



Guidelines on Supplanting

Montana Legal Code

MTHF was established in 2013 as a private foundation pursuant to the Montana Health Entity Conversion Statute ([Mont. Code Ann. 50-4-701 et. seq.v](#)). Section 50-4-720(1)(c), M.C.A., states that MTHF assets may not be used to supplant government funds.

Rationale

Even though foundation grants make up a small percentage of annual health spending in the U.S., they can have a significant impact on health. By supplementing the private and government funding of healthcare, health research, and public health, foundation funds provide an important opportunity to implement new and innovative solutions to today's health challenges. However, the impact of these grants would be much less if a new grant from a foundation coincided with or resulted in a loss of funding from other sources for the same program. For this reason, Montana Healthcare Foundation (MTHF) funds should not be used to supplant other funding sources. Moreover, according to Montana law, MTHF funds may not be used to supplant government funds. This brief explains MTHF's requirements to prevent the supplanting of other sources of funds.

Strategy

MTHF makes strategic investments through grants, contracts, program-related investments, policy analysis, convening, technical assistance, and other charitable activities. These investments catalyze new, community-led solutions that would have had difficulty getting started without a new source of funding. If MTHF funds were used instead to replace current government funding sources, or if the availability of MTHF funds led to decisions that reduce other sources of funding, MTHF's impact would be lessened. MTHF's funds will have the greatest benefit if they supplement, rather than supplant, programs and services already in place and those with other potential funding sources. For this reason, MTHF has implemented grantmaking practices to ensure that MTHF funds do not supplant other funding sources but are instead used to supplement or enhance present funding levels.

Examples of Supplanting

Supplanting could occur if, for example:

- A grant from MTHF were used by a government agency, university, or nonprofit organization to replace government funds that support an existing program, facility, or service to use those government funds for a different purpose.
- A grant from MTHF were used to replace government funding that has been withdrawn or terminated.
- A grant or the potential for a grant from MTHF were used by a government agency or elected officials as justification for withdrawing funding for an existing program, facility, or service.
- A government agency or elected officials used the potential for a grant from MTHF as a reason not to fund a proposed new program, facility, or service.
- A grant or the potential of a grant from MTHF led non-governmental funders to decide not to fund a new program or to de-fund a current program.

Practices to Avoid Supplanting

To prevent the supplanting of government funds in these and other instances, MTHF implements the following practices during the grant application, grantmaking, and grant management process:

Before A Grant Application Is Invited or Accepted

MTHF educates stakeholders regarding the requirement for MTHF funds to supplement, rather than supplant, other funding sources.

During The Grant Application Process

1. We require MTHF funds to support new work or expand in specific ways upon currently funded work. To receive grant funding, organizations will be asked to demonstrate that the work to be carried out is either:
 - a. A new program, facility, or service that has not been previously funded by a government agency or
 - b. An expansion of an existing program, facility, or service currently funded by a government agency but for which the proposed grant will accomplish specific health objectives that cannot be achieved with the current level of funding.

2. We require that applicants for MTHF funds provide a budget and budget narrative that includes other funding sources for related activities and detail how MTHF funds will be used to supplement any additional funding that may contribute to the proposed project.

Grant Provisions and Grant Management

MTHF grantees will sign grant agreements that provide MTHF the authority to oversee the implementation of each grant-funded activity and allow MTHF to rescind grant funds if the terms of the grant agreement are not fulfilled. Specific provisions to prevent supplanting will be included in each grant agreement, including:

Grantees must represent and warrant that:

- The activities to be carried out using MTHF funds are not mandated by law and that government-appropriated funds will not be decreased or diverted for other uses because of the availability of these funds or any payments made to a consultant by MTHF related to the grant activities.
- MTHF funds shall be used only to supplement and, to the extent practical, increase the level of funds made available from governmental sources.
- In no case will funds provided by MTHF will be used to supplant governmentally appropriated funds.

The grant agreements will also require that a grantee must return the MTHF grant funds if:

1. A grantee uses any of the funds for any purpose other than the specific work to be conducted as identified in the agreement unless such use is approved as a modification of the grant agreement and does not supplant government funds or
2. If other governmental funding sources for the proposed work become available during the grant term.