Background

The FY 2022 Consolidated Appropriations Act (P.L. 117-103) (FY22 Appropriations Act) was signed into law on March 15, 2022. In this law, Congress renewed the practice of funding specifically named community infrastructure projects, referred to by the Senate as Congressionally Directed Spending (CDS) and in the House of Representatives as Community Project Funding (CPF). For purposes of this document, the U.S. Environmental Protection Agency (EPA) will use the terms “community grants,” “community recipients,” and “community projects.”

This document – Planning Instructions for Regions and Recipients (Planning Instructions) Questions and Answers (Q&A) – provides information to foster understanding of the Planning Instructions for Regions and Recipients that we issued on July 1, 2022, to facilitate recipients to begin to apply for their grants.

General- Grants

1. I have never received a federal grant before. How do they work?

A grant agreement is a legal instrument of financial assistance between a federal awarding agency and a non-federal entity to support the project described in the workplan for the grant agreement. The grant lifecycle includes:

- **Pre-award/Application:**
  - EPA HQ develops implementation memos, conducts outreach to ensure communities are aware of requirements, and provides Technical Assistance.
  - EPA regions and recipients ensure federal requirements are met.
  - Recipients register on [SAM.gov](https://www.sam.gov) and receive a unique entity identifier (UEI) needed to register in and apply for grants through [Grants.gov](https://www.grants.gov).
  - Recipients identify match and complete the application process (through grants.gov) which includes a grant workplan and budget.

- **Managing a Grant:**
  - Once EPA sends a grant agreement to the recipient, the recipient can start working on activities outlined in the approved grant workplan, complying with the terms and conditions of the agreement.
  - Recipients submit invoices for actual costs incurred. In some cases, pre-award costs are included. (See pre-award section for more information.)
  - Funds are provided to the recipient on a reimbursable basis.
  - Once the invoice is approved, the recipient can draw down the invoiced amount.
  - Recipients should regularly review grant award terms and conditions throughout the project to ensure that the organization remains in compliance with all requirements and must inform EPA if problems arise that jeopardize the completion of the project. EPA Regions perform construction monitoring and oversight.
  - EPA HQ and Regions conduct administrative monitoring, including reviewing recipient invoices/payments and programmatic reports.
  - EPA can disallow costs, request access to all records, conduct grant audits, and take enforcement if the recipient becomes non-compliant.

- **Closing Out a Grant:**
  - Closeout refers to the process EPA uses to determine that a recipient has completed all the required technical work under a grant and confirm that all applicable financial and administrative requirements as described in 2 CFR 200.344 have been met.
Recipients prepare and submit several reports as part of the grant closeout process. EPA’s Frequently Asked Questions about Closeouts provide information about closeout requirements, procedures, record retention and associated regulations. EPA provides more information via grant training for recipients online free of charge.

2. When can I submit a grant application?
Before your community grant application can be submitted and an award made, EPA must complete several administrative steps. These steps include issuing a Final Implementation Guidance Document to community grant recipients and setting up systems and processes so that your community can develop and submit a complete grant application package to EPA. EPA is standing up implementation as quickly as possible and will establish the appropriate controls to ensure prudent administration of funds.

3. How do I apply?

- **Registration**
Recipients must be registered in SAM.gov, including being assigned a Unique Entity Identifier (UEI). Recipients with active SAM.gov registrations prior to April 2022 automatically have a UEI but may need to complete entity validation.

Once registered in SAM.gov recipients who have obtained a UEI can then register with Grants.gov and assign Grants.gov Roles. Please note that only an Authorized Organization Representative (AOR) can submit an application on behalf of the recipient. Recipients may proceed with SAM.gov and Grants.gov registration and obtaining a UEI as an immediate first step (prior to meeting other federal grant requirements and/or initiation of the environmental review).

- **Application Package**
In addition to registration, recipients must complete all applicable federal requirements (including those related to procurement and the environmental review described below) and submit a complete application package via grants.gov. EPA will issue final implementation guidance in the coming months which will list all applicable federal requirements and application materials.

Grant applications must include several forms and attachments:

- Application for Federal Assistance Standard Form (SF) 424
- Budget Information SF-424A
- **Pre-Award Compliance Review Report Form 4700-4**
- EPA Key Contacts Form 5700-54
- Project Narrative/Workplan Attachment Form – Project Workplan
  - The workplan should outline all the activities to be performed under the grant, describe the project and milestone schedule, the need for the project, and the anticipated environmental and public health benefits (outputs and outcomes), itemized budget activities as well as task linkage to EPA’s Strategic Plan.
- Other Attachments Form – Budget Table

Recipients may review sample application forms in order to get a sense for what the forms entail. Sample PDF forms are available for reference purposes only and cannot be submitted with your application package. In addition, EPA’s Interim General Budget Development...
Guidance for Applicants and Recipients of EPA Financial Assistance provides information on preparation of the budget component of the application package.

4. **Once grants.gov is set up to accept Community Grant applications, how long will I have to submit an application?**
   There is no application submission deadline. Recipients should apply for grant funds once applicable federal requirements (including those related to procurement and the environmental review described below) have been met.

5. **We’ve been waiting to receive our funds for months. Why is there such a delay?**
   For Fiscal Year (FY) 22, Congress appropriated $841 million for 483 specifically identified water infrastructure projects (i.e., Community Grants). EPA did not receive dedicated funds to administer these grants and a significant level of effort is required to implement the program given the quantity of Community Grants.
   - **Ensuring the Community Grants program is effectual:** EPA is working to streamline and make the process as efficient as possible, and as easy as possible for recipients to expedite and submit applications and ultimately receive reimbursements.
   - **Standing up a new program:** EPA last received congressional directives in 2010. Current implementation effectively requires EPA to stand up a new program.
   - **Community Grant Project management:** Each EPA region has designated a regional point of contact for the Community Grants Program. Each of the 483 projects will be assigned to a Project Officer (PO). POs will work closely with recipients on their specific projects on the pre-award/application phase activities, as well as on grant management and closeout phases. Grants specialists will also be assigned to each project to work with recipients in meeting some of the administrative requirements identified in 2 CFR 200 and 2 CFR 1500.
   EPA is standing up implementation as quickly as possible and is working to establish the appropriate controls to ensure prudent administration of funds, including:
   - Issuance of Planning Instructions for Regions and Recipients (July 2022) and
   - Issuing final implementation guidance in the coming months.

**Technical Corrections**
Should a designated community grantee (recipient) identified in the FY22 Appropriations Act need to modify the type, purpose, or recipient of the community grant, a technical correction will be needed. A technical correction would need to be approved prior to proceeding with a new project purpose and/or recipient.

6. **Our project is listed as a clean water project, but it is actually a drinking water project. There may be a mistake in the language of the FY22 Appropriations Act. Can we still use the funds?**
   If the appropriation provides for a specific type of project (e.g., drinking water) when a different type of project (e.g., wastewater) is needed, the recipient can request a technical correction to make changes to the purpose of the project.

7. **Our drinking water system is owned and/or operated by a utility, but the city manager’s office is listed in the FY22 Appropriations Act. Can the utility receive the grant and complete the project?**
   If a recipient (e.g., City of Salem) is named in the authorizing language but a different entity (e.g., Salem Wastewater Utility) owns the infrastructure, the recipient can request a technical correction.
8. My Community Grant project is included on the FY22 Appropriations Act list, but the appropriation language appears to read that the grant funds are to be awarded to the state environmental agency “for my project.” How will that work?

Any change to the recipient requires a technical correction unless the intended grantee is an agency of the project recipient or is wholly owned or controlled by the project recipient (e.g., the recipient is listed as Greater State, but the intended recipient is the Greater State Department of Water Quality). In such cases, a grant may be made to the intended recipient without a technical correction.

Cost Share
9. How do I know if I qualify for a cost share waiver?

Cost share waivers may be provided to disadvantaged communities. Upon request, EPA will consider several factors in defining disadvantaged communities for the purposes of community grants. Projects in communities that meet at least one of the criteria may apply for a waiver of non-federal cost share under the community grant program. Systems that serve large service areas with a specific project that will primarily serve a sub-set of its service area that meets one of these criteria may also apply for a waiver. The cost share requirement is waived for any community projects located in the U.S. territories.\(^1\) EPA will also waive the cost share requirement for tribal community projects.\(^2\)

10. What criteria will EPA consider when determining cost share waiver approval?

EPA will take any of the following criteria into consideration when determining cost share waiver approval:

- Community median household income (MHI) is less than 80% of state MHI
- Communities with $25,766 or less upper limit of Lowest Quintile Income
- Communities with ≥ 30.9% population living under 200% of poverty level
- Communities within census tracts that have a poverty rate greater than or equal to 20%
- Communities with ≥ 3.4% unemployed population ≥ 16 years in civilian labor force
- Communities with ≥ 12.1% vacant households
- Communities in a county with a Social Vulnerability Index score higher than 0.80
- Combined sewer and drinking water costs are greater than 2% of the 20th percentile household income (i.e., the Lowest Quintile of Income for the Service Area)
- Communities with ≥ 11.7% population receiving food stamps/SNAP benefits

11. When can I request to be considered for a waiver from the cost share requirement?

Recipients can request waivers to the 20% cost share requirement once the final program guidance is available. The final guidance will provide instructions for the process.

12. The FY22 Appropriations Act didn’t list the amount of funds I need to provide to meet the 20 percent cost share requirement. How do I calculate this amount?

---

1 Omnibus Territories Act of 1977 authorizes grant awards to Insular Territories without a match requirement.
2 Implementation of the Clean Water Indian Set-Aside Grant Program under Clean Water Act (CWA) Section 518 and the Drinking Water Infrastructure Grants Tribal Set-Aside Program under Safe Drinking Water Act (SDWA) Section 1452(i) do not require tribal cost share.
For the purposes of calculating the cost share amount, the amount specified in the FY22 appropriation (EPA contribution) represents 80% of the total grant project cost.

Here’s an example of how to calculate the cost share amount using $100,000 as the EPA contribution:

A. Identify the Total Grant Project Cost
   Divide the EPA contribution by .80 to calculate the total grant project cost:
   \[ \frac{100,000}{0.80} = 125,000 \text{.} \]
   \$125,000 is the total grant project cost

B. Multiply the Total Grant Project Cost by .20 to determine the cost share amount
   \[ 125,000 \times 0.20 = 25,000 \text{.} \]
   \$25,000 is the required 20% cost share amount

C. Confirm
   \[ \text{Total grant project cost} = \text{EPA Contribution} + \text{Cost Share Amount}. \]
   \[ 125,000 = 100,000 + 25,000 \]

Note: grant applications are not required to reflect costs that exceed total grant project costs as calculated above; this is the minimum total grant project cost required to receive the full FY22 appropriation amount.

13. What kinds of funding can be used as cost share?
   Recipients can use any or a mix of the following as long as the requirements in 2 CFR 200.306 are met:

   • **Public sources.** These include state appropriations or local government match to the grant project. The following federal funding sources will be treated as non-federal funds and can be used to meet the cost share requirement:
     ✓ U.S. Department of Housing and Urban Development, Community Development Block funds.
     ✓ U.S. Department of Agriculture, Rural Development funds.
     ✓ Appalachian Regional Commission funds; and,
     ✓ The CWSRF and DWSRF programs are eligible sources for the cost share if those funds are:
       • non-federal funds such as loan repayments, interest earnings, bond proceeds, and fees, or
       • a state contribution to the SRF above the statutorily required 20 percent match.

   • **Private sources.** These include funding from a local business or nonprofit contributing to the project.

   • **In-kind services.** These may include the applicant’s administrative expenses for managing and overseeing the grant and projects can provided that the expenses are not being reimbursed by the federal share of the grant award. In-kind services contributed by other entities may also be allowable as cost share.
14. Can funding made available to jurisdictions through the American Rescue Plan Act (ARPA) of 2021, including ARPA Coronavirus State and Local Fiscal Recovery Funds (SLFRF funds) be used for a match for Community Grant projects?

No. The explanatory statement accompanying the FY 2022 Appropriations Act specifically prohibits the use of ARPA funding to satisfy cost-share for these projects.

Procurement

15. What do I need to know about procurement in order to hire a contractor?

Whenever a recipient purchases supplies or hires a contractor, this is considered a procurement action. The term “procurement” covers many different, but coordinated actions, such as how the request for proposals or contract documents (plans and specifications) are prepared and advertised.

States follow their own procurement procedures with regard to competition. With very few exceptions, other recipients must follow a competitive process when using EPA funds to purchase supplies, equipment, and professional services. EPA’s Best Practice Guide for Procuring Services, Supplies and Equipment Under EPA Assistance Agreements describes the financial transactions covered by the competitive procurement requirements and other rules you must follow when awarding and administering EPA funded contracts.

16. My city has a contractor that we typically work with. Can we pay them to work on our Community Grant project?

Recipients must, to the maximum extent practicable, ensure open and free competition in your purchasing. Sole-source contracts in excess of the micro-purchase threshold should be rare. Potential justifications are described at 2 CFR 200.320(c) and include such factors as only one source has the goods or is able to perform the service, an emergency, EPA approval, or after soliciting a number of sources the recipient reasonably decided competition was inadequate. Sole source contracts with consulting firms on retainer are an improperly restrictive procurement practice as provided in 2 CFR 200.319(b)(4).

EPA will not approve sole-source contracts for services that are available in the commercial marketplace (e.g., Construction, environmental consulting, engineering) on the grounds that a recipient has a long-standing relationship with a contractor. Recipients may, however, use qualifications-based selection criteria for architectural and engineering services where price is not a factor as long as the costs are reasonable and geographic location can be a factor in selection as long as there are enough qualified firms in the area to compete for the contract.

17. We have our own in-house engineers. Can we use force account? Can that be part of our match?

Personnel costs include salaries, wages, and allowable incentive compensation for recipient employees (i.e., who receive W-2 forms) who spend time working on the project. In-kind (match) contributions may include such costs so long as they are verifiable and carefully documented. For example, if the recipient does not intend to charge the EPA assistance agreement for all the time its employees (engineers or other positions) spend working on the EPA assisted project, the applicant may include their salaries or wages in the personnel category for cost share purposes.

18. My project is ready to undergo construction. What do I need to do to go out for bid?
Community grant recipients must follow their own procurement procedures, which must be documented and comply with State, local or tribal laws and regulation as well as Federal laws and Uniform Grant Guidance (UGG) procurement regulations. Costs for projects may not be reimbursable if procurement regulations were not adhered to when hiring contractors for the project. Recipients may refer to EPA’s Best Practice Guide for Procuring Goods and Services for more information on how to comply.

19. What about Davis Bacon, EPA’s Disadvantaged Business Enterprise (DBE) Program, Build America, Buy America (BABA), and American Iron and Steel (AIS)? Do these apply to me? Yes. Federal cross-cutting requirements of certain federal laws and Executive Orders apply to projects and activities funded with federal financial assistance. Federal cross-cutting requirements include:

- The Davis-Bacon Act requires that all contractors and subcontractors performing construction, alteration, and repair (including painting and decorating) work under federal contracts in excess of $2,000, pay their laborers and mechanics not less than the prevailing wage and fringe benefits for the geographic location.
- EPA’s DBE Program applies to all EPA Assistance Agreements and requires recipients who procure goods and/or services to: employ the good faith efforts, document their efforts and maintain DBE forms and other documentation from prime contractor and report their procurement and DBE activities even if there isn’t anything to report.
- Recipients are required to ensure that procurement plans comply with BABA requirements prior to grants being awarded. Requirements call for all the iron, steel, manufactured products, and construction materials used in the project to be produced in the United States. EPA is developing various BABA waivers and we will provide more information in the final guidance.
- The AIS provision requires recipients to use iron and steel products that are produced in the United States for the construction, alteration, maintenance, or repair of a public water system or treatment works.

20. What are allowable costs?
Allowability of costs is based on a number of factors specified in 2 CFR Part 200, Subpart E. EPA POs and grant specialists review costs included in project budgets as part of the application/preaward process to ensure they conform with general principles of cost allowability:

- A cost is eligible if it is permitted by statute, program guidance, or regulations.
- A cost is reasonable if it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.
- Costs must be allocable: they must be incurred either directly or indirectly to carry out the project and have to be charged proportionately across all benefitting cost centers.
- Costs must be necessary for the project being funded.

Allowable costs are:
- Adequately documented.
- Conform to limitations of laws, regulations, etc. and grant terms and conditions.
- Consistent with recipient’s policies/procedures – same factors apply to both federal and non-federal activities.
- Accordeed to consistent treatment – a cost may not be assigned as direct if a similar cost incurred for the same purpose has been allocated as indirect cost.
EPA Community Grants Program
Planning Instructions for Regions and Recipients (Planning Instructions) Questions and Answers (Q&A)

☑ Not included as a cost or used to meet a matching requirement for any other federal grant.
☑ Consistent with generally accepted accounting principles.

Environmental Review

21. What are my responsibilities for an environmental review for my project?
Recipients provide information to EPA about the project and its potential environmental effects through:
- Review of EPA’s list of actions that can be categorically excluded
- Submit a request to EPA for a categorical exclusion (CATEX), or submit an Environmental Information Document (EID)
- Collaborate with EPA in the cross-cutter review process. Environmental laws and Executive Orders that are integrated with the National Environmental Policy Act (NEPA) are referred to as “cross cutters.”

22. There are many acronyms related to the environmental review. What are some of the significant ones and what do they mean?
   a. A Categorical Exclusion (CATEX) is a determination prepared by EPA that supports a finding that an action does not have significant effects on the human environment and fits within predetermined categories. A Cat Ex may apply when the project is minor (rehabilitative infrastructure or projects at existing facilities).
   b. An Environmental Information Document (EID) informs an Environmental Assessment (EA) and describes the project, purpose and need for the project, the existing environment, potential environmental impacts from the project and its reasonable alternatives, and applicable mitigation measures.
   c. An EA is a public document that describes the project, its purpose and need, the existing environmental potential impacts from the project, its reasonable alternatives, and mitigation measures to reduce potential impacts.
   d. A Finding of No Significant Impact (FONSI) - A FONSI is a document prepared by EPA and includes the EA and any mitigation measures necessary to make the recommended alternative environmentally acceptable. Both the FONSI and EA are made available for public comment.

23. How long does the environmental review take?
The amount of time the environmental review takes varies. There are varying degrees of environmental impacts, from minor to significant and beneficial to adverse, all of which impact the level and length of the environmental review process. Every project seeking grant funding is evaluated for its potential environmental impacts and cross cutter reviews are required for projects that are CATEX eligible as well as those that are not.

24. We are using the funds for a project that is a component of a larger one. Can the environmental review focus on our component only?
When Community Grant funds support a project that is part of a larger action, EPA may conduct an environmental review that is limited to the community grant funded project. EPA may find this permissible when the project is independent of the larger action and can or will proceed regardless of whether other parts of the larger action are implemented. Environmental reviews...
for Community Grant funded projects that are integral components of larger actions will need to cover the larger action as well as the Community Grant funded portion.

Receiving funding and cost reimbursement

25. **When will I receive the funding listed in the FY22 Appropriations Act?**
   While Congress directs community grant funds to specified recipients (legal entities) for defined projects as listed in the FY22 Appropriations Act, recipients are required to fulfill statutory and regulatory requirements before EPA can award a grant. EPA will award funding when those requirements are met but limited resources available to EPA to review and process applications will impact timing of awards.

26. **We’ve already begun to incur costs for our project. When can I be reimbursed for these costs?**
   Costs incurred by recipients prior to receiving grant awards will be assessed on a case-by-case basis, as part of EPA’s review of the project workplan and budget.

   Costs incurred prior to grant awards may be allowable if the costs are in conformance with applicable federal and EPA regulations and if they are incurred on or after March 15, 2022 (the enactment date for the FY 22 Appropriations Act) in order to comply with 2 CFR 200.458 which requires that pre-award costs be incurred in anticipation of the award. Notwithstanding, all costs incurred before EPA makes the award are at the recipient’s risk. EPA will award funding when these requirements are met but limited resources available to EPA to review and process applications will impact timing of awards.

27. **What can I expect in terms of the steps/process to be reimbursed for costs my project has incurred thus far?**
   Costs incurred by recipients prior to receiving grant awards will be assessed on a case-by-case basis. Costs incurred prior to grant awards may be allowable if the costs are in conformance with applicable federal and EPA regulations and if they are incurred on or after March 15, 2022.

   If costs are determined to be allowable, the recipient must complete the application process, enroll in Automated Standard Application for Payments (ASAP) and receive a grant award. Once a grant is awarded, the recipient can begin work on the project and submit invoices and supporting documentation for all completed project activities reflected in the grant workplan. EPA will review the invoices and supporting documents, and once the invoices are approved, the recipient may draw the funds from the EPA payment system.

28. **We have been facing rising costs due to inflation and supply-chain issues. Is there an inflation factor?**
   No. The funding amounts listed in the FY22 Appropriations Act do not vary and will not be increased.

29. **Can we receive more funding than was listed in the FY22 appropriation?**
   EPA is not authorized to provide funds in excess of the amounts listed in the FY22 Appropriations Act for this program. Recipients may reach out to their respective congressional representatives to inquire about additional, future Community Grants funding. Recipients seeking additional
funds to support their projects can explore EPA’s CWSRF and DWSRF programs and search for other federal grant opportunities available through grants.gov.

Other-Miscellaneous

30. How is my state involved with my Community Grant project?
Unless a state and/or state agency is listed as a recipient in the FY22 Appropriations Act, states do not have explicit or inherent involvement or responsibility in managing and/or overseeing Community Grant projects. Recipients identified in the FY22 Appropriations Act to receive Community Grant funding are responsible for implementing projects under grants from EPA and adhering to all applicable grant requirements and regulations.

31. Is my Community Grant an SRF grant?
No. While the Community Grant program is funded off the top of the Clean Water State Revolving Fund (CWSRF) and Drinking Water State Revolving Fund (DWSRF) allocations, the Community Grant program is separate and distinct and funding is provided by direct grants to community recipients identified in the FY22 Appropriations Act.