

## **No-Cost Extension (NCE): the Transition Year**

**WHAT:** Part §74.25 of the Education Department General Administrative Regulations (EDGAR) allows grantees to undertake certain types of administrative actions on grants without prior Department of Education approval. One such administrative action is “to extend grants automatically at the end of the project period for a period of up to one year without prior approval (with certain exceptions).” ***This is called a no-cost extension.***

The no-cost extension CANNOT:

- Require additional federal funds;
- Change the scope or objectives of the project;
- Be merely for the purpose of exhausting unexpended funds; or
- Be contrary to Federal statute, regulations, or grant conditions.

**WHY:** The No-Cost Extension is provided to allow grantees additional time for the completion of previously approved grant activities that require additional time for completion. This means that the NCE request cannot propose any new activities.

**HOW:** According to EDGAR, grantees are required to notify their Federal Project Officer of the planned no-cost extension, with supporting reason(s) for the extension, at least ten (10) days before the end of the project period. For SSHS we ask grantees requesting a no-cost extension period to submit the notification well before the end of the period to ensure continued access to grant funds. Failure to provide notice within the prescribed time may result in the grant closing under its automated procedures, leaving the grantee unable to draw funds from G5/GAPS.

FPOs usually request that the notification be accompanied by

- A list of all activities that were to be completed during the project as outlined in your initial project application and any subsequent approved changes.
- Indication of all activities that have been completed and the date on which they were completed.
- Indication of the activities that are not yet completed and an explanation for the delay in completion.
- Explanation of your plan to complete the activities within the no-cost time extension period by providing a detailed project timeline for the extension period requested.
- A budget indicating how much money has been spent thus far, the amount of money you anticipate carrying into a no-cost extension, and a general plan for spending any carryover funds during the time of the no-cost extension. (A final NCE budget will be submitted for FPO approval at a later date.)
- A proposed revised end date for the project (e.g., July 31, 2010).

## **FREQUENTLY ASKED QUESTIONS - NO COST EXTENSIONS**

### ***How long does a no-cost extension period last?***

Twelve months or less. The no cost extension will expire on the revised expiration date provided by the grantee. This revised expiration date cannot exceed one year (for the 2006 cohort the expiration date cannot exceed July 31, 2010).

### ***What happens if I need additional time beyond the one year provided?***

Unlike the initial request for a no-cost extension, an additional extension beyond July 31, 2010 requires prior approval. At least forty-five days before the end of the revised project expiration date, the grantee must send a written request to the Federal Project Officer that states the reason(s) for the extension, provides an explanation of how funds will be expended, and includes a revised expiration date. With guidance and oversight by the Interagency Policy Team, your Federal Project Officer will review the request and provide written notification of approval or denial.

### ***Are grantees required to retain a Project Director during the no-cost extension period?***

All SS/HS grant programs must have a Project Director until all Federal funds are expended and/or until all final reports have been submitted by the grantee and accepted (approved) by the Federal Project Officer. Further, any changes in key personnel specified in the application, including the absence for more than three months or a 25 percent reduction in time devoted by the Project Director, requires prior approval from your Federal Project Officer

If the number of grant activities are reduced during the no cost extension and it is determined that a full-time Project Director may not be necessary, you must make a request in writing, fully documenting the need for a less than full-time Project Director, for FPO review and approval.

### ***What are the reporting requirements during the no-cost extension period?***

During the no cost extension period, SS/HS grantees are still required to submit performance reports. In the past, Federal Project Officers have requested an abbreviated update six months after the start of the no-cost period. The final report will be due 90 days after the expiration date (October 29, 2010 for the 2006 cohort) and will take the place of the annual report for the final year. You will be notified of any modification in report requirements prior to the report due dates.

### ***What regulations apply to the funds carried over to a no-cost extension?***

Regulations that currently apply to grant funds also apply to grant funds expended under a no-cost extension, i.e., funds must be used for allowable costs that fall within the approved project scope. Regulations governing the carryover of funds can be found in section §75.261 of EDGAR. Use the same cost principles as previously (OMB circular A-87).

All Grant Award Notifications (GANS) issued to SS/HS grantees have also included Attachment Z. Attachment Z prohibits the transfer of funds between the grant Elements budgets (1, 2, 3 & 4, 5) and restricts the transfer of funds among budget categories; these conditions remain in place during a no-cost extension period.

***Do I need to submit a budget for the no-cost extension period?***

Grantees are required to submit with the no cost extension notification a projected budget that sufficiently details how funds carried into this time period will be spent. The budget will be reviewed by your Federal Project Officer who will notify you of its approval or the need for you to submit additional information or detail. Usually it will be necessary to submit an updated version of the proposed no-cost budget once the scheduled project period has ended and more current figures are available regarding remaining unspent funds.

***Is there a minimum financial requirement for evaluation during the no-cost extension year?***

There is not a minimum financial requirement for evaluation during the no-cost extension year. However, it is expected that the local evaluation will cover the full course of the project, from beginning to end. We recommend that you review your grant evaluation contract to ensure that evaluation activities will continue into the no cost extension period. You may need to budget additional funds from your unexpended funds to complete all evaluation activities including final report preparation.

***Will I receive verification of the no-cost extension?***

After your Federal Project Officer has reviewed the notice of extension, the supporting reasons, the budget, and the revised expiration date, a new Grant Award Notification (GAN) reflecting the revised end date of the project will be sent to you. If the required documentation for the no-cost extension is not received or is of unacceptable quality, your Federal Project Officer will inform you in writing before July 31, 2010 and instruct you not to continue project activities or expend grant funds after July 31, 2010.

***When are salaries for project staff considered obligated?***

As clarification about staff salary and the no-cost extension period, there is a chart on page 58 of EDGAR (§75.707) that addresses when obligations are considered made. It states that an obligation for the personnel services by an employee of the grantee (such as salary for work by a district staff member) is obligated when the service is performed. However, personnel services by a contractor or performance of work other than personnel services are obligated on the date on which the binding written commitment for the services is made. As such, any tasks associated with completing the report that will be performed after the end of the performance period (after July 31, 2010 for 2006 cohort) by current grantee employees should be reviewed. If allowable under district contracting procedures, the district may want to review the terms of employment such that grant reporting and close-out services are part of a contract or included into a written scope of work not considered personnel services that are obligated prior to the end of the grant (before July 31, 2010).

Contractors should submit requests for payment (invoices) after services are performed. This should not be a problem because there is a 90-day liquidation period where already obligated and encumbered funds can be drawn down after July 31, 2010 (until October 29, 2010).