

Federal Grants vs. Federal Contracts

The Federal Government provides research and development funding to the University under a variety of mechanisms. The most common mechanisms are grants and contracts (a.k.a. procurement contracts). These two funding mechanisms are similar in many ways, but in execution very different.

While both are awarded competitively and authorized by law, grants are much more flexible than contracts. The Federal Government uses **grants** “to carry out a public purpose of support or stimulation authorized by a law of the United States instead of acquiring (by purchase, lease, or barter) property or services for the direct benefit or use of the United States Government.” 31 USC 6304. Grants are flexible instruments that the government uses to provide funding in hope of achieving a particular aim. The Principal Investigator then uses reasonably diligent efforts to complete the research and achieve the desired aim. However, if that aim is not achieved, there are usually no significant consequences (other than the fact that she might not get additional funding).

In contrast, the Federal Government uses **contracts** where “the principal purpose of the instrument is to acquire (by purchase, lease, or barter) property or services for the direct benefit or use of the United States Government.” 31 USC 6303. When the federal government issues a contract it is, in effect, procuring services and a *quid pro quo* relationship is established. In the most basic of terms, a contract is a legally binding document where one party promises to deliver a product or service in return for consideration from the other party. In the case of a federal contract, consideration almost always takes the form of monetary compensation. If the product or service is not delivered at the end of the contract, there are serious legal and monetary ramifications.

When working under a federal contract, the Principal Investigator must be prepared to complete tasks within the time frame proposed and on budget. Federal Contracts are governed by a strict set terms and conditions, including clauses from the Federal Acquisition Regulation (FAR). These contracts usually require frequent reporting requirements and a high level of responsibility to the sponsor. A failure to perform and achieve the promised results or product will result in potential legal action and financial consequences.

The following table summarizes the main differences between a grant and a contract.

CONTRACTS	GRANTS
<ul style="list-style-type: none"> • A binding agreement between a buyer and a seller to provide goods or services in return for consideration (usually monetary). 	<ul style="list-style-type: none"> • A flexible instrument designed to provide money to support a public purpose.
<ul style="list-style-type: none"> • Governed by Federal Acquisition Regulations 	<ul style="list-style-type: none"> • Governed by the terms of the grant agreement
<ul style="list-style-type: none"> • Relatively inflexible as to scope of work, budget, and other changes 	<ul style="list-style-type: none"> • Flexible as to scope of work, budget, and other changes
<ul style="list-style-type: none"> • Significant emphasis placed on delivery of results, product, or performance 	<ul style="list-style-type: none"> • Diligent efforts are used in completing research and the delivery of results
<ul style="list-style-type: none"> • Payment based on deliverables and milestones 	<ul style="list-style-type: none"> • Payment awarded in annual lump sum
<ul style="list-style-type: none"> • Frequent reporting requirements 	<ul style="list-style-type: none"> • Annual reporting requirements
<ul style="list-style-type: none"> • High level of responsibility to the sponsor for the conduct of the project and production of results 	<ul style="list-style-type: none"> • Principal Investigator has more freedom to adapt the project and less responsibility to produce results