

**EXPENDITURE
CLASSIFICATION
HANDBOOK**

**OFFICE OF THE COMPTROLLER
COMMONWEALTH OF MASSACHUSETTS**

Note: Please become familiar with the [Instructions Section](#) of the Expenditure Classification Handbook “ECH” before moving on to this section.

OBJECT CLASS PP - GRANTS AND SUBSIDIES

Covered Expenditures: This object class includes grants and subsidies to both public and non-public entities, with certain specified restrictions, as outlined in [815 CMR 2.00](#) and CTR Policy [State Grants and Federal Sub Grants](#). A public entity includes, but shall not be limited to, a city, town, township, municipality, commission, district, school district, special district, local public authority, or any department or instrumentality of local public authorities, and public authorities (as defined in [M.G.L. c. 29, § 1](#)). A grant provides financial assistance under contractual terms with Grantees (Public and Non-Public entities) to achieve, through a joint venture, a specified public purpose to benefit the general public or a segment of the general public consistent with the Grantor department’s legislative mandate. A grant may not be made for a procurement or contract for the purchase of Goods or Services for a department’s own use. Grants of discretionary funds that have not been legislatively designated to either be distributed through a formula or other non-discretionary method, or to specified grantees, are awarded through an open public process. A subsidy is a legislatively mandated payment of a specific amount of funds to a specifically named entity.

Requirements: All Commonwealth departments disbursing grants must comply with [815 CMR 2.00](#) and are responsible for making contract obligations and expenditures in compliance with applicable laws and CTR Fiscal Policies. All departments that take advantage of Incidental Grants must comply with Incidental Purchase requirements identified by CTR and OSD. All grants must use the Commonwealth Terms and Conditions/Standard Contract Form. Subsidies must use the Subsidy Agreement or comparable agreement.

Expenditures Not Covered: This object class does not include purchased human service programs, and other contract types of client human and non-human services and social services, see Object Class [MM](#). For Entitlement Programs, see Object Class [RR](#).

P01 GRANTS TO PUBLIC ENTITIES: SUB-RECIPIENT – Payments of discretionary and non-discretionary (designated) financial assistance under contractual terms to achieve, through a joint venture, a specified public purpose to benefit the general public or a segment of the general public consistent with the Grantor department’s legislative mandate. Grants to public entities may be made from all sources of funds (account types: Budgetary, Capital, Trust and Federal). Federal funds are reported as sub-recipient payments. Vendor services must use other appropriate object codes. (Use required object codes for vendor services).

Legal Authority:	Appropriation Act; 815 CMR 2.00 ; Federal Single Audit Act , OMB A-133 ; the American Reinvestment and Recovery Act of 2009 (ARRA)
Oversight Department:	CTR
Sub-Recipient:	Federal funds are reported as sub-recipient payments
Agreement Type:	Commonwealth Terms and Conditions/Standard Contract Form; Copy of Legislation/Grant naming entity/Formula
Pre/Encumb/Payment Request:	RQS (optional pre-encumbrance)/CT/PRC; GAE/GAX
Incidental Purchase:	N/A
Tax Forms:	1099 (G)

PP1 GRANTS TO NON-PUBLIC ENTITIES: SUB-RECIPIENT – Payments of discretionary and non-discretionary (designated) financial assistance under contractual terms to achieve, through a joint venture, a specified public purpose to benefit the general public or a segment of the general public consistent with the grantor department’s legislative mandate. Grants to non-public entities in budgetary and capital funds must be publicly posted in accordance with the CTR Grants Policy. Federal funds are reported as sub-recipient payments. Vendor services must use other appropriate object codes. (Use required object codes for vendor services).

Legal Authority:	Authorizing Legislation; Appropriation Act; 815 CMR 2.00 ; Federal Single Audit Act , OMB A-133 ; the American Reinvestment and Recovery Act of 2009 (ARRA)
Oversight Department:	CTR
Sub-Recipient:	Federal funds are reported as sub-recipient payments
Agreement Type:	Commonwealth Terms and Conditions/Standard Contract Form
Pre/Encumb/Payment Request:	RQS (optional pre-encumbrance)/CT/PRC

EXPENDITURE CLASSIFICATION HANDBOOK
OFFICE OF THE COMPTROLLER | COMMONWEALTH OF MASSACHUSETTS

Incidental Purchase: See [815 CMR 2.00](#) and CTR Policies for guidance on Incidental Grants; same threshold as Incidental Purchases; GAE/INP use restricted to Incidental Purchases

Tax Forms: 1099 (G)

P02 SUBSIDIES – Non-discretionary funds unconditionally appropriated by the Legislature to a specific entity. In order to be considered a “subsidy”, the Appropriation Act or general or special language must designate the funds as a direct “payment” (not as “Grant” or a “Contract”) and must specify the amount of funds to be paid and the name of the entity to receive the payment(s). *Comments:* A copy of the appropriation act or general or special law language authorizing the subsidy must be submitted.

Legal Authority: Authorizing Legislation; Appropriation Act; [815 CMR 2.00](#)
Oversight Department: CTR
Agreement Type: Copy of Authorizing Act Language Authorizing Subsidy; Subsidy Agreement
Pre/Encumb/Payment Request: RQS (optional pre-encumbrance)/CT/PRC
Incidental Purchase: N/A
Tax Forms: 1099 (G)

P04 “CHERRY SHEET” DISTRIBUTIONS – Designated local aid payments based upon percentages delineated in the General Appropriations Act. *Comments:* These are usually direct transfers to a city, town or other local governmental entity.

Legal Authority: Appropriation Act; Authorizing Legislation
Oversight Department: BLC, DOE, DOR, MGC, TRE, CTR
Agreement Type: N/A
Pre/Encumb/Payment Request: GAP (optional pre-encumbrance)/GAE/GAX
Incidental Purchase: N/A
Tax Forms: None

P05 STATE-COLLECTED TAXES, FINES, FEES, ETC. DISTRIBUTED TO LOCAL GOVERNMENTS – Taxes, fines, fees, etc. imposed at the option of local governments, which are collected at the state level and redistributed to eligible units of local government, such as: hotel/motel and jet fuel taxes. *Comments:* City or town taxes collected by the state and disbursed by TRE (for example: hotel/motel tax; jet fuel tax).

Legal Authority: [M.G.L. c. 64G, § 3A](#); [M.G.L. c. 64J](#); Authorizing Legislation
Oversight Department: DOR, TRE, CTR
Agreement Type: N/A
Pre/Encumb/Payment Request: GAP (optional pre-encumbrance)/GAE/GAX/TD
Incidental Purchase: N/A
Tax Forms: None

P06 OTHER FINANCIAL ASSISTANCE TO STATE AUTHORITIES – Legislatively mandated commitments by the Commonwealth to fund an identifiable expense originally incurred by a state authority (as defined by [M.G.L. c. 29, § 1](#)). *Comments:* For example: debt service assistance and agreement by the Commonwealth to act as guarantor of authority debt.

Legal Authority: Appropriation Act; Authorizing Legislation
Oversight Department: CTR
Agreement Type: Copy of Authorizing Legislation
Pre/Encumb/Payment Request: GAP (optional pre-encumbrance)/GAE/GAX/TD
Incidental Purchase: N/A
Tax Forms: None

P07 FINANCIAL ASSISTANCE FOR WITNESS PROTECTION SERVICES – Legislatively authorized payments for Witness Protection Services approved by the Witness Protection Board as identified by and provided by District Attorneys, the Attorney General or other legislatively specified departments. (As defined by [M.G.L. c. 263A](#)).

Legal Authority: Appropriation Act; Authorizing Legislation; [M.G.L. c. 263A](#)
Oversight Department: EPS, CTR
Agreement Type: Copy of Authorizing Legislation
Pre/Encumb/Payment Request: EA/AR /GAP (optional pre-encumbrance)/GAE/GAX/IE/ITI, ITA (Use restricted to AGO, District Attorneys and EPS)

EXPENDITURE CLASSIFICATION HANDBOOK
OFFICE OF THE COMPTROLLER | COMMONWEALTH OF MASSACHUSETTS

Incidental Purchase: N/A
Tax Forms: None
P75 ADVANCES GRANTS AND SUBSIDIES – Used to encumber advances in the PP Object Class.

Legal Authority: [M.G.L.c. 29, §§ 23, 24, 25](#)
Oversight Department: TRE, HRD, CTR
Agreement Type: Relevant Supporting Documentation
Payment Request: EAV/RA/AR
Incidental Purchase: N/A
Tax Forms: None

P87 CASH WITH CAMPUS – Pursuant to Massachusetts General Law requiring Commonwealth Colleges and Universities to report the activity of campus-based funds by subsidiary to the Comptroller of the Commonwealth on the Commonwealth’s Statewide Accounting System, MMARS (Fund 0901).

Legal Authority: [M.G.L.c. 15A, § 15C](#) Authorizing Legislation
Oversight Department: CTR
Agreement Type: Relevant Supporting Detail on college and university accounting systems.
Payment/Receipt Request: TV/RT (Use restricted to colleges and universities)
Incidental Purchase: N/A
Tax Forms: Forms 1099 and 1042 – Colleges and Universities Responsible for Compliance using local Tax Identification Number

P90 OPERATING TRANSFER – Grants and Subsidies

Legal Authority: Authorizing Legislation; [815 CMR 6.00](#)
Oversight Department: CTR
Agreement Type: Copy of Authorizing Legislation, Relevant Supporting Documentation
Pre/Encumb/Payment Request: OT (Use restricted to CTR)
Incidental Purchase: N/A
Tax Forms: None