



Management Directive

Commonwealth of Pennsylvania

Governor's Office

Management Directive 305.20 Amended– Grant Administration

Date: June 10, 2025

By Direction of: 
Uri Z. Monson, Secretary of the Budget

Contact Agency: Office of the Budget
Office of Comptroller and Operations
Bureau of Payable Services
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1. PURPOSE.

To establish policy, responsibilities, and procedures for awarding and administering Grants.

2. SCOPE.

- a. This directive applies to all departments, offices, boards, commissions, and councils under the Governor's jurisdiction (hereinafter referred to as "agencies"). Entities not under the Governor's jurisdiction should adopt similar policy and procedures.
- b. Grants are not subject to the *Commonwealth Procurement Code, 62 Pa.C.S. §§ 101-2311*, or the policies, procedures, and guidelines of the *Pennsylvania Procurement Handbook*.

3. OBJECTIVE.

To ensure appropriate management controls, accountability, and uniformity for Grants.

4. DEFINITIONS.

- a. **Allocation Formula Process.** A method of awarding Grants whereby the agency advertises the availability of Grant funding, solicits applications and uses a predetermined formula to distribute a lump sum of appropriated funds to a group of qualified Grantees for a specific purpose.

- b. Alternate Payment Method.** An approved payment method other than the Reimbursement Basis Method.
- c. Assistance Listing Number (ALN).** The unique five-digit number assigned to financial and non-financial programs administered by agencies and establishments of the federal government. The first two digits represent the federal agency that funds the program, and the remaining three digits represent the program number.
- d. Budget.** A spending plan that defines, by high level categories, all permissible categories of expenditure with the respective dollar amounts for each category, including the Grantee match if required.
- e. Close-Out Process.** The processes or activities associated with finalizing the Grant program's project or services and completing the administrative aspects of closing the Grant program's project. Close-Out Process documents may include, but are not limited to, evidence that the approved Scope of Work was fully implemented, all funds were expended in a manner consistent with the Scope of Work, and adherence to Grant Program Guidelines.
- f. Competitive Application Process.** A method of awarding Grants whereby the agency advertises the availability of Grant funding and solicits applications from potential Grantees.
- g. Electronic.** As defined in the *Electronic Transactions Act, 73 P.S. §§ 2260.101-2260.5101*.
- h. Enabling Legislation.** Any law that permits an agency to award Grants, administer a Grant program, or both.
- i. Grant.** A commitment of funds and programmatic authority by a state agency serving as the Grantor to an entity (e.g., local government, school district, individual, nonprofit organization, or service provider) for the purpose of carrying out public policy and/or implementing program service delivery. A Grant differs most importantly from agency procurements in that the Grantor does not receive specific goods or services for its direct benefit or use.
- j. Grant Agreement.** A legally binding agreement between Grantor and Grantee or Subgrantee that defines the terms and conditions of a Grant.
- k. Grantee.** The individual or entity that contracts with an agency to receive Grant funding.
- l. Grantor.** An agency administering state or federal Grant funding.
- m. No-Cost Grant Agreement.** A legally binding agreement between a Grantor and a Grantee or Subgrantee that replaces an expired Grant Agreement and allows the Grantee to continue to expend funds already advanced under the same terms and conditions as the expired Grant Agreement.

- n. Non-Solicitation Award Process.** A method of awarding Grants based on predetermined criteria, without the Solicitation of applications.
- o. Open Application Process.** A method of awarding Grants whereby the agency advertises the availability of Grant funding, solicits applications from potential Grantees, evaluates applications on an ongoing basis and awards funding as long as funds are available. May include rolling applications as alternative terminology.
- p. Period of Performance.** The timeframe during which a Grantee may incur new obligations to carry out the work authorized in accordance with the Grant.
- q. Program Guidelines.** Agency developed documentation governing the Solicitation, review, and award process for a particular Grant program. Documentation may include, but is not limited to, the Grant Agreement, payment terms (eligible expenditures), reporting requirements, audit compliance requirements, and changes/amendments to project scope. May include program policies and statements of policy as alternate terminology.
- r. Reimbursement Basis Method.** The payment method whereby a Grantee submits an invoice and, upon approval of the invoice, is reimbursed for expenditures incurred in accordance with terms and conditions of the Grant Agreement and Scope of Work.
- s. Scope of Work.** The portion of a Grant Agreement that contains a detailed description of the Grantee's or Subgrantee's obligations under the Grant Agreement. May include the statement of purpose as alternate terminology.
- t. Solicitation.** A public posting announcing the availability of Grant funding.
- u. Subgrantee.** The entity or individual that contracts with the Grantee to receive Grant funding.

5. POLICY.

- a.** Agency Grant procedures must address all aspects of the Grant program including, but not limited to, the Solicitation, review, and award process; application procedures; methods of payment; eligible expenditures; reporting and auditing requirements; Close-Out Process; and changes and amendments. Except when otherwise provided by law, Grants must be awarded using a Competitive Application Process, an application process with an Allocation Formula, a Non-Solicitation Award Process, or an Open Application Process. A Solicitation must include an explanation of the Grantee eligibility requirements, the type of programs and projects eligible for Grant funding, the agency's expectations and requirements, the required method of submission of applications, and the application review criteria.

- b.** An approved [Request for Approval to Use the Non-Solicitation Award Process for Grant Funds](#) form is required before awarding a Grant using the Non-Solicitation Award Process. The approved form must accompany the Grant Agreement throughout the approval (signature) process.
- c.** To ensure transparency, equal opportunity, and competition, Grants must be publicly solicited, even in situations where it may appear that there is only one qualified Grantee available, unless a waiver request is approved by the Secretary of the Budget or designee.
- d.** Grant applicants must be accorded fair and equal opportunity with respect to evaluation of Grant applications and discussion and revision of Grant applications. Grant applications must be evaluated by a committee using predetermined criteria established at the time the public Solicitation is issued. Grants must be awarded based on the score assigned by the scoring committee to the Grantee's application if the Grant was awarded using a competitive application process.
- e.** Except when otherwise provided by federal or state law, the maximum allowable term of a Grant Agreement is five years, including all extensions and renewals. A waiver from the Secretary of the Budget or designee is required to extend the term of a Grant Agreement beyond the five-year maximum to provide additional funds to the Grantee and/or to change the Scope of Work of the Grant Agreement. A waiver is not required to extend the term of a Grant Agreement beyond the five-year maximum to allow the Grantee to use the funds awarded for the original Scope of Work.
- f.** All Grant Agreements must be encumbered.
- g.** Budgets in Grant Agreements must include high level categories of spend. Examples include, but are not limited to, Personnel (including salaries and travel); Contracted Services; Materials/Supplies; Equipment; and Miscellaneous Expenses. Invoices submitted by the Grantee must align with the high-level categories approved in the Grant Agreement and sufficient funds in each category must be available for invoice approval.
- h.** Payments for Grant Agreements must be made using the Reimbursement Basis Method, except when the director of the Bureau of Payable Services (BPS) or designee has approved an Alternate Payment Method. An approved [Request for Approval to Use an Alternate Payment Method for Grant Funds](#) form is required before awarding a Grant using a payment method other than the Reimbursement Basis Method. The approved form must accompany the Grant Agreement throughout the approval (signature) process. Typically, advance payment requests for working capital, or for any other reason, should be limited to 25% of the first year Grant amount. No payment may be made to a Grantee until the respective Grant Agreement is fully executed and all payments must be made in accordance with *Management Directive 310.40, Automated Clearing House (ACH) Payments*.

- i. Grantees and Subgrantees are subject to the requirements and provisions of the Commonwealth Contractor Responsibility Program, in accordance with *Management Directive 215.09 Amended, Contractor Responsibility Program*. Agencies must assess the Grantee's and Subgrantee's obligations, suspensions, debarments, and past performance to determine if a Grant can be awarded.

- j. **Changes to Grant Agreements.**

- (1) **Amendments.** Except as otherwise noted, a formal written amendment must be executed to make any change to the terms, conditions, requirements, Scope of Work, or costs (increases and decreases) of a Grant Agreement. Amendments require the signatures of the Grantee/Subgrantee and all parties that approved the original Grant Agreement on behalf of the Commonwealth. Grant Agreements that have expired may not be amended.
- (2) **Unilateral Term Extensions.** If the Grant Agreement contains a provision that allows the agency to unilaterally extend the term of the Grant Agreement by providing notice to the Grantee, the agency may extend the term of the Grant Agreement one time for up to 90 days.
- (3) **Funding Adjustments.** Funding adjustments within the existing Budget and Scope of Work of the Grant Agreement are permitted only if the Grant Agreement contains a provision that expressly permits the agency to adjust funding without the need to execute a formal written amendment. All funding adjustments (increases and decreases) require the approval of the agency head or designee and BPS.
- (4) **Budgetary Adjustments.** Budgetary adjustments to the amounts of specific categories contained in an existing Budget that do not increase the monetary value of the Grant Agreement may be accomplished by mutual consent of the Grantor and Grantee/Subgrantee, if the Grant Agreement contains a provision that expressly permits the agency to make such a budgetary adjustment without the need to execute a formal written amendment. Details regarding budgetary adjustments shall be provided to BPS.
- (5) **Changes to Accounting Codes or Funding Sources.** Changes to accounting codes or funding sources require written documentation from the respective agency to BPS as appropriate.
- (6) **Modification by Written Notice.** If the applicable Grant Agreement contains language that expressly permits the agency to modify a designated provision of the Grant Agreement by providing written notice to the Grantee or Subgrantee, the agency may modify the Grant Agreement accordingly. The following are the agreement provisions that may contain such express permission to the agency: i) the Scope of Work; ii) the Period of Performance; iii) assignment; and iv) for a multi-year Grant Agreement, the Grant award amount or when the amount of funding after the first year is not determined, or is determined by fiscal year.

k. Changes in Grant Agreement Party.

- (1) Limited Assignment - Assignment of Payments.** If the Grantee requests the assignment of payments to a third-party or Subgrantee, the Grantee must submit a [Notice And Acknowledgement of Assignment of Payments](#) form to the agency for approval. The agency must approve or disapprove the assignment request. Upon approval, the agency must send a copy of the approved documentation to BPS and send written approval of the assignment to the Grantee, with a copy to the third-party or Subgrantee. Upon disapproval, the agency must notify the Grantee in writing.
- (2) Full Assignment or Novation – Assignments of all Grantee Rights and Duties.** If a Grantee requests the assignment of all of its contractual rights and duties to a third-party or Subgrantee, the Grantee must submit a [Grant Agreement Assignment](#) form to the agency for approval. The agency must approve or disapprove the assignment or novation request. The agency may not approve the proposed assignment unless the agency is satisfied that:

 - (a)** The third-party or Subgrantee is responsible, as determined in accordance with *Management Directive 215.09 Amended, Contractor Responsibility Program*.
 - (b)** The third-party or Subgrantee can perform all of the Grantee's obligations as well as or better than the Grantee.
 - (c)** The assignment document requires the third-party or Subgrantee to perform all of the Grantee's obligations in accordance with the original Grant Agreement terms and conditions.
 - (d)** Upon approval, the agency must send a copy of the approved documentation to BPS and send written approval of the assignment to the Grantee with a copy to the third-party or Subgrantee. Upon disapproval, the agency must notify the Grantee.
- (3) Changes in Organization Ownership.**

 - (a) Merger.** Mergers do not require a Grant amendment, and the agency has no power to disapprove the transfer of the Grantee's rights and responsibilities. After a merger affecting a Grantee, the Grantee may change the name and address to which Grant payments are made. The Grantee must notify the agency, in writing, that a merger has occurred. Where applicable, the notice should include the merger document that the surviving organization is required to file with the Pennsylvania Department of State. The agency must send a written acknowledgement of receipt of the notice to the surviving organization with a copy sent to BPS. The agency shall submit information regarding the merger and the documentation to the Vendor Data Management Unit's resource account ra-PSC_supplier_requests@pa.gov.

- (b) Consolidation.** Consolidations do not require a Grant amendment, and the agency has no power to disapprove the transfer of the Grantee's rights and responsibilities. After a consolidation affecting a Grantee, the Grantee may change the name and address to which Grant payments are made. The Grantee must notify the agency, in writing, that a consolidation has occurred. Where applicable, the notice should include the consolidation document that the successor organization is required to file with the Pennsylvania Department of State. The agency shall send a written acknowledgement of receipt of the notice to the successor organization with a copy sent to BPS. The Grantee must also follow the instructions in Section 4(c) of this directive. The agency shall submit information regarding the merger and the documentation to the Vendor Data Management Unit's resource account ra-PSC_supplier_requests@pa.gov.
- (c) Name Changes.** If the named Grantee changes its name, it must notify the agency, in writing, that a name change has occurred and provide its new name. Upon verification of the Grantee name change, including Internal Revenue Service validation, the agency must pay the Grantee using its new name. The agency shall send a written acknowledgement of receipt of the notice to the Grantee with a copy to BPS. As appropriate, the agency shall inform the Grantee of additional steps it needs to perform:
- 1** If a change is required to a company's Legal Name or Employer Identification Number (EIN), the Grantee must contact the Payable Services Center at 717-346-2676 (or toll-free at 1-877-435-7363) for instructions on the appropriate form to submit and/or actions for registering a new EIN.
 - 2** If a Grantee changes its name and the EIN remains the same, the Grantee should contact the Payable Services Center at 717-346-2676 (or toll-free at 1-877-435-7363) for instructions on the appropriate form to submit and/or actions for changing the Grantee's legal name. Payable Services shall update the name in the SAP enterprise resource planning system (hereinafter referred to as "SAP") after validations are completed.
 - 3** If a Grantee changes its name (or the name is the same) and the EIN changed, the Grantee must register for a new vendor number at <https://www.pa.gov/agencies/budget/programs-and-services/for-people-doing-business-with-the-commonwealth/for-vendors/vendor-registration.html>. After receiving the new vendor number, the Grantee shall provide its new number to the agency.

- l.** Agencies may permit a Grantee/Subgrantee to continue to expend funds granted under an expired Grant Agreement by executing a No-Cost Grant Agreement, provided all Grant funds have been distributed to the Grantee prior to the expiration of the Grant Agreement and the Grant Agreement expired 90 days or less before the No-Cost Grant Agreement is fully executed. Changes to the Scope of Work for items eligible under the Grant Program Guidelines and movement of funds between Budget line items may also be addressed in the No-Cost Grant Agreement; however, the Grant amount may not be increased. All Grant funds must have been distributed to the Grantee prior to the expiration of the original Grant Agreement. No-Cost Grant Agreements must be reviewed and executed by the Grantee, Agency Head, Agency Legal, Office of General Counsel, Office of Attorney General, and BPS.
- m.** Upon written request from an agency, the Secretary of the Budget, or designee, may grant a waiver from any requirement in this directive.

6. RESPONSIBILITIES.

- a. BPS shall:**
 - (1)** Establish general Grant management policies and procedures.
 - (2)** Evaluate and approve all new or changed Grant management procedures, policies, Program Guidelines, and related items, developed by the agencies.
 - (3)** Participate, at its discretion, on proposal evaluation committees as a nonvoting member when the agency awards Grants on a Competitive Application Process basis.
 - (4)** Review Grant Agreements for fiscal responsibility; budgetary appropriateness (must support the Scope of Work); availability of funds; adherence to applicable policy; and compliance with fiscal and Program Guidelines.
 - (5)** Review and approve funds commitments and encumbrances for Grant Agreements.
 - (6)** Approve requests to extend a Grant Agreement beyond the five-year maximum, if supported by an approved Five-Year Waiver Request Form for Grant Agreements.
 - (7)** Approve the use of the Non-Solicitation Award Process, if supported by a [Request for Approval to Use the Non-Solicitation Award Process for Grant Funds](#) form, which is approved by the agency head or designee.
 - (8)** Approve Alternate Payment Methods for Grant Agreements, if supported by a [Request for Approval to Use an Alternate Payment Method for Grant Funds](#) form, which is approved by the agency head or designee.
 - (9)** Process invoices for Grant payments, in accordance with applicable invoice processing procedures.

b. Agencies shall:

- (1)** Establish specific Grant management procedures in accordance with applicable federal and state law for Grant Solicitation, review, and award; method of payment; reporting; auditing; Grant Agreement changes and amendments. Request a detailed breakdown of spending categories and rates from Grantees, if required, as part of the application process. Utilize the detailed breakdown when approving Grantee spending and invoices.
- (2)** Submit all new or changed Grant management procedures, policies, Program Guidelines, etc. to BPS for approval to RA-PSDrafts@pa.gov.
- (3)** Publicly solicit Grants, unless the use of a Non-Solicitation Award Process is approved by BPS.
- (4)** Ensure Grantees and Subgrantees meet all requirements for eligibility before awarding a Grant.
- (5)** Create encumbrance documents.
- (6)** Circulate Grant Agreements for approval (signatures); ensure the proper Grantee/Subgrantee signatures are affixed to the agency copy of the Grant Agreement.
- (7)** Provide to BPS copies of approved agency documentation regarding amendments, funding adjustments, budgetary changes, accounting code or funding source changes, modifications by letter, name changes, and assignments of payments of Grant Agreements.
- (8)** Provide written notification to a Grantee for any Grant cost reduction.
- (9)** Approve invoices for Grant payments, unless otherwise stated in the Grant Agreement.
- (10)** File a copy of the Grant Agreement and any amendments with the Treasury Department, within 10 days after the Grant Agreement or amendment is fully executed per the Commonwealth Right to Know Law Provisions.
- (11)** File notices of name changes and assignments with the Treasury Department within 10 days of the agency's receipt of notification or, if agency approval is required, within 10 days after approval is granted.
- (12)** Monitor the Grantee's compliance with the terms and conditions of the Grant Agreement.

c. Agency Head or Designee shall:

- (1)** Ensure that Grants comply with Enabling Legislation and applicable policy and procedures.

- (2) Ensure that the agency develops and establishes specific Grant management procedures and that the procedures are evaluated in consultation with and approved by BPS.
- (3) Ensure BPS is provided with the opportunity to participate on proposal evaluation committees as a nonvoting member (at the discretion of BPS) when the agency awards Grants on a Competitive Application Process basis.
- (4) Establish the formula for awarding Grants under the Allocation Formula Process method when the Enabling Legislation does not prescribe such formula.
- (5) Approve requests to use the Non-Solicitation Award Process, requests to use Alternate Payment Methods, and requests to extend a Grant Agreement beyond the five-year maximum term if supported by written justification on the [Request for Approval to Use the Non-Solicitation Award Process for Grant Funds](#) form and/or the [Request for Approval to Use an Alternate Payment Method for Grant Funds](#) form.
- (6) Review and approve amendments, funding adjustments, modifications by letter, assignments of payments, and assignments of Grant Agreements.
- (7) Ensure that the Competitive Application Process used by the agency treats all applicants fairly and equally.

d. Agency Counsel shall:

- (1) Ensure that Grant awards are based on the score assigned by the scoring committee to the Grantee if the Grant was awarded using a Competitive Application Process.
- (2) Review and approve for form and legality all Grant Agreements and amendments into which the agency enters.
- (3) Identify Grant Agreements requiring review for form and legality by the Office of General Counsel and the Office of Attorney General and provide such agreements to the respective office.
- (4) Assist the agency in legal matters involving Grantee or Subgrantee performance.

e. Office of General Counsel shall review and approve Grant Agreements, referred by agency counsel, for form and legality in accordance with the *Commonwealth Attorneys Act, Act of October 15, 1980, P.L. 950, as amended, 71 P.S. §§ 732-101-732-506.*

f. Office of Attorney General shall review and approve Grant Agreements, referred by agency counsel, for form and legality in accordance with the *Commonwealth Attorneys Act, Act of October 15, 1980, P.L. 950, as amended, 71 P.S. §§ 732-101-732-506.*

7. PROCEDURES.

a. Agency.

(1) Determine the appropriate method of awarding a Grant.

(a) Competitive Application Process.

- 1** Advertise the availability of Grant funding and solicit applications.
- 2** Evaluate applications in accordance with the predetermined criteria outlined in the Grant Program Guidelines.

(b) Allocation Formula Process.

- 1** Advertise the availability of the Grant funding and solicit applications.
- 2** Determine the formula that will be used to distribute Grant funding to a group of Grantees, in accordance with Enabling Legislation or as determined by the agency head or designee.

(c) Non-Solicitation Award Process.

- 1** Prepare a [Request for Approval to Use the Non-Solicitation Award Process for Grant Funds](#) form.
- 2** Obtain the approval of the agency head or designee and BPS.

(d) Open Application Process.

- 1** Advertise the availability of Grant funding and solicit applications.
- 2** Evaluate applications based on predetermined criteria outlined in the Grant Program Guidelines and award funding to applications that meet the criteria until all available funding has been awarded.

(2) Select the Grantee(s) based on the score assigned by the scoring committee to the Grantee if the Grant was awarded using a Competitive Application Process or if using the Open Application Process.

(3) Perform a contractor responsibility check on the prospective Grantee(s), in accordance with *Management Directive 215.09 Amended, Contractor Responsibility Program*.

- (4) Develop the Grant Agreement.
- (5) **NOTE:** In some cases, agencies may develop applications that can be used as the Grant Agreement. All Grant Agreements must include the following:
 - (a) A preamble citing the Enabling Legislation or the agency's authority to award and administer funds.
 - (b) The Scope of Work.
 - (c) The term of the Grant Agreement.
 - (d) The Period of Performance.
 - (e) The terms of payment and method of payment.
 - (f) The Budget amount.
 - (g) Monitoring and reporting requirements.
 - (h) Language governing Grant Agreement changes and amendments.
 - (i) The current [Commonwealth Standard Terms and Conditions Grant Version](#).
 - (j) Audit requirements, including the Commonwealth's right to audit, inspect, and review the Grantee's/Subgrantee's records.
 - (k) ALN for federal Grants.
 - (l) Funds commitment document number.
 - (m) Grantee/Subgrantee SAP vendor number.
- (6) Create an encumbrance document.
- (7) Prepare the Grant Agreement and provide the agreement to the Grantee/Subgrantee for approval and signature.
- b. **Agency.** Ensure the Grantee Subgrantee signature has been properly affixed to the Grant Agreement.
- c. **Agency Head.** Affix an original signature to the original Grant Agreement if approved. An Electronic signature qualifies as an original signature.
- d. **Agency.** Circulate the Grant Agreement for approval to all remaining parties, including the agency counsel, Office of General Counsel (unless authority has been delegated to the agency counsel), Office of Attorney General (unless authority has been delegated to the agency counsel), and BPS.

- e. **Agency Counsel, Office of General Counsel (if applicable), and Office of Attorney General (if applicable).** Review the Grant Agreement and affix an original signature if approved. An Electronic signature qualifies as an original signature.
- f. **BPS.** Review the Grant Agreement and affix an original signature if approved, review and approve the funds commitment document and save a copy of the executed Grant Agreement using the current imaging system. An Electronic signature qualifies as an original signature.
- g. **Agency.** Retain the original fully executed Grant Agreement in accordance with the Commonwealth records retention and disposition schedule.

This amendment adds, deletes, and updates definitions, and corrects formatting throughout. The Policy section is expanded and updated to clarify language regarding Solicitation and scoring of applications; Grant Agreement term limits, extensions, renewals, and expirations; Grant Budgets; and changes to Grant Agreements and Grant Agreement parties. The Responsibilities and Procedures sections are updated to reflect applicable policy updates.

This directive replaces, in its entirety, *Management Directive 305.20 Amended*, dated March 2, 2018.