

Grants Policy Issuance- 12-06
Timely Obligation, Award and Expenditure of EPA Grant Funds

1.0 Purpose

The purpose of this policy is to further EPA's mission of protecting human health and the environment by ensuring the timely obligation, award and expenditure of EPA grant funds.

2.0 Effective Date

This policy is revised effective December 4, 2024, and supersedes the previous version of the policy. The previous policy effective date was October 1, 2012.

3.0 Background

In response to Congressional scrutiny of EPA's grant unobligated balances and recipient unexpended appropriations, and State concerns over delays in receiving grant awards, the Office of Grants and Debarment (OGD) and the Office of the Chief Financial Officer (OCFO) convened a workgroup of Headquarters, Regional and State grant practitioners. The charge of the workgroup was to develop recommendations for streamlining grant processes and improving grant outlay rates. The workgroup focused on four issues: 1) EPA delays in obligating grant funds in the first year of availability; 2) EPA delays in awarding grant funds after the passage of a full appropriation; 3) grantee accumulation of unexpended appropriations in awarded grants; and 4) the need to accelerate grant outlays. This policy implements the workgroup's recommendations.

4.0 Definitions

Obligation- For purposes of this policy, EPA properly obligates an appropriation for a grant program by creating a definite liability against the appropriation during the period of its availability and as documented by the EPA grant award in accordance with 31 U.S.C. 1501(a)(5).

Outlay- An outlay is the issuance of checks, disbursement of cash or electronic transfer of funds generated to satisfy payment requests made by a grant recipient to a grant-funded program or project. Outlays during a fiscal year may be for payment of obligations incurred in prior years or in the same year. Outlays may be reported on a cash or accrual basis.

5.0 Timely Obligation of Grant Funds

The goal for all EPA assistance agreement programs is to expeditiously obligate grant funds appropriated by Congress in the first year of availability.

6.0 Grant Competitions

This Section applies to all assistance agreement competitions .

6.1 Evaluation Factor

All Program Offices conducting assistance agreement competitions must include the following evaluation factor (or one substantially similar) in Section 6 of competitive announcements. The announcement will also require the applicant to address this factor in their proposal. Program must assign the appropriate value for this factor (e.g., points or weight value) based on the nature of the competition and the importance of other evaluation factors.

Expenditure of Awarded Grant Funds (...points)

Under this criterion, applicants will be evaluated based on their approach, procedures, and controls for ensuring if awarded a grant that the grant funds will be expended in a timely and efficient manner.

6.2 Anticipatory Competitive Announcements

Program Offices conducting competitions may issue anticipatory competitive announcements in advance of funds being appropriated by Congress for awards under a particular assistance agreement program provided they obtain concurrence from: 1) the Director, Office of Budget, OCFO that there is a reasonable likelihood that Congress will appropriate funds for the program; and 2) OGD's Grants Competition Advocate that issuance of an anticipatory competitive announcement will not impose undue burden or risk on applicants or the agency.

7.0 Grant Process Streamlining Principles

This Section applies to new awards, including new assistance agreements, or incremental and supplemental funding amendments, for State/local environmental agency assistance agreement programs specified in Attachment A. OGD, in consultation with NPMs, will review and revise Attachment A, as appropriate, to add additional grant programs.

7.1 Workplan Negotiation Phase

a. Range of Funding

Consistent with applicable NPM Guidance, EPA should request States to develop and/or submit their workplans and applications based on the previous year's award amount or the amount derived from the President's budget, whichever is higher. If amounts based on the President's budget are not known, negotiations should be based on the previous year's award amount.

To facilitate the negotiation process, NPMs are expected to provide Regional allocations (or State-specific allocations, where appropriate) and Regional Program Offices are expected to provide State-specific allocations to the States, as soon as possible. In conjunction with the development of Continuing Resolution or Advice of Allowance Guidance, the Office of Budget, OCFO, and OGD will work with NPMs to expedite the development of grant allocations/targets.

b. Primary Focus of the Negotiations

Assuming that the level of funding is not significantly different from the previous year’s grant amount, the primary focus of workplan negotiations should be on new priorities consistent with applicable NPM guidance. Less emphasis should be placed on negotiating recurring activities/commitments where there is a satisfactory record of grant performance. Examples of recurring activities/commitments include base program or core activities that continue from year-to-year regardless of the final funding level (see, e.g., Grants Policy Issuance 08-04, *State Grant Cost Review*).

c. Multi-year Awards

For multi-year awards, applicants should apply for the total amount of funds expected for the period covered by the award and include any required match in the application. The workplan should also cover the same time period. EPA will fund the application incrementally as funds become available. When final funding levels differ than the amount applied for, refer to Section 7.2.c. to determine what documentation is needed.

7.2 Application Phase

a. Electronic Submission of Applications

Applications and supporting documents must be submitted through Grants.gov and Grants Management Officers (GMOs) will not accept hardcopy submissions.

b. Concurrent Review of the Applications

Program Offices/Project Officers and GMOs/Grants Specialists will conduct their application review responsibilities concurrently.

c. Pen and Ink Changes

If the final amount of funding is lower than the amount applied for, Regions will work with States to identify necessary changes. The State will not need to submit a revised workplan or new application. Regions will document and date through pen and ink changes/email correspondence, agreed-upon revisions to the workplan, budget narrative, and application forms.

If the final amount of funding is higher than the amount applied for, Regions must request the State to electronically submit only the revised application forms including the SF-424, SF-424A and budget detail. As part of the submission, the State must also indicate whether any changes were made to the workplan. If changes were made to the workplan, the State must electronically submit a description of the changes.

For multi-year awards, fiscal changes can be done when the final cumulative funding amount is known or when the amount to be awarded exceeds the amount requested.

d. Conditional Approval

If the State and Region have completed negotiations for part of the workplan, the Region should conditionally approve the workplan and obligate the full amount of the award, once funding is available. The award must include the National Term and Condition located in NGGS placing appropriate drawdown/payment restrictions for the portion of the workplan that has not been approved. This does not prohibit work from beginning on approved activities.

7.3 Award Phase

a. Program Office Completion of the Funding Recommendation

i. Funding Recommendation Template

Regional Program Offices are expected to use standard Funding Recommendations templates (FRs) developed by OGD and NPMs. These FRs will pre-populate key fields, reducing the time for data entry by Project Officers. Once the FR is created for the grant through the template, the Project Officer may make any necessary project-specific changes

- 1) FR Templates are required to be developed in the following instances:
 - a) Program has more than five awards.
 - b) Program will be awarded nationwide across most Regions.
 - c) Program has unique programmatic terms and conditions (e.g., GLRI, Superfund).
 - d) Program is a special appropriation (e.g., IJJA, IRA, or Earmark/congressionally directed spending).
- 2) Timeframes:
 - a) Creation of FR Templates for a new program should be completed as soon as all elements are available to create the template. Once all of the necessary elements have been obtained to draft the FR Template (including the Delegations, Program Result Codes (PRCs), and the Terms and Conditions), develop FR Template as soon as practicable in order to facilitate its use in the current funding year.
 - b) Renewal of existing FR Templates in the EPA's Grants System should be completed annually, even if there are no changes to the responses. If there are new terms and conditions, regulations, or policies that would impact the FR Template, the template should be updated as soon as practicable in order to facilitate its use in the current funding year. This generally should be accomplished by the end of January in regular circumstances.

b. Electronic Award Notification

In coordination with OGD, GMOs will implement procedures to electronically (pdf) send the Notification of Award to recipients, in lieu of sending hard copies. Hard copies should only be sent in extenuating circumstances. See Attachment C for sample procedures.

c. Congressional Notification

GMOs may proceed to finalize and sign the award, subject, where applicable, to the 3-day Congressional notification process. Monetary awards remain subject to the 3 day Congressional notification period after signature.

d. Terms and Conditions

OGD and NPMs will periodically review terms and conditions for Attachment A programs and eliminate terms and conditions that are no longer necessary.

e. Continuing Resolutions

In a year with a Continuing Resolution (CR), Regions will follow requirements in OCFO's governing CR Guidance. For purposes of State Continuing Environmental Programs (CEPs), and excluding State Revolving Fund (SRF) Programs, that Guidance provides flexibility for moving funds between CEP programs to allow States to address priority needs. For the CR period, Regions should consult with the States to determine their actual funding needs and make an incremental partial award based upon the negotiated workplans.

8.0 Target Outlay Strategy and Timely Drawdown of Federal Funds

This Section applies to the universe of assistance agreements covered by Section 7.0.

Regional Program Offices will negotiate with recipients of Attachment A grants a reasonable outlay strategy consistent with the project period and NPM guidance, and tailored to the particular characteristics of the grant program. The agreed-upon outlay strategy should be reflected in the workplan's negotiated milestones and be consistent with the Sufficient Progress Term and Condition required by Grants Policy Issuance 11-01: *Managing Unliquidated Obligations and Ensuring Progress under EPA Assistance Agreements*.

Outlay strategy discussions may begin with the submission of the SF-424A or earlier. Regional Program Offices may use the outlay rate information contained in Sections D and E of the SF 424-A as a basis for the required strategy, provided they determine it will promote accelerated outlays to the maximum extent practicable. In performing baseline and advanced monitoring, Regions should ensure that recipients are drawing down federal funds consistent with the negotiated outlay strategy, and if this is not occurring, work with the recipient to develop and implement appropriate corrective action strategies.

Regional Program Offices may not approve grants where it is anticipated that drawdown of a substantial portion of federal funds will be delayed until the end of the project period without the approval of the responsible NPM. Before approving any such grant, the responsible NPM will consult with the Director, OGD and the Director, Office of Budget, in a timely manner.

9.0 Project Period Lengths

GMOs and Program Offices should refer to GPI 11-01: "Amended Grants Policy Issuance (GPI) 11-01 – Managing Unliquidated Obligations and Ensuring Progress under EPA Assistance Agreements" for assistance agreement project period lengths.

10.0 Clean Water Section 319 Program

The Office of Water (OW) will address the general principles in Section 7.0 in its Section 319 NPM grants guidance. In so doing, OW and Regional Section 319 Program Offices are expected, among other things, to work with States, where feasible, to adjust the schedule for project-specific Requests for Applications, to allow earlier submission of draft projects for Regional approval and to streamline the Regional approval process.

11.0 Clean Water and Drinking Water SRF Programs

OW will address the general principles in Section 7.0 in its SRF NPM grants guidance. In so doing, OW and SRF Regional Program Offices are expected to implement streamlined processes, including submission of grant applications in the first year of SRF funds availability, early submission of draft Intended Use Plans (IUP), expanded use of First In-First Out payment procedures, where appropriate, and the negotiation of target outlay rates for set-aside programs.

12.0 Waivers

In response to a written request from the appropriate Senior Resource Official, the OGD Director, or designee, may approve waivers to this policy on an individual or class basis in circumstances of compelling urgency or unique programmatic considerations or where a waiver would be in the public interest.

13.0 Relationship to Other Grants Management Policies

In applying the streamlining principles in Section 7.0, EPA Grants Management Officers must continue to ensure that awarded grants meet applicable policy/regulatory requirements for accountability and results.

14.0 Roles and Responsibilities

a. National Program Managers (NPMs):

NPMs for all agency grant programs are responsible for:

- Providing oversight to promote timely obligation of grant funds under Section 5.0.
- Developing FR templates that, at minimum, meet the criteria under Section 7.3.a.i.

NPMs responsible for Attachment A programs are responsible for:

- Providing timely Regional or State target grant allocations as appropriate to Regional Program Offices to facilitate workplan negotiations under Section 7.0.
- Incorporating the workplan negotiation principles in Section 7.0. into their grant guidances starting in FY 2025

- Working with OGD to facilitate the use of Funding Recommendations Template and the Grants Guide under Section 7.3.a.
- Reviewing programmatic grant terms and conditions to determine continued relevancy under Section 7.3.d.
- Providing guidance to the Regions on the negotiations of target outlay strategies under Section 8.0.
- Approving or disapproving proposed awards involving delayed outlay of federal funds under Section 8.0, consulting with the Director, OGD and the Director, Office of Budget.

Section 319 and SRF NPMs are also responsible for implementing program-specific reforms as outlined in Sections 10.0 and 11.0 of this policy.

b. Headquarters and Regional Program Offices:

- Headquarters and Regional Program Offices conducting grant competitions are responsible for incorporating the required evaluation factor into announcements and obtaining the necessary concurrences to issue anticipatory announcements, under Section 6.0.

c. Regional Program Offices implementing Attachment A Programs

Regional Program Offices implementing Attachment A Programs are responsible for:

- Providing timely grant specific allocations to the States to facilitate workplan negotiations under Section 7.0.
- Applying the grant process streamlining principles in Section 7.0. into workplan negotiations.
- Including the national term and condition for conditional awards under Section 7.2.d. in the FR.
- Negotiating target outlay strategies in accordance with Section 8.0.
- Seeking NPM approval to award a grant with delayed outlay of federal funds under Section 8.0.
- For SRF or Section 319 Regional Program Offices, complying with SRF and Section 319 NPM guidance under Sections 10.0 and 11.0.

d. Regional Grants Management Officers (GMOs): Regional Grants Management Officers are responsible for:

- Generally, collaborating with Regional Program Offices to implement the streamlined processes under Section 7.0.
- Concurrently reviewing workplans and applications with Regional Program Offices under Section 7.2.b.
- Including the national term and condition for conditional awards under Section 7.2.d. in the FR in the award document.
- Implementing an electronic process to send and receive the Notification of Award under Section 7.3.b.

e. Grants Competition Advocate's (GCA) Office: The Grants Competition Advocate's Office is responsible for:

- Providing guidance, as necessary, to implement Section 6.0;
- Concurring or non-concurring in the use of an Anticipatory Request For Proposals (RFP) under Section 6.2.

f. OGD: OGD is responsible for:

- Coordinating the development/implementation of procedures for electronic submission of applications and electronic award notification under Section 7.2.a. and Section 7.3.b.
- Leading the effort to develop Funding Recommendation Templates under Section 7.3.a.
- Reviewing national administrative terms and conditions for continued relevancy under Section 7.3.d.
- Posting national terms and conditions/language for conditional awards under Section 7.2.d.
- Reviewing and approving waivers to this policy under Section 12.0.

g. OCFO: The Director, Office of Budget, OCFO is responsible for:

- Determining whether there is a reasonable expectation of appropriations so as to warrant an anticipatory NOFO under Section 6.2.
- Providing Advice of Allowance guidance for Continuing Resolutions under Section 7.3.e.

Attachment A

Applicable Programs

Office	Grant Program
Office of Air and Radiation	Air Pollution Control (CAA Section 105)
Office of Air and Radiation	State Indoor Radon Grants (TSCA Section 306)
Office of Enforcement and Compliance Assurance	Toxic Substances Compliance Monitoring (TSCA Section 28)
Office of Enforcement and Compliance	Pesticides Cooperative Enforcement (FIFRA Section 23)
Office of Chemical Safety and Pollution Prevention	State Lead Grants (TSCA Section 404(g))
Office of Chemical Safety and Pollution Prevention	Pesticides Implementation Program (FIFRA Section 23)
Office of Land and Emergency Management	Hazardous Waste Management (RCRA Section 3011)
Office of Land and Emergency Management	Brownfields (CERCLA Section 128)
Office of Land and Emergency Management	Underground Storage Tanks Program (SWDA Section 2007(f)(2))
Office of Water	Water Pollution Control (CWA Section 106)
Office of Water	Public Water System Supervision (SDWA Section 1443)
Office of Water	Underground Injection Control (SDWA Section 1443)
Office of Water	Beaches Protection (CWA Section 406)
Office of Water	Non-point Source Management (CWA Section 319)
Office of Water	State Revolving Fund (DWSRF, CWSRF)
Office of Congressional and Intergovernmental Relations	Performance Partnership Grants