

## Guidance on Pre-award Cost Associated with HMGP Projects

Pre-award costs are costs incurred by a sub-grantee before the grant was awarded. Any and all pre-award costs associated with an HMGP project must be incurred after the date of declaration of a disaster under which the project is proposed for funding (GAO 10-129).

All **construction** associated with an HMGP project must be incurred after approval by FEMA and after the State of Florida and the sub-grantee have executed a project contract. According to Webster's II New Riverside Dictionary Revised Edition, the word construction means "the act, process, or work of building." Breaking ground, installing a shutter, taking out a window to replace with impact glass, are all examples of "construction."

FEMA may approve pre-award costs. These costs include study or research required to plan a construction project. Such activities may include engineering, modeling, permitting, environmental study, benefit-cost analysis, etc. These are soft costs and not to be confused with hard construction costs. Construction costs may not be included as pre-award costs. Pre-award costs must be factored into total project costs and included in the benefit-cost analysis calculations.

The applicant may request pre-award costs any time after the disaster declaration. The request must be in writing and include the type of activity or activities proposed and estimated cost. All pre-award activity must clearly be associated with the applicant's proposed project. The State and FEMA will do a preliminary review of the request and may concur that the activities are necessary for the type of project envisioned or may consult with the applicant on an identified activity that the State or FEMA does not feel is necessary for a proposed project. Conversely, the State or FEMA may suggest additional study or research the applicant has not identified for a particular project. Review by the State and FEMA of pre-award activities may save money and time for the State, FEMA, and the applicant. Letters and documentation of all pre-award activities will need to be submitted to the State with the project application. ***Preliminary review by the State or FEMA of pre-award activities is no guarantee of eligibility or approval of the activities or the proposed project.*** FEMA will provide a written final determination on the pre-award request.

An alternative is for the applicant to request approval of pre-award cost by letter attached to the project application. The request must include the type of activity or activities and costs incurred by the applicant. There is greater risk to the applicant with this alternative that incurred costs may not be considered eligible.

If the proposed project meets all eligibility criteria and is approved by FEMA, then pre-award costs identified by the applicant prior to project submittal, or identified by the applicant in documentation attached to the application, will be considered project costs eligible for 75/25 reimbursement (same as other project costs).

All pre-award costs are subject to an approved grant award and available funding. If funding is not available, even if pre-award costs are approved in writing, they will not be reimbursed and will be solely the responsibility of the applicant.

## **REFERENCES**

**General Accounting Office**, Principles of Federal Appropriations Law, Volume II, January 2004

### **Excerpts from OMB Cost Principle Circulars:**

**2 CFR §200.458** - Pre-award costs are those incurred prior to the effective date of the Federal award directly pursuant to the negotiation and in anticipation of the Federal award where such costs are necessary for efficient and timely performance of the scope of work. Such costs are allowable only to the extent that they would have been allowable if incurred after the date of the Federal award and only with the written approval of the Federal awarding agency.

**2 CFR §200.309** - A non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance (except as described in §200.461 Publication and printing costs) and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award that were authorized by the Federal awarding agency or pass-through entity.

**44 CFR §206.439(c)** further explains the pre-award cost regulations as allowable costs under HMGP.

**2 CFR §200 Subpart E** lists the applicable cost principles for HMGP applicants including: governments, private non-profits, and educational institutions.