

## **ALLOWABLE COSTS: PROPOSAL WRITING AND FUND RAISING**

The following general guidance is meant to assist a State Library Administrative Agency (SLAA) in determining allowable and unallowable costs related to proposal writing and fund raising for Library Service and Technology Act (LSTA) grant awards and subawards.

SLAAs also must review the applicable Code of Federal Regulation (CFR) Cost Principles for more complete information on allowable and unallowable costs (2 CFR 200 Subpart E: Cost Principles). Please be advised that the CFR takes precedence over IMLS Grants to States Guidance. Additionally, please consult with your Program Officer with any questions or for further guidance on allowable costs for LSTA grant awards.

With respect to whether a state or local government entity, including an SLAA, may use LSTA funds to prepare grants, the following statutes and regulations are relevant:

2 CFR 200.460 states:

*Proposal costs.* Proposal costs are the costs of preparing bids, proposals, or applications on potential Federal and non-Federal awards or projects, including the development of data necessary to support the non-Federal entity's bids or proposals. Proposal costs of the current accounting period of both successful and unsuccessful bids and proposals normally should be treated as indirect (F&A) costs and allocated currently to all activities of the non-Federal entity. No proposal costs of past accounting periods will be allocable to the current period.

20 USC 9141. Grants to States

- (a) In general. Of the funds provided to a State library administrative agency...such agency shall expend, either directly or through subgrants of cooperative agreements, at least 96 percent of such funds for--...expanding services...establishing or enhancing electronic and other linkages...providing training and professional development...enhancing efforts to recruit future professionals...developing public and private partnerships...targeting library services [for diversity, disability, underserved urban and rural communities, and families below the poverty line]...developing library services...
- (b) Special rule. Each State library administrative agency...may apportion the funds available for the purposes described in subsection (a) as appropriate to meet the needs of the individual State.”

The following guidelines, therefore, derive from the two above-cited citations:

- 1) The governmental entity should normally treat proposal costs of the current accounting period as indirect costs;

2) The governmental entity may use any portion of its administrative costs, subject to the 4% cap, for the purpose of preparing proposals for federal grants;

3) The governmental entity may request prior approval from IMLS to be allowed to charge such an activity as a **direct** cost. However, under 20 USC 9141 (Grants to States), it is unlikely that general proposal preparation costs could be interpreted to be in furtherance of the LSTA Grants to States' eight priorities – and thus would likely not be approved by IMLS as a **direct** cost.

The following regulation applies with regard to fund raising and investment management costs:

§200.442 Fund raising and investment management costs.

(a) Costs of organized fund raising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred to raise capital or obtain contributions are unallowable. Fund raising costs for the purposes of meeting the Federal program objectives are allowable with prior written approval from the Federal awarding agency.

(b) Costs of investment counsel and staff and similar expenses incurred to enhance income from investments are unallowable except when associated with investments covering pension, self-insurance, or other funds which include Federal participation allowed by this part.

(c) Costs related to the physical custody and control of monies and securities are allowable.

(d) Both allowable and unallowable fund raising and investment activities must be allocated an appropriate share of indirect costs under the conditions described in §200.413 Direct costs.

In so far as proposal writing costs might be considered a type of fund raising, it would be allowable only as an indirect cost (d). In addition, one would have to determine what activities are “allowable” and how to calculate costs in the context of §200.413 Direct costs.

*Updated 12/18/2015*