



ADMINISTRATIVE COSTS GUIDANCE

The following general guidance is meant to assist a State Library Administrative Agency (SLAA) in planning, administering, and implementing IMLS LSTA-funded activities.

4% CEILING ON ADMINISTRATIVE COSTS

The maximum amount allowed under the Library Services and Technology Act (20 U.S.C. §9132(a)) for administrative costs is four percent (4%) of the funds received by a State from IMLS.

WHAT ARE ADMINISTRATIVE COSTS?

Administrative costs are the necessary, reasonable, allocable, and allowable costs associated with the SLAA's management, oversight, and administration of plans, programs, and activities funded under the IMLS LSTA program.

The following are examples of typical administrative costs that, if paid for with LSTA funds, would normally be considered administrative costs and subject to the 4% cap:

- Personnel and consultants who manage and administer the LSTA program (staff time is prorated for personnel not devoting full-time to LSTA management and administration).
- Travel expenses to carry out the management/oversight/administrative activities.
- Financial management costs, including audit costs, for the LSTA program.
- All indirect or facilities-related costs, such as rent, maintenance, utilities and security, incurred at the State level.
- State advisory council on libraries, other advisory councils or committee expenses.
- Publicizing the State Plan.
- Grant selection and award activities.
- Reporting.

Indirect Costs.

For State agencies that have an established indirect cost rate for Federal awards, administrative costs includes those costs that are covered in the agency's indirect cost rate. If a State agency does not have an established indirect cost rate, they may apply a fixed or stipulated rate of 4% for administrative costs in lieu of reimbursement for indirect costs.

Some States may have a statewide cost allocation plan (SWCAP) that is charged across all State agencies. When deciding whether and how much of the SWCAP would be allowed to be charged to the LSTA funds, the state should keep in mind that the amount allowed for administrative costs is capped at 4%.

This means that no more than 4% of the LSTA funds may be used to cover administrative costs (of any allowable nature), regardless of whether the actual amount that a State spends on managing and administering the LSTA program exceeds 4%.

IMLS is not authorized to waive the 4% administrative cap.

ALLOWABILITY OF ADMINISTRATIVE AND PROGRAM COSTS

SLAAs should also be careful not to charge surplus (in excess of the 4%) administrative costs to the 96% program amount. SLAAs should ensure that all costs, including those charged as programmatic, are necessary, reasonable, allocable, and allowable in accordance with applicable cost principles. If a cost does not meet all of these criteria, it will not be allowed.

It is important to assess each cost. A grantee is required to monitor grant supported activities to assure compliance with Federal requirements, and IMLS may disallow the cost of an activity or action that is not in compliance. Additionally, any funds paid in excess of the amount to which a grantee is entitled may constitute a debt to the Federal Government. For these reasons, close attention should be paid when administering LSTA activities.

EXCEPTIONS

Five-Year Plan and Five-Year Evaluation.

The Five-Year Plan and Five-Year Evaluation are periodic expenses that are statutorily mandated under 20 U.S.C. 9101 *et seq.* While these can be viewed as ordinary administrative costs covered by the 4% restriction, they can also be viewed as extraordinary costs, not usually associated with grants management. As a result, IMLS will accept these projects costs as either part of the 4% administrative costs or as part of the 96% program costs. The determination will be made by the SLAA and must be handled in a consistent manner. Whichever approach the State determines will decide how these projects will be reported in the State Program Report (SPR).

4% Restriction Not Applicable to Subgrantees.

The 4% administrative cost restriction applies only to the SLAA. Administrative costs at the subrecipient level are a part of the subaward and do not normally fall within the 4% ceiling restriction that applies at the SLAA level.

Effective beginning with FY15 awards: The SLAA is responsible for establishing the indirect cost rate for its subrecipients in accordance with the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards at 2 CFR Part 200. When acting as a pass-through entity, SLAAs are required to honor a subrecipient's federally negotiated indirect cost rate if one already exists. If no such rate exists, the SLAA must honor either a rate negotiated between the SLAA and the subrecipient (in compliance with federal guidelines) or the minimum rate of 10 percent of the subrecipient's modified total direct costs (MTDC). *See* 2 CFR 200.331.

REPORTING

If an SLAA uses LSTA funds to cover administrative costs, including indirect and facilities-related costs, those costs must be reported in the State Program Report (SPR) in a separate project record and also on the Financial Status Report (FSR).