

QUICK GUIDE: OBLIGATION & LIQUIDATION

DEFINITIONS

Obligation: To obligate funds means to commit funds to an activity in accordance with programmatic requirements for a grant. An obligation occurs when funds are encumbered on or after the project start date and up to the last day of the project period in the award. For federal grants, the substantial approval date is the first day you may obligate funds.

Liquidation: To liquidate an obligation the item must have already been purchased, the service must have already occurred, and those payments must already have been made. Federal obligations incurred within the project period must be liquidated no later than 90 days after the end of the project period. Some state grants require liquidation *before* the project period ends.

Project Period/Period of Availability: The period established in the grant award for the start and end of the project.

Example: ESEA Consolidated Grant – July 1, 2023 - September 30, 2024

- *Obligation may begin once substantially approved on or after the project start date of July 1, 2023.*
- *All obligations must be made before the project ends on September 30, 2024.*
- *Liquidation must occur no later than 90 days after the end of the project, December 29, 2024.*
- *A completion report to close out the grant is due to ADE within 90 days after the grant project ends, December 29, 2024.*

OBLIGATION PERIOD

All grant expenses must be obligated by the end of the project period. Any funds not properly obligated within the project period will lapse and revert to the awarding agency.

When obligation occurs depends on the type of expenditure (34 CFR 76.707).

<i>If the obligation is for—</i>	<i>The obligation is made—</i>
<i>(a) Acquisition of real or personal property</i>	<i>On the date on which the State or subgrantee makes a binding written commitment to acquire the property.</i>
<i>(b) Personal services by an employee of the State or subgrantee</i>	<i>When the services are performed.</i>
<i>(c) Personal services by a contractor who is not an employee of the State or subgrantee</i>	<i>On the date on which the State or subgrantee makes a binding written commitment to obtain the services.</i>
<i>(d) Performance of work other than personal services</i>	<i>On the date on which the State or subgrantee makes a binding written commitment to obtain the work.</i>
<i>(e) Public utility services</i>	<i>When the State or subgrantee receives the services.</i>
<i>(f) Travel</i>	<i>When the travel is taken.</i>
<i>(g) Rental of real or personal property</i>	<i>When the State or subgrantee uses the property.</i>
<i>(h) A pre-agreement cost that was properly approved by the Secretary (of Education)</i>	<i>On the first day of the grant or subgrant performance period.</i>

LIQUIDATION PERIOD

The liquidation period refers to the time after a grant deadline when properly obligated expenditures can be claimed, and the grant is closed out.

- Federal funds which have been properly obligated by the end of the grant project period will have 90 calendar days in which to be liquidated (expended), but some state grants require liquidation *before* the project period ends. 2 CFR 200.344 (a)
- Expiring funds not liquidated by the end of the 90-day period will lapse and revert to the awarding agency. Some grants allow for remaining funds to carryover into the next funding year depending upon program allowances and eligibility.