

### Section 3.2.4: State Pass-Through Funding

State of Arizona agencies may offer funding opportunities to other State of Arizona agencies to assist the awarding state agency accomplish the objectives of a program, project, or part thereof. Pass-through awards, as the term implies, involve funding opportunities originating from a source other than the State of Arizona agency awarding them. Transactions between state agencies (state as grantor and state as grantee) should be managed with the lowest threshold of burden possible. Whenever possible, state grantor agencies should utilize interagency service agreements (ISAs) as the funding instrument of choice when granting or transferring funds to another state agency. Funding from a state agency awarded to another state agency is not considered pass-through funding because the money doesn't leave the state--it simply transfers from one state agency to another.

Pass-through funding sources may include federal or local governments; private foundations; or other organizations. These funding opportunities may originate from a competitive or non-competitive program, may be discretionary or formulaic, and may require match or cost sharing (cash and/or in-kind). When pursuing a pass-through funding opportunity, the grant program manager must thoroughly research the opportunity to ensure that no conflict of interest exists between his/her agency and the awarding agency and/or the funding source.

Uniform Guidance [§200.331](#) (Requirements for pass-through entities) codifies the federal regulations governing pass-through federal funds; grant program managers pursuing funding opportunities that include federal funds should be familiar with these regulatory requirements. Because the state or state agency awarding the funds may establish stricter requirements than the federal government, state agencies receiving these awards must ensure compliance with the stricter requirements.

Regardless of the funding source or type of funds offered in this manner, the State of Arizona agency receiving this pass-through funding (grantee) is responsible to the State of Arizona agency providing the funds; the grantee must establish that state funding agency as the grantor in all internal records, including eCivis.