

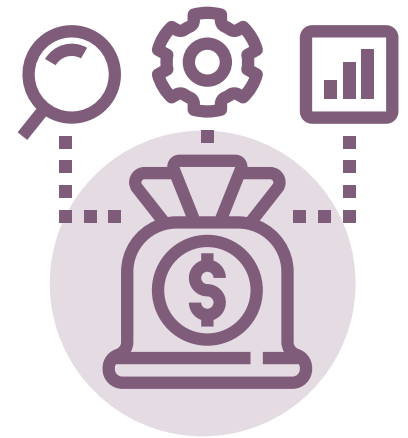
FEDERAL GRANT AND COOPERATIVE AGREEMENT ACT

OFFICE OF
MANAGEMENT
AND BUDGET



Brief introduction of the act.

The ***Federal Grant and Cooperative Agreement Act*** was enacted to characterize the relationship between the Federal Government and contractors, State and local governments, and other recipients in the acquisition of property and services, in contrast with the assistance by the Federal Government. Since 1977, this Act came to set forth the use of Federal funds criteria, defining roles for contracts, cooperative agreements, and grants.



WHO is the act applicable to?

- 1 State Government, including the Commonwealth of Puerto Rico

Local government, meaning any unit of government within a State, county, municipality, city, town, township, local public authority, special district, council of government, or any other instrumentality of a local government.
- 2 Any person (“other recipients”) who is authorized to receive Federal assistance or procurement contracts, including charitable or educational institutions.
- 3

WHEN is the act applicable?

Whenever an executive agency is involved in a federally funded transaction, it must align with and reflect the relationship between the Federal Government, the State Government, and the Recipient.

HOW is the act applicable?

It is applied throughout policies, procedures, standards, program guidelines, and any other official document for the procurement and contracting guidance.

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REQUIREMENT CHECKLIST

Instead of imposing specific duties, this statute aims to clarify the fundamental nature of federal assistance, highlighting its distinctions from other legal frameworks like contracts and cooperative agreements. Those who receive federal assistance are required to make use of the appropriate legal framework taking into consideration their relationship with the Federal Government. Therefore, prior to utilizing federal funds, adherence to the following criteria is necessary:

1

For a Grant Agreement to be formalized, it shall pass the following **Support or Stimulation Test**:

- The principal purpose of the relationship is the transfer of money, property, services, or anything of value to the State or local government, or another other recipient to **achieve a public purpose of support, economic impact, or stimulus**, authorized by Federal **statute**.
- **Significant engagement is not expected** between the executive agency representing the Federal Government and the recipient during the execution of the intended activity.

2

For the use of **Cooperative Agreement**, the following relationship shall arise:

- The principal purpose of the relationship is the transfer of money, property, services, or anything of value to the State or local government, or another recipient, to accomplish a **public purpose of support, economic impact, or stimulus** authorized by Federal law, rather than acquisition of property or services directly for the benefit or use of the Federal Government through purchase, lease, or barter.
- **Substantial involvement** is anticipated between the executive agency, representing the Federal Government, and the Recipient during the performance of the contemplated activity.

3

The **Contracts**, on the other hand, shall be submitted to the following test:

- The principal purpose of the instrument is the acquisition, by purchase, lease, or barter, of property or services for the direct benefit or use of the Federal Government.
- An executive agency shall determine the appropriate type of procurement process to take place for the contract to be awarded.

