

**RAIN-2019-G02-R1**

**Interim General Budget Development Guidance for Applicants and Recipients of EPA Financial Assistance**

**Notification Date: May 28, 2019**

**Revision Notification Date: September 16, 2022**

**Purpose:** EPA has revised the Interim General Budget Development Guidance for Applicants and Recipients (Interim Guidance) to update the citations to reflect changes to the numbering in 2 CFR Parts 200 and 1500. Additionally, the revised Interim Guidance includes information on recent EPA decisions on how to properly characterize certain types of costs. This Interim Guidance does not supersede requirements contained in statutes, regulations, the terms and conditions of EPA financial assistance agreements, or published EPA policies.

**Summary of Revision:** This Interim Guidance is a tool that may be used by applicants and recipients of EPA funds when preparing proposed work plans, budgets, and budget narratives for EPA assistance agreements for project grants/cooperative agreements and continuing environmental program (CEP) grants except to the extent cost categories are covered by EPA's:

- [Interim Guidance on Cost Review of Grants/Performance Partnership Grants Awarded under 40 CFR Part 35 Subpart A](#)
- [Grants Policy Issuance 13-02: Streamlining Tribal Grants Management \(40 CFR Part 35 Subpart B Programs\)](#).

This Interim Guidance supplements but does not supersede these Part 35 Subpart A and B guidances. It is not intended for use on State Clean Water and Drinking Water Revolving Loan Fund capitalization grants.

The revised version of the Interim Guidance includes information on circumstances in which recipients may use micro-purchase procedures for subawards in amounts equal to or less than the *Micro-purchase threshold* provided for in 2 CFR 200.1 and 2 CFR 200.320(a)(1) (generally \$10,000) in the absence of statutory direction otherwise. The availability of this flexibility which was first announced on September 28, 2001 in [RAIN-2018-G04-R1](#) allows pass-through entities to use subaward management processes other than those required by 2 CFR 200.332 for these relatively small financial assistance transactions.

As noted above, regulatory requirements still apply to procurement of services from commercial sources. For example, if eligible subrecipients receiving financial assistance under micro-purchase procedures procure construction, equipment, services, and/or supplies with EPA funds, good faith efforts to encourage Disadvantaged Business Enterprises to participate in EPA funded programs as described in 40 CFR 33.301(f) must be made if applicable.

**Background:** Proper categorization of costs is important for effective management of EPA financial assistance awards. EPA conducts pre-award cost reviews for all assistance agreements, except those

awarded on a fixed-amount basis.<sup>1</sup> Correctly characterizing costs will make the review process more efficient for both EPA and applicants. Additionally, properly categorized costs are less likely to be questioned by auditors during post-award reviews. The interim guidance provides applicants and recipients with information to ensure that costs are appropriately characterized. Nonetheless, it is important for recipients to consult with their EPA Project Officers and Grant Specialists when considering incurring costs that require prior EPA approval, or seem unusual and are not covered in the Interim Guidance, the [2 CFR Part 200, Subpart E, General Provisions for Selected Items of Cost](#), [EPA's Selected Items of Cost Guidance \(RAIN-2018-G01-R\)](#), and the [EPA Guidance on Participant Support Costs \(RAIN-2018-G05-R1\)](#).

Based on feedback from the EPA financial assistance community, EPA has determined that it is permissible for recipients to use micro-purchase procedures ([2 CFR 200.320\(a\)\(1\)](#)) rather than subawards for efficiency reasons in certain situations. The processes for taking advantage of this flexibility are described in the Interim Guidance as well as [RAIN-2018-G03-R2](#). Micro-purchase amounts generally do not exceed \$10,000. EPA's [Subaward Policy](#), Appendix A, does not preclude recipients from using micro-purchase procedures to acquire ancillary services eligible subrecipients and micro-purchases may be made without competition as long as the purchases are equitably distributed among qualified sources. Further, characterizing the costs as contractual rather than as a subaward does not circumvent the requirement in [2 CFR Part 170, Appendix A](#) for reporting subawards that equal or exceed \$30,000 to <https://sam.gov/>.

- [Interim General Budget Development Guidance for Applicants and Recipients of EPA Financial Assistance](#)
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#### **Related Resources:**

- [RAIN-2018-G01-R EPA Office of Grants and Debarment Guidance on Selected Items of Cost for Recipients \(Selected Items of Cost Guidance\)](#)
- [RAIN-2018-G04-R1 Micro-Purchase and Simplified Acquisition Threshold for Procurements by EPA Assistance Agreement Recipients and Subrecipients](#)
- [RAIN-2018-G05-R1 EPA Guidance on Participant Support Costs](#)
- [EPA Subaward Policy](#)

<sup>1</sup> As indicated in 2 CFR 1500.6, EPA has not yet implemented the authority in 2 CFR 200.201(b) to directly award financial assistance agreements on a fixed amount basis.