



Decision

Matter of: Legal Services Corporation—Restrictions Applicable to Grantee Expenditures

File: B-336635

Date: May 28, 2026

DIGEST

The Legal Services Corporation (LSC) receives annual appropriations to make grants to nonprofit organizations for the purpose of providing legal assistance to eligible clients. The collective bargaining process does not give agencies a mechanism to circumvent restrictions on the proper use of their appropriations. However, funds in the hands of a grantee are not subject to the same restrictions that apply to appropriated funds in the hands of an agency. Therefore, our prior decisions on a federal agency and its use of appropriations do not apply with equal force to an LSC grantee and its use of grant funds. Instead, the grant agreement and underlying statutes and regulations govern a grantee's use of funds. Since LSC has determined that the payments at issue here would be inconsistent with its grant agreement and with governing authorities and regulations, it must not pay them.

DECISION

The Legal Services Corporation (LSC) requests our decision on which legal restrictions apply to grantee expenditures.¹ Specifically, LSC asks whether our 2015 decision² on the availability of an agency's appropriation to purchase disposable cups, plates, and cutlery also applies to costs paid by a grantee.³ The expenditures

¹ Letter from President, LSC, to Comptroller General (Aug. 13, 2024) (Request Letter).

² B-327146, Aug. 6, 2015. This decision was a reconsideration of B-326021, Dec. 23, 2014.

³ Request Letter, at 1.

at issue are salary costs associated with time during which an employee of the grantee is neither working nor on leave, but is entitled to pay pursuant to a collective bargaining agreement.

In accordance with our regular practice, we contacted LSC to seek additional factual information and LSC's legal views on this matter.⁴ LSC provided a response to our inquiries.⁵

BACKGROUND

Congress established LSC to provide "financial support for legal assistance in noncriminal proceedings or matters to persons financially unable to afford legal assistance." 42 U.S.C. § 2996b(a). In carrying out this mission, LSC makes grants to nonprofit organizations for the purpose of providing legal assistance to eligible clients. 42 U.S.C. § 2996e(a)(1)(A). LSC receives annual appropriations from Congress to carry out its activities, including making grants. See, e.g., Consolidated Appropriations Act, 2024, Pub. L. No. 118-42, div. C, title IV, 138 Stat. 25, 165 (Mar. 9, 2024).

In 2023, LSC awarded a grant to Puerto Rico Legal Services (PRLS) to provide legal assistance to eligible individuals living in Puerto Rico.⁶ Under the collective bargaining agreements between PRLS and both of the unions representing its attorneys and staff, PRLS will pay each covered member their full day's pay for any day on which the member works any portion of the day.⁷ If an employee is absent for part of a workday and is not on previously-approved leave, PRLS cannot reduce the employee's leave balance by the number of hours not worked, but will still pay the employee for the full day.⁸ As a result, a PRLS employee may receive a full day's pay for a day on which the employee neither works the full day nor uses available leave, so long as the employee works for part of the day.

⁴ GAO, *GAO's Protocols for Legal Decisions and Opinions*, GAO-24-107329 (Washington, D.C.: Feb. 2024), available at <https://www.gao.gov/products/gao-24-107329>; Letter from Assistant General Counsel for Appropriations Law, GAO, to President, LSC (Oct. 1, 2024).

⁵ Letter from Deputy General Counsel and Ethics Officer, LSC, to Assistant General Counsel for Appropriations Law, GAO (Nov. 4, 2024) (Response Letter).

⁶ Request Letter, at 1.

⁷ *Id.* at 2.

⁸ *Id.*

DISCUSSION

We have previously concluded that the collective bargaining process does not give agencies a mechanism to circumvent restrictions on the proper use of their appropriations. B-327146, Aug. 6, 2015; B-326021, Dec. 23, 2014. At issue here is whether this conclusion applies with equal force to a grantee's use of funds.

Agencies are constrained by many restrictions on the use of appropriated funds. For instance, agencies may not use appropriated funds for expenses that are personal in nature. The Department of Commerce was prohibited from purchasing disposable cups, plates, and cutlery because these items were personal expenses. Importantly, this limitation applied even though a collective bargaining agreement between the Department and its employees required the purchase of these items. We concluded that "[t]he collective bargaining process gives Commerce no mechanism to circumvent" prohibitions on the use of appropriated funds. B-327146, Aug. 6, 2015.

While such limitations apply to an agency's use of its funds, the same cannot be said of grant funds once the agency has made an award and the funds are in the hands of a grantee. The expenditure of grant funds by the grantee for the purposes of the grant is not subject to the various restrictions and limitations that federal laws impose on agencies' use of their appropriations unless the agency incorporates such conditions into the grant agreement. 43 Comp. Gen. 697, 699 (1964). For example, restrictions on dual compensation for federal employees are inapplicable to grantee employees where such restrictions are not a part of the grant agreement. B-153417, Feb. 17, 1964.

It is the grant agreement, and its underlying authorizing statute and implementing regulations, that govern the grantees' use of funds, including which costs are allocable to the grant.⁹ As a result, our conclusions in B-326021, Dec. 23, 2014, and B-327146, Aug. 6, 2015, about an agency's use of appropriated funds and the impact of the collective bargaining process do not apply to a grantee's use of grant funds. PRLS is not a federal entity, and therefore PRLS's use of grant funds is not subject to the same restrictions that constrain an agency's use of its appropriations.

An agency, informed by sound legal reasoning and subject to any available judicial review, bears primary responsibility for the proper use of its appropriation. In the context of a grant, the awarding agency's payments to a grantee must be consistent with the laws and regulations governing the grant, as well as with the grant agreement. LSC has determined that the grant agreement does not permit the

⁹ The rights and obligations of the parties to a grant are determined by the terms of the grant agreement, as well as the underlying statute authorizing the grant and the grantor agency's regulations. See, e.g., *Westside Mothers v. Haveman*, 289 F.3d 852, 858 (6th Cir. 2002), cert. denied, 537 U.S. 1045 (2002); *Institute for Technology Development v. Brown*, 63 F.3d 445, 449 (5th Cir. 1995).

payments at issue.¹⁰ According to LSC, charging these costs to the grant agreement is “contrary to LSC’s governing authorities, regulations, and grant terms and conditions.”¹¹ Given LSC’s determination, it must not make the payments at issue to its grantee.

CONCLUSION

Funds in the hands of a grantee are not subject to the same restrictions that apply to appropriated funds in the hands of an agency. Instead, the grant agreement and underlying statutes and regulations govern a grantee’s use of funds. Since LSC has determined that these payments would be inconsistent with its grant agreement and with governing authorities and regulations, it must not pay them.



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¹⁰ See Response Letter, at 2.

¹¹ *Id.*