

RAIN-2019-G02-R2

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

Original Notification Date: May 28, 2019

First Revision Notification Date: September 16, 2022

Second Revision Notification Date: March 10, 2026

Second Revision Purpose: The purpose of this Recipient/Applicant Information Notice (RAIN) is to advise applicants for, and recipients of EPA financial assistance about revisions to the EPA's General Budget Development Guidance for Applicants and Recipients of EPA Financial Assistance. The EPA made changes to its Guidance to reflect the 2 CFR Part 200 revisions made by the Office of Management and Budget that apply to projects that start on or after October 1, 2024. The Guidance also reflects revisions to the Federal Acquisition Regulation (FAR) effective October 1, 2025 that increased the micro-purchase threshold and the simplified acquisition threshold. The Guidance includes an updated Sample Budget Detail / Narrative and notes the suspension of certain aspects of EPA's rules for Disadvantaged Business Enterprises.

- [General Budget Development Guidance for Applicants and Recipients of EPA Financial Assistance \(pdf\)](#) (647.92 KB, March 2026)

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

First Revision: This 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 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 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) 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. 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 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 Grants Specialists when considering incurring costs that require prior EPA approval, or seem unusual and are not covered in the 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 \(RAIN-2018-G05-R2\)](#).

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 Guidance as well as [RAIN-2018-G03-R2](#). Micro-purchase amounts generally do not exceed \$15,000. 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/>.

Related Resources:

- [RAIN-2019-G02-R2 General Budget Development Guidance for Applicants and Recipients of EPA Financial Assistance](#)
- [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-R3 Micro-Purchase and Simplified Acquisition Threshold for Procurements by EPA Assistance Agreement Recipients and Subrecipients](#)
- [RAIN-2018-G05-R2 EPA Guidance on Participant Support Costs](#)
- [EPA Subaward Policy](#)