

STATE OF MINNESOTA  
DEPARTMENT OF TRADE AND ECONOMIC DEVELOPMENT

In the Matter of the Proposed  
Rules Governing the Community  
Development Block Grant  
Program, Minn. Rules Parts 4300

STATEMENT OF NEED  
AND REASONABLENESS

I. INTRODUCTION

This proposed rule amendment will modify a portion of existing rules codified in Chapter 4300 of Minnesota Rules. These rules establish standards and procedures to govern the administration of the federal Small Cities Community Development Block Grant program. These rules were initially adopted when the state assumed the responsibility for awarding and administering these grants to local units of government throughout Minnesota. Two years later, these same rules were applied to the administration of the state-funded Economic Recovery Grant program. The authorizing legislation of this program, Minn. Stat. section 116J.873 (1988), specifically stated that the rules adopted for economic development grants in the Small Cities Community Development Block Grant programs be used to govern the administration of the new state-funded Economic Recovery Grants program.

II. STATEMENT OF COMMISSIONER'S STATUTORY AUTHORITY

The department's statutory authority to adopt the rules is set forth in Minn. Stat. §116J.401(2), 116J.403, and 116J.873 which provides:

116J.401 POWERS AND DUTIES

The Commissioner of Trade and Economic Development shall:

1. receive and administer the Small Cities Development Block Grant program authorized by Congress under the Housing and Community Development Act of 1974, as amended;

#### 116J.403 RULES

No money made available to the Commissioner for the Small Cities Community Development Block Grant program shall be spent for community development and related planning programs until the Commissioner adopts rules prescribing standards and procedures to govern the expenditure. The rules must be adopted under the administrative procedure act in chapter 14 and must conform with all terms and conditions imposed on the Commissioner when the money is made available. The Commissioner may adopt emergency rules under sections 14.29 to 14.36 so that the Commissioner can carry out promptly the responsibilities for administering federally-funded community development grant programs.

History: 1984 c 558 art 4 s 6; 1984 c 640 s 32; 1986 c 444

#### 116J.873 ECONOMIC RECOVERY GRANTS

Subd. 1. Administration. Economic Recovery Grants shall be made available to local communities and recognized Indian tribal governments in accordance with the rules adopted for economic development grants in the Small Cities Community Development Block Grant programs, except that all units of general purpose local government are eligible applicants for Economic Recovery Grants. The Commissioner of Trade and Economic Development shall administer the Economic Recovery Grant program as a part of the Small Cities Development Program.

Subd. 2. Economic Recovery Grant defined. "Economic Recovery 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.

Subd. 3. Grant evaluation. The Division of Community Development in the department shall accept, review, and evaluate applications for grants to local units of government made in accordance with rules adopted for economic development grants in the Small Cities Development Program. Applications recommended for funding, including recommended grant awards, shall be submitted by the division to the Commissioner for approval.

Subd. 4. Grant limits. An Economic Recovery Grant may not be approved for an amount over \$500,000. The division may recommend less funding than requested if, in the opinion of the division, the amount requested is more than is necessary to meet the applicant's needs. If the amount of the grant is reduced, the reasons for the reduction shall be given to the applicant. The portion of an Economic Recovery Grant that exceeds \$100,000 must be repaid to the state when it is repaid to the local community or recognized Indian tribal government by the person or entity to which it was loaned by the local community or Indian tribal government. Money repaid to the state is appropriated to the Commissioner of Trade and Economic Development for the purpose of making additional Economic Recovery Grants.

History: 1984 c 654 art 2 s 107; 1987 c 312 art 1 s 26 subd 2

Under these statutes, the department has the necessary statutory authority to adopt the proposed rules.

### III. STATEMENT OF REASONABLENESS

#### A. Reasonableness of Rules as a Whole

It is reasonable to amend the rules to make technical corrections based on the current organizational structure of the Department of Trade and Economic Development (changing "office" to "division"), to provide more clarity regarding the number of points awarded in the application review process, to provide more clarity on how federal and state dollars are allocated, and to reduce redundancy in the evaluation of housing, public facilities, and comprehensive grant applications. The intent of these amendments is to make the rules more understandable to our clients, to eliminate redundant requirements, and to focus on project need, impact, and cost-effectiveness as a means of determining grant awards.

#### B. Reasonableness of Individual Rules

##### 4300.1300. Evaluation of Applications

All applications shall be evaluated by the ~~office~~ 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 ~~in accordance with the percentages and fractions indicated in~~ according to parts 4300.1400 to 4300.1900. Economic development project applications must meet threshold criteria in order to be evaluated.

It is necessary to change "office" to "division" because the Small Cities Development Program has been statutorily assigned to the Community Development Division of the Department of Trade and Economic Development. Thus the term "office" is obsolete. It is reasonable to remove obsolete material in the program rules. The change from "office" to "division" will occur in several locations in these rules for the same reason as cited above.

It is necessary to delete the references to percentages and fractions in this section of the rules because in parts 4300.1400 to 4300.1900, percentages and fractions have been replaced by fixed whole numbers. It is reasonable to change percentages and fractions to fixed whole numbers because it will provide more clarity for our applicants. Now, for instance, they will know that "program need" has a maximum value of 90 points rather than three-sevenths of the total points available. It should be noted that changing from percentages and fractions to fixed whole numbers will not result in an actual change in number of available points in the project need, impact, or cost-effectiveness categories. For example, three-sevenths of the total available points ("program need" category) has always equalled 90 points. One-seventh of the total points available ("cost-effectiveness" category) has always equalled 30 points.

4300.1400 Comparison of all Competitive Applications, General Competition Demographic Points

~~Subp. 1. Points Available. Thirty percent of the total available points shall be awarded by the office based on a general competition involving a comparison of all applications.~~

[See Repealer.]

Subp. 2.1. Evaluation of Community Need. ~~Two-thirds of the~~ Up to 30 demographic points ~~in the general competition~~ 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 applicant's per capita assessed valuation.

~~Subp. 3. Evaluation of Other Factors. One-third of the points in the general competition shall be awarded based on evaluation of:~~

- ~~A. The extent to which the proposed activities are compatible with housing and community development needs assessment; and~~
- ~~B. Adequacy of the applicant's management and financial plan.~~

Amendments to Chapter 4300.1400 subparts 1, 2, and 3 eliminate compatibility with housing and community development needs assessment and adequacy of the applicant's management and financial plan as separate ranking categories. The amendments to this section also delineate a specific number of points to be awarded by the state demographer. The amendments to these subparts are closely related and

will be discussed collectively beginning with the elimination of the housing and community development needs assessment and management/fiscal scores.

It is both necessary and reasonable to repeal subpart 3 because it will eliminate duplication and reduce the amount of paperwork necessary for submission of an application. Subpart 3 is duplicative because housing and community development needs assessment (local planning) and management/fiscal is considered in the documentation required to support "project need," "project impact," and "project cost-effectiveness" (4300.1600 through 4300.1900) arguments. For instance, in order for a public facility project to receive a high "project need" score, the applicant would have to demonstrate that a substantial "need" exists. Applicants are currently demonstrating public facility needs by submitting narrative engineering plans which identify a problem with the applicant's public facilities and recommend solutions to those problems. These engineering plans are substantially more descriptive than general community development plans and provide a significantly stronger basis for state staff to evaluate an application than general plans provide. As with public facilities, housing and comprehensive project need arguments are substantiated by specific data related to the applicant's housing stock and comprehensive target area. With this specific information included in the grant application, the addition of a general community development needs assessment adds very little to the credibility of an application. Thus "planning" is currently addressed in a more useful fashion under "project need." Requiring an applicant to submit a formal housing and community development needs assessment is unnecessarily duplicative.

In addition, applicants rely on information supplied in the Single Community Development Application and a community development survey designed and supplied by DTED staff in order to meet this housing and community development needs assessment requirement. As a result, the scope and quality of the assessments are very similar from one community to the next and provide little concrete basis for DTED staff to differentiate between the needs assessment efforts of applicants. Thus, the submission of housing and community development needs assessments have merely become an exercise for applicants to score points in a category and does not, in any material way, provide useful information on the quality of the proposed projects. It is reasonable to repeal a rule that serves no useful purpose.

An applicant's management and fiscal plan is considered under "project impact" and "project cost-effectiveness" and, as a result, it is unnecessary to provide separate scores for these categories. For housing, public facilities, and comprehensive projects, "project impact" points are awarded based on the extent to which the proposed activities will address the problems identified under "project need." In responding to this challenge, applicants have not only been explaining how the completed project would address the identified problems, but also how the project would be implemented at the local level to assure completion. In other words, how the project implementation will be managed to assure that the project goal is met. Obviously, a proposed solution to a problem has no inherent positive impact on a community. The implementation of the solution, however, does. As a result, applicants currently provide project management



information that receives points in both the "management/fiscal" and "project impact" categories. This is an unnecessary duplication in the state's scoring system. A project management plan should only be scored once and because project management will significantly affect the ultimate success or failure of a project, it should continue to be addressed in the "project impact" category.

For housing, public facility, and comprehensive projects, financial plan points have been awarded based on the extent to which applicants have investigated and secured all appropriate sources of financial assistance for the project. That is also how "project cost-effectiveness" points are assigned. The only difference is that the "project cost-effectiveness" section in the rules more clearly explains how a financial plan will be evaluated and how points will be awarded. Thus, as with the management plan, an applicant's financial plan should only be evaluated and scored once. The most appropriate and descriptive discussion of financial plan analysis is under the "project cost-effectiveness" category.

In conclusion, proper planning, management, and financing are important components of any successful housing, public facility, or comprehensive project. These components, however, should only be evaluated and scored once.

With the elimination of subpart 3. A. and B. and the elimination of percentages and fractions discussed earlier, the only remaining subpart of 4300.1400 is that which describes the award of demographic points. The demographic point section is the only non-duplicative section of

4300.1400 and, as a result, should be retained. The demographic points are assigned by the state demographer and are provided to DTED staff during the review and ranking of applications. The purpose of the demographic points is to provide the poorest communities of the state with an advantage during the ranking process. That is, the poorer the community, the higher the demographic score. In the past, demographic scores have constituted 20% of all points available. Experience has taught us that this percentage has elevated applications that achieved relatively a low project need, project impact, and project cost-effectiveness rating into the funding. An unnecessary project should not be funded merely because it is being proposed by a poor community. As a result, the 30 demographic points identified in these amendments represents 12.5% of the total points available rather than 20%. Moreover, in practice, applicants rarely score the maximum points available for project need, impact, or cost-effectiveness. The poorest applicant competing for funds will score the maximum demographic points. Thus, the effect of the demographic points is normally greater than the 12.5% figure implies. With this amendment, poorer communities will still have a decided advantage over more affluent communities, but applications from poorer communities would still need to demonstrate sound project need, impact, and cost-effectiveness to be funded. It is both necessary and reasonable to provide poor communities an advantage while simultaneously assuring that all funded projects achieve both the applicant's goals and the goals of the SCDP.

4300.1500. Comparison of Competitive Applications Within Categories

After completing the general competition described in 4300.1400, the ~~office~~ 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. ~~Seventy percent~~ 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.

The change from "office to division" was precipitated by a 1987 statutory change which assigned the SCDP to the Community Development Division of DTED. It is necessary and reasonable to update the rules to reflect the current organizational structure of the department. Moreover, the change from office to division occurs for the same reason in 4300.1600 subparts 1, 2, and 3; 4300.1700 subparts 1, 2, and 3; 4300.1900 subparts 1 and 2; 4300.2000 subparts 1, 2, 4, and 5; 4300.3100 subparts 3, 5, and 6; and finally 4300.3200 subparts 1, 3, and 4.

With the elimination of the housing and community development needs assessment and management/fiscal categories, the reduction of the demographic points and the change from percentages and fractions to fixed whole numbers there is now a maximum of 240 points available in DTED's scoring system. Of the total available points, 210 are received for project need, impact, and cost-effectiveness. It is necessary and reasonable to change the percentages and portions in 4300.1500 to be consistent with changes identified in 4300.1300.

4300.1600. Evaluation of Housing Projects

Subp. 1. Project Need. ~~Three-sevenths~~ Up to 90 points available in the housing category competition shall be awarded by the ~~office~~ 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. to C. [Unchanged].

It is necessary and reasonable to make the above-cited changes in order to be consistent with changes made and discussed in earlier sections of the rules.

Subp. 2. Project Impact. ~~Three-sevenths~~ Up to 90 of the points available in the housing category competition shall be awarded by the ~~office~~ division based on evaluation of the extent to which the proposed activities will eliminate ~~or reduce the need for improvements or additions to~~ deficiencies in the housing stock serving low- or moderate-income persons.

It is necessary and reasonable to amend the fraction and organizational title for previously cited reasons. The term "deficiencies" was substituted for "need for improvements or additions" to provide clarity in the rules. "Need for improvements or additions" are "deficiencies." This change is merely a housekeeping measure and is intended for clarification only. As long as more substantive rule changes are being made, it is necessary and reasonable to make minor housekeeping changes as well.

Subp. 3. Project Cost-effectiveness. ~~One seventh~~ Up to 30 of the points available in the housing category competition shall be awarded by the ~~office~~ division based on:

- A. evaluation of the extent to which the proposed activities will make cost-effective ~~and efficient~~ 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 benefitting household is reasonable.

It is necessary and reasonable to amend the fraction and organizational title for previously cited reasons. The phrase "and efficient" is being deleted because, in practice, effective and efficient have become the same. The deletion of "and efficient" will have no impact on application review or scoring. This change is also for clarification and is housekeeping in nature. As long as more substantive rule changes are being made, it is necessary and reasonable to make minor housekeeping changes as well.

**4300.1700. Evaluation of Public Facilities Projects**

Subp. 1. Project Need. ~~Three sevenths~~ Up to 90 of the points available in the public facilities category competition shall be awarded by the ~~office~~ 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. ~~Three-sevenths~~ Up to 90 of the points available in the public facilities category competition shall be awarded by the ~~office~~ division based on evaluation of the extent to which the proposed activities will reduce or eliminate the need identified under subp. 1, and, in the case of activities designed to improve the provision of public services to low- 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. ~~One-seventh~~ Up to 30 of the points available in the public facilities category competition shall be awarded by the ~~office~~ division based on evaluation of the extent to which the proposed activities will make cost-effective ~~and efficient~~ use of grant funds, including consideration of:

A. to C. [Unchanged].

It is necessary and reasonable to amend the fraction and organizational title and delete the "and efficient" for previously cited reasons.

#### 4300.1900. Evaluation of Comprehensive Program Projects

Subp. 1. Program Need. ~~Three-sevenths~~ Up to 90 of the points available in the comprehensive program category competition shall be awarded by the ~~office~~ division based on evaluation of need for the proposed comprehensive program, including consideration of:

A. to C. [Unchanged].

Subp. 2. Program Impact. ~~Three-sevenths~~ Up to 90 of the points available in the comprehensive program category competition shall be awarded by the ~~office~~ division based on evaluation of the extent to which the proposed comprehensive program will eliminate or reduce the need identified under subp. 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. ~~One-seventh~~ 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 ~~and efficient~~ use of grant funds, including consideration of coordination with, and use of, funds from other public and private sources.

It is necessary and reasonable to amend the fraction and organizational title and delete the "and efficient" for previously cited reasons.

#### 4300.1901. Evaluation of Economic Development Projects

Subpart 1. and 2. [Unchanged].

Subp. 3. Project Review. Applications that meet eligibility thresholds will be awarded points by the ~~office~~ division based on evaluation of the two rating categories: project design and financial feasibility. Applications must attain at least ~~two-thirds~~ 400 of the ~~total~~ 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.

~~Two-thirds of the available~~ Four hundred points will be awarded based on an evaluation of project quality including an assessment of need, impact, and the capacity of the applicant to complete the project in a timely manner. Consideration of need for an economic development project must be based on 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 reduces or eliminates the need. Consideration of capacity must be based on demonstration of administrative capability, realistic implementation schedules, and the ability to conform to state and federal requirements.

~~One-third of the available~~ 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 ~~two-thirds of the available~~ 400 points will be recommended to the commissioner for funding. Applications not recommended for funding may be revised and resubmitted.

It is necessary and reasonable to amend the fractions and organizational title for previously cited reasons.

#### **4300.2000. Determination of Grant Awards**

Subp. 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 ~~(1981)~~, after subtracting an amount for costs available to the ~~office~~ division for administration of the program, as allowed by that law, plus any money made available by the state legislature. The ~~office~~ division is not liable for any grants under this chapter until funds are received from the United States Department of Housing and Urban Development.

It is necessary and reasonable to amend the organizational title for previously cited reasons.

It is necessary and reasonable to cite United States Code, title 42, section 5306 without a reference to a specific year because any future changes to the USC will now automatically be incorporated in the rules without the necessity of a rule change. This is a minor housekeeping measure designed to keep the rules current.

The addition of "plus any money made available by the state legislature" is a reference to the Economic Recovery Fund (ERF) (Minn. Stat. section 116J.873 [1988]).

This statute specifically states that the rules used to govern the economic development grants in the SCDP must also be used to govern the ERF. Thus, any discussion of funds available for grants should have also referenced state funds. This is also a housekeeping amendment designed to add clarity to the rules. This addition will not alter the way funds are distributed. It is necessary and reasonable to include references that should have appeared in the rules since 1986.

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

At least 30 percent of the funds made available for single purpose grants shall be awarded for applications in each of the two categories: housing and public facilities. However, no application with a rating below the median score for its category shall be funded by the office division solely for the purpose of meeting this requirement.

If there are unawarded economic development funds available at the end of the application year, two-thirds of the remaining funds will be available for competitive single purpose projects and one-third will be available for economic development projects during the next application year.

It is necessary and reasonable to amend the organizational title for previously cited reasons.

The addition of the term "federal" is designed to clarify how the funds are actually divided. It has never been the intent of either these rules or the Minnesota legislature to divide the Economic Recovery Fund

according to the provisions of subpart 2, above. In practice, the division has never divided the ERF in the manner previously described by subpart 2. As a result, this amendment provides a clarification which more accurately describes legislature intent and past practice. It is necessary and reasonable to provide clarity in program rules.

**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 ~~highest score in the general competition~~ higher demographic points shall receive the higher ranking on the list.

This amendment is the result of an amendment to 4300.1400. "General competition" has been amended to "demographic points", and it is necessary and reasonable to keep all program rules consistent. However, this rule change does not amend the previous intent of subpart 3 which is to provide an advantage in the ranking system to poorer applicants.

**Subp. 4. Approval by Commissioner.** The list of applications recommended for funding, including recommended grant awards, shall be submitted by the ~~office~~ 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 ~~office~~ division may recommend an application for funding in an amount less than requested if, in the opinion of the ~~office~~ 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. [Unchanged].

It is necessary and reasonable to amend the organizational title for previously cited reasons.

#### 4300.3100 Grant Agreements

Subp. 1. and 2. [Unchanged].

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 ~~office~~ 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. ~~In accordance with Code of~~

~~Federal Regulations, title 24, section 570.494, clause 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. 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 ~~office~~ division will take whatever action is necessary to recover improperly spent funds.

Subp. 6. Suspension of payments. The ~~office~~ 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. [Unchanged].

It is necessary and reasonable to amend the organizational title for previously cited reasons.

The reference to CFR, 24, 570.494(b)(4) relates to earned interest and its relationship to program income. Because 4300.3100, subpart 3, is specific to program income, it is necessary and reasonable to place the reference in subpart 3. This amendment has no material impact on the administration of the SCDP and is merely for clarification and housekeeping.

#### **4300.3200. Recordkeeping and Monitoring**

Subp. 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 ~~office~~ division under the responsibilities it assumes under Code of Federal Regulations, title 24, section 570.497, ~~clause~~ (b). Financial records, supporting documents, statistical records, and all other reports 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. [Unchanged].

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

It is necessary and reasonable to amend the organizational title for previously cited reasons.

**Subp. 5. Access to Records.** Representatives of the ~~office~~ 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.

This amendment provides representatives of DTED with access to grantee records. The amendment is consistent with DTED's current grant agreements and state administrative practices. The amendment would allow the fiscal services unit within the DTED to review grantee records - in the event division staff needed assistance in reviewing grantee financial management systems or audits. This amendment will not alter the current monitoring relationship between the department and its grantees. It is necessary and reasonable to make this housekeeping amendment as long as more substantive changes are being made.

**REPEALER.** Minnesota Rules, part 4300.1400, subparts 1 and 3, are repealed.

SAM II/2-CP (1-7)