conditions under which it operates, and enables the enactment of appropriations for that agency or program. An authorization for a discretionary spending program is only a “license” to enact an appropriation—not an actual appropriation.
- Appropriation legislation – Appropriation legislation gives federal agencies the legal authority to incur obligations and the Treasury Department authority to make payments. An agency may spend no more than the amount appropriated to it, and the standard appropriation is for a single federal fiscal year, although Congress sometimes makes multiyear appropriations.

In a mandatory federal grant program, Congress directs awards in specific amounts to recipients that meet specific criteria for eligibility. The AT Act has two mandatory federal grant programs: Section 4 has 56 eligible grantees, 50 states, plus Puerto Rico, DC and 4 territories and Section 5 has 57 eligible grantees (same as Section 4 plus the Bureau of Indian Affairs.) The AT Act (authorizing legislation) prescribes formulas for both Section 4 and Section 5 grantees. Each year through appropriations, Congress allocates funding for these formulas in the AT Act.

A discretionary grant is awarded on the basis of a competitive process and the federal government typically uses discretionary grants to fund projects focused on specific topics/issues with particular objectives. Competitive discretionary grants are used to support model demonstration projects, research, training, and service type projects and are time-limited (can be one-year or multi-year, frequently 3-5 year, awards). A discretionary award amount is most often determined through a negotiation agreement between the recipient and the grants office/program office. Many federal agencies have general authorizations for discretionary grants and Congress appropriates funding for discretionary grant projects, sometimes with a specific purpose identified and sometimes without such direction. In the AT Act, Section 6 has competitive grants that are available for general technical assistance (ATAP is the current grantee and operates the AT3 Center) and data technical assistance (ICI is the current grantee and operates CATADA).



Grant Type Comparison

Feature	Mandatory	Discretionary
Award Process	Non-competitive	Competitive
Award Amount	Tightly prescribed by authorizing law usually a formula with population, poverty or similar variables in formula	Typically, a general authorized amount with the administrative agency determining specific award amounts
Eligible Recipients	Tightly prescribed by authorizing law usually states/territories.	Typically, a general description of eligible applicants by type, public, private, non-profit, etc. in authorizing legislation
Length of Award	Usually reoccurring annually with prescribed carryover and close-out period.	Time limited, usually one-year or 3-5 multi-year. May have no cost extension option.

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