

Reclamation Manual

Directives and Standards

TEMPORARY RELEASE

(Expires 09/14/2019)

Subject:	Recharacterization of Reimbursability of Project and Program Costs
Purpose:	This Directive and Standard (D&S) sets forth requirements for recharacterizing reimbursability of program activities and costs. The benefit is to promote consistency within the Bureau of Reclamation in recharacterizing the reimbursability of program activities.
Authority:	The Reclamation Act of 1902 (ch.1093, 32 Stat. 388); and acts amendatory and supplementary thereto, and project/program specific authorization or other legislation that applies to project, program feature, or activity being determined.
Approving Official:	Deputy Commissioner - Policy, Administration and Budget (PAB)
Contact:	Program and Budget (94-30000)

1. **Introduction.** Reclamation must account for all funds expended for costs associated with all project and program activities and identify costs as reimbursable or non-reimbursable. Reimbursable costs are recovered in a manner that comports with relevant law. This D&S defines the procedures and requirements for recharacterizing or changing the initial reimbursability determination from reimbursable to non-reimbursable. Activities specifically identified by law or policy as reimbursable may not be recharacterized under the procedures in this D&S.
2. **Applicability.** This D&S applies to all Reclamation personnel responsible for the administration, management, or financial oversight of Reclamation programs and those employees involved in determining reimbursability and rate setting requirements.¹
3. **Definitions.**
 - A. **Activity.** A separable or unique task, or group of related tasks, identifiable to a project or program.
 - B. **Cost Share.** Requirement imposed by law, policy, regulation, contract or agreement that obligates benefiting parties—normally Federal and non-Federal parties—to split the costs of a project, program or facility.
 - C. **Program.** Federal program authorized by Reclamation or other Federal law.
 - D. **Project.** Federal project authorized by Reclamation law.

¹This D&S does not pertain to Policy and Administration funding or Working Capital Funding (WCF).

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- E. **Recharacterization.** Recharacterization is a change in the initial reimbursability determination of an activity/costs from reimbursable to non-reimbursable, when a program or project deemed reimbursable, in whole or in part, as a result of the process described herein, is being considered for a recharacterization as non-reimbursable for legitimate business reasons.
- F. **Reimbursable Costs.** Costs associated with those project purposes required by law to be reimbursable by project beneficiaries and therefore recovered through water and power rates (i.e., municipal and industrial water, power, and irrigation) or through repayment contracts with water users.
4. **Responsibilities.**
- A. **Deputy Commissioner, PAB.** In the event the Director, Program and Budget (Director) does not concur with a regional director (RD) on the recharacterization of an activity with annual costs of \$1,000,000 or more, the Deputy Commissioner, PAB is responsible for reviewing the entire package and making a final determination of the recharacterization.
- B. **Director.** The Director is responsible for
- (1) ensuring the requirements of this D&S are appropriately administered and maintained; and
 - (2) reviewing requests for recharacterization for activities with annual costs of \$1,000,000 or more in accordance with Paragraph 5.
- C. **RDs.** RDs are responsible for:
- (1) Implementing this D&S within their region; and
 - (2) reviewing requests for recharacterization for activities with annual costs greater than or equal to \$250,000 in accordance with Paragraph 5.
- D. **Area Managers.** [Optional] An RD may require area managers be are responsible for:
- (1) reviewing all requests for recharacterization and providing concurrence or non-concurrence in accordance with Paragraph 5; and
 - (2) consulting with subject matter experts as appropriate (e.g., regional solicitor, project/program managers, environmental officer, etc.) when making recommendation.

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- E. **Regional Financial Manager or Equivalent.** Regional financial managers are responsible for:
- (1) maintaining a listing of all requests for recharacterization from within the region and the status of such requests;
 - (2) reviewing all requests for recharacterization and providing concurrence or non-concurrence in accordance with Paragraph 5;
 - (3) consulting with subject matter experts as appropriate (e.g., regional solicitor, project/program managers, environmental officer, etc.) when making recommendation; and
 - (4) providing an annual report to the Policy, Integration and Execution Team in the Office of Program and Budget by October 31st of each year of all recharacterizations processed the previous Fiscal Year in accordance with Paragraph 5.G.
- F. **Regional Rate Setting or Repayment Offices.** Regional rate setting or repayment offices (including economists) are responsible for reviewing all requests for recharacterization and providing concurrence or non-concurrence in accordance with Paragraph 5.
5. **Recharacterization of Reimbursability.** For a recharacterization of an activity from reimbursable to non-reimbursable, requesting individuals shall prepare the request in accordance with Paragraphs 5.A. through 5.G.
- A. For any activity with annual costs of less than \$250,000, the regional financial manager or equivalent will review and approve as appropriate the recharacterization in accordance with Paragraphs 5.D. and 5.E.
 - B. For any activity with annual costs less than \$1,000,000 and greater than or equal to \$250,000, the RD will review and approve as appropriate the recharacterization in accordance with Paragraphs 5.D. and 5.E..
 - C. For any activity with annual costs \$1,000,000 and greater, the Director will review and approve as appropriate the recharacterization in accordance with Paragraphs 5.D. and 5.E.
 - D. Requests for recharacterization of activities from reimbursable to non-reimbursable will be made using the template in Appendix A and shall include the following information as applicable:

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- (1) The original determination of reimbursability of the project/program (e.g., repayment contract; operation, maintenance, and replacement transfer agreement; documents establishing Work Breakdown Structure (WBS) costs are currently charged to; legislation authorizing reimbursability characterization).
- (2) Copy of the applicable section(s) of prior years' Budget Justification (Greenbook).
- (3) Planned change in business practice(s) and/or customer requirements necessitating decision on potential recharacterization.
- (4) Regional solicitor opinion(s) and/or concurrences.
- (5) Emails or other documentation from reimbursability subject matter experts (SMEs).
- (6) Any requests for legislative language regarding program/project, as necessary.
Note: if a recharacterization requires legislation, the recharacterization will not be fully approved until legislation is passed.
- (7) Any other relevant information/documentation. This includes impacts to projects with Federal cost share limitations.

E. **Approval.** Individuals shall request recharacterization of reimbursability using the Decision Memorandum template in Appendix A. This Memorandum will be addressed to the appropriate approval authority as listed in Paragraphs 5.A., 5.B., or 5.C.

- (1) For recharacterization of activities with annual costs of less than \$1,000,000, final approval will be made within the region.
- (2) For recharacterizations of activities with annual costs of \$1,000,000 or more, the Director, in making his/her approval, will consult with subject matter experts to include the Congressional Affairs Office and the Commissioner's Office.
 - (a) The Director will consult with the headquarters Office of the Solicitor as to the legal sufficiency of the reclassification. The Office of the Solicitor will advise the Director of any legal concerns with the recommendation; they will work collaboratively to resolve any issues, if possible.
 - (b) The Director will provide his or her approval to the RD and the regional financial manager no later than 30 days after receipt.

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- (c) If the Director does not concur with the RD's proposed recharacterization, the package will be forwarded to the Deputy Commissioner, PAB for final decision.
- F. **Communications.** Once a recharacterization is approved, regions are responsible for communicating the recharacterization with project beneficiaries and other stakeholders in accordance with applicable communication policies.
- G. **Annual Reporting.** By October 31st of each year, each region will submit a listing of all approved recharacterizations from the previous Fiscal Year to the Policy, Integration and Execution Team in the Office of Program and Budget. If a recharacterization from the previous Fiscal Year is pending approval, include a short summary of the recharacterization and where it is in the recharacterization process. Negative reports are required.

RECLAMATION MANUAL TRANSMITTAL SHEET

Effective Date: _____

Release No. _____

Ensure all employees needing this information are provided a copy of this release.

Reclamation Manual Release Number and Subject

Summary of Changes

NOTE: This Reclamation Manual release applies to all Reclamation employees. When an exclusive bargaining unit exists, changes to this release may be subject to the provisions of collective bargaining agreements.

Filing instructions

Remove Sheets

Insert Sheets

All Reclamation Manual releases are available at <http://www.usbr.gov/recman/>

Filed by: _____

Date: _____