

**Procedure 7450-P(1): Federal Cash Management Policy - Timely Obligation of Funds**

Original Adopted Date: |

When Obligations are Made

Obligations are orders placed for property and services, contracts, and subawards made, and similar transactions during a given period that require payment by the District during the same or a future period.

Funds received under a federal grant shall be considered to be obligated according to the standards provided in 34 CFR § 75.707 or 34 CFR § 76.707, as applicable. The following table illustrates when funds are determined to be obligated under federal regulations:

<b>If the obligation is for:</b>	<b>The obligation is made:</b>
Acquisition of property	On the date on which the District makes a binding written commitment to acquire the property
Personal services by an employee of the District	When the services are performed
Personal services by a contractor who is not an employee of the District	On the date which the District makes a binding written commitment to obtain the services
Public utility services	When the District receives the services
Travel	When the travel is taken
Rental of property	When the District uses the property
A pre-agreement cost that was properly approved by the Secretary under the cost principles in 2 CFR part 200, Subpart E- Cost Principles.	On the first day of the project period.

Period of Performance of Federal Funds

All obligations must occur on or between the beginning and ending dates of the grant project. This period of time is known as the period of performance. The period of performance is dictated by statute and will be indicated in the Grant Adjustment Notice (GAN). Further, certain grants have specific requirements for carryover funds that must be adhered to.

**State-Administered Grants:** As a general rule, state-administered federal funds are available for obligation within the year that Congress appropriates the funds for. However, given the unique nature of educational institutions, for many federal education grants, the period of availability is 27 months. Federal education grant funds are typically awarded on July 1 of each year. While the District will always plan to spend all current grant funds within the year the grant was appropriated for, the period of obligation for any grant that is covered by the “Tydings Amendment” is 27 months, extending from July 1 of the fiscal year for which the funds were appropriated through September 30 of the second following fiscal year. This maximum period includes a 15-month period of initial availability, plus a 12-month period for carryover. For example, funds awarded on July 1, 2015 would remain available for obligation through September 30, 2017.

**Direct Grants:** In general, the period of availability for federal funds authorized under direct grants is identified in the GAN.

For both state-administered and direct grants, regardless of the period of availability, the District must liquidate all obligations incurred under the award not later than 120 days after the end of the funding period unless an extension is authorized. Any funds not obligated within the period of availability or liquidated within the appropriate timeframe are said to lapse and must be returned to the awarding agency. Consequently, the District shall closely monitor grant spending throughout the grant cycle.

The District shall submit all financial, performance, and other reports required by the terms and conditions of the federal award before the end of this 120-day period. Any such reports required to be submitted to a pass-through entity shall be provided within 90 days of the end of the funding period, unless an extension is authorized.

### Carryover

**State-Administered Grants:** As described above, the Tydings Amendment extends the period of availability for applicable state-administered program funds. Essentially, it permits recipients to “carry over” any funds left over at the end of the initial 15 month period into the next year. These leftover funds are typically referred to as carryover funds and continue to be available for obligation for an additional 12 months. Accordingly, the District may have multiple years of grant funds available under the same program at the same time.

Any carryover in individual federal programs is determined in an annual audit performed each year according to GAAP and State statutes. After carryover amounts are determined, they are reported and administered according to specific federal award requirements as outlined in the individual program applications.

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### **Legal References**

2 CFR § 200.305

2 CFR § 200.307

31 CFR § 205

### **Description**

Payment

Program Income

Rules and Procedures for Efficient Federal-State Funds Transfers

31 USC § 6503

Intergovernmental financing (Cash Management Improvement Act of 1990)

**Other References**

ISBA Policy Services

**Description**

<https://www.idsba.org/member-services/policy/>