

REMAINING FUNDS

Titus Falkenburg | USDA Rural Development

Many of you that receive loans and grants from USDA Rural Development (RD) construct projects that come in under budget and then ask the question, “So what can we spend the rest on?” If your project is funded in part or entirely by RD, there are things that are eligible and things that are not. Here is some guidance on how to answer this question.

The best time to evaluate how to use remaining funds is during the planning stage, when the preliminary engineering report (PER) is being written. Discuss in the PER everything that could be done should there be sufficient funds. Prioritize what needs to be done. For example, the project under consideration is to install water mains on roads A, B, and C – this would be your base project. However, roads D and E also need to have water mains, but the owner cannot afford them under the current budget. If bids come in favorably and there are sufficient funds available, roads D and E could also receive water mains. This must be explained in the PER; provide cost estimates for the work and make sure the additional areas are also covered in the environmental report (ER) and formation of the district/service area.

If the project is for treatment plant upgrades, explain what the project includes but what other upgrades would be done if possible. Again, include cost estimates for the additional work. In a perfect world, all the additional work should be bid as alternatives so that it can readily be added to the construction contracts. However, we understand the owner may not want to pay for engineering work that may not be constructed; as long as the additional work is included in the PER and ER, is within the district/service area, and is modest in size and design, it most likely could be added to the project if sufficient funds remain at the end of construction.

The more typical use of remaining funds is to purchase tools and equipment that are necessary for operation and maintenance (O&M) of the project under construction. This can include spare parts. RD policy allows up to a maximum of 5% spares of the number of an installed item. For example, if 100 hydrants are installed during a project, five spare hydrants can be purchased. These spare quantities must be reasonable based on the scope of the project (i.e. we will not purchase hundreds of feet of spare pipe regardless of how much was installed). Tools and equipment could include items such as leak detectors, line locators, a computer/

printer/software for billing, lab equipment and furniture, possibly even a small “Bobcat” type machine or small loader, if necessary for operation and maintenance of the facility. A full size vacuum truck is not eligible as it isn’t modest in size or cost; a portable truck mounted unit could be eligible (and no, we don’t buy pickup trucks).

When the project construction is nearing completion, the owner and engineer should decide how they would like to spend remaining funds. A request is to be sent to the RD State Engineer; this request is to include a description of each item, a justification for that item, and an estimated quantity and cost. Also include a copy of the most recent Form E (budget form) showing all other costs so the actual amount of budget remaining can be ascertained. Make sure to account for any possible additional engineering and administrative fees, and shipping and handling fees. The request can be sent electronically (by e-mail); please copy the appropriate Area Specialist. The RD State Engineer will review the request and will respond with what and how many items are eligible and what documentation is necessary. For anything over \$3,000, three quotes will be needed. For items under \$3,000, only one cost estimate is needed by RD; the owner still has to follow its own procurement process. Regardless, once cost estimates are obtained, these are to be submitted to the RD State Engineer for final review and approval. We will respond in an e-mail with what vendor is acceptable at what price.

Finally, once the items have been purchased, all invoices have to be submitted on a Form E in accordance with normal procedures.

If you have any questions about the process, please contact the appropriate RD State Engineer first and they will help you through the process. I would like to thank Marcy Newman for her contributions to this article and I hope that this information assists you with future Rural Development projects. We are currently accepting applications, so please submit your application now. Your comments and/or questions are always welcome. Please feel free to contact me at (315) 477-6465 or titus.falkenburg@ny.usda.gov or visit our website at www.rurdev.usda.gov/NYHome.html. 💧💧💧