



Revisiting Allowable Costs

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Overview

- Refresher on Legislation and Regulations
 - The IMLS Statute
 - 2 C.F.R. Part 200, Subpart E Cost Principles
 - 2 C.F.R. § 200.403 – Factors affecting allowability of costs
 - Common Unallowable Costs
- Framework for Justifying a Certain Cost
- Direct vs. Indirect Costs
- Other Cost Considerations

U.S. Constitution

Federal Laws, including:

20 U.S.C. § 9101 *et seq.*
(IMLS Statute, including LSTA)

2 C.F.R. 200, “Uniform Grants Guidance”
(Government-wide grant regs)

State Laws

There is an order of
precedent for laws
governing federal grants.



Federal Legislation and Regulations*

- **Museum and Library Services Act (IMLS Statute), which includes:**
 - Library Services and Technology Act
- **Uniform Grants Guidance**
 - In the Code of Federal Regulations at 2 C.F.R. Part 200

*NOTE: we have more [IMLS grant-related legislation and regulations](#), but we'll focus on these two



LSTA Includes Definitions

- Library
 - Public, school, tribal, academic, research, special
- Library consortium
- State
 - 50 states, DC, 5 territories, 3 freely associated states
- SLAA (you)
 - Charged by law to carry out library services
- State plan



Purposes and Priorities of LSTA

- There are 12 LSTA purposes (20 U.S.C. § 9121)
 - They broadly cover library services through areas such as access, resource sharing, partnerships, library workforce, and preservation
 - They are tied to the Maintenance of Effort (MOE) requirement
- There are also 8 Grants to States priorities within LSTA (20 U.S.C. § 9141)
 - They are similarly broad and also reference underserved audiences
 - They are tied to the Five-Year Plan and incorporate the purposes
- IMLS itemizes both the purposes and priorities on our website:
<https://imls.gov/grants/grants-state/purposes-and-priorities-lsta>



Other Practical Implications of LSTA

- Everything funded with LSTA must connect back to the five-year plan
- Construction is unallowable:
 - No tearing down walls, laying fiber, pouring concrete, installing permanent things. Ask yourself “Could I move it if I needed to?”
 - You CAN purchase a justified item (e.g., HVAC unit), and if it requires extensive installation, pay for the install separately and not count it as Match
 - And generally yes to: privacy pod installation, bookmobile retrofits, hearing loop wiring, self-serve lockers
- You must comply with the Children’s Internet Protection Act (CIPA) if you use LSTA funds for internet-related things

State Laws

- May determine eligibility (because LSTA says so)
- May outline other programmatic requirements



Franklin County Law Library / LibGuides / Library Law : Ohio and Federal / Ohio Laws

Library Law : Ohio and Federal: Ohio Laws

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Ohio Revised Code

- Oh. Rev. Code Sec. 135.352
The investment authority shall invest all moneys in the county public library fund that are not distributed due to an appeal of the budget commission's allocation of such fund.
- Oh. Rev. Code Sec. 149.11
Distributing publications intended for general public use - record retention- to local libraries
- Oh. Rev. Code Sec. 149.432
Prohibitions against releasing library record or patron information.
- Oh. Rev. Code Sec. 307.02
Methods for providing county facilities.
- Oh. Rev. Code Sec. 307.03
The board of county commissioners may, by resolution, permit the use of public grounds or buildings under its control for a public library.
- Oh. Rev. Code Sec. 307.51
County law library resources board
- Oh. Rev. Code Sec. 307.511
Law library resources board members

Ohio Administrative Code

- Oh. Admin. Code Chapter 3375
State Library Board

Scenario: LSTA Grant eligibility



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2 C.F.R. Part 200: Uniform Grant Guidance

- Includes requirements for ALL Federal grants
- Establishes uniform administrative requirements, allowable costs, and audit requirements
- Offers the guiding principle: is the cost reasonable and necessary?
- Applies principles of allowability to both SLAA funds and Match
- Sets out requirements for pass-through entities (SLAAs)
- Will have updates in effect on Oct. 1, 2024 (FY 2025 awards)

2 C.F.R. Part 200, Subpart E Cost Principles

- Includes:

- General Provisions
- Basic Considerations
- Direct and Indirect Costs
- Special Considerations for States
- General Provisions for Selected Items of Cost
 - Alphabetical listing of common costs
 - eCFR is also searchable: <https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200>

▼ Part 200	Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards	200.0 – 200.521
▶ Subpart A	Acronyms and Definitions	200.0 – 200.1
▶ Subpart B	General Provisions	200.100 – 200.113
▶ Subpart C	Pre-Federal Award Requirements and Contents of Federal Awards	200.200 – 200.216
▶ Subpart D	Post Federal Award Requirements	200.300 – 200.346
▶ Subpart E	Cost Principles	200.400 – 200.476
▶ Subpart F	Audit Requirements	200.500 – 200.521



2 C.F.R. § 200.403: Allowability

Under “Basic Considerations,” Costs must be **Necessary** and **Reasonable**, as well as:

- Be consistent with policies for both federal and non-federal activities
- Follow generally accepted accounting principles (GAAP)
- Not be used for matching requirements for other federal awards (few exceptions)
- Be adequately documented
- Be incurred during the approved budget period (except closeout costs)



Common Unallowable Costs: Entertainment

- No parties or celebrations
- No concerts
- No alcohol
- If it does not have an educational component, it is a NO
- See: [2 C.F.R. § 200.438 Entertainment](#)

Scenario: Entertainment

“Polka King of the Midwest?”



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Common Unallowable Costs: General Advertising

- No general advertising or marketing for the library
- You CAN advertise a LSTA-funded service, but it should be reported with related project costs
- See: [2 C.F.R. § 200.421 Advertising and public relations](#)
- See also: [IMLS guidance on Advertising, Public Relations, and Promotional Materials](#)

Scenario: Advertising





Common Unallowable Costs: Advocacy

- No lobbying to lawmakers or contributing to political campaigns
- No fundraising activities
- No direct costs toward applying for other grants (indirect costs only)
- General grant writing workshops are ok, as it is considered building capacity
- See: [2 C.F.R. § 200.450 Lobbying](#) and [§ 200.442 Fundraising](#)
- See also: [IMLS guidance on Proposal Writing and Fundraising](#)

Scenario: Advocacy



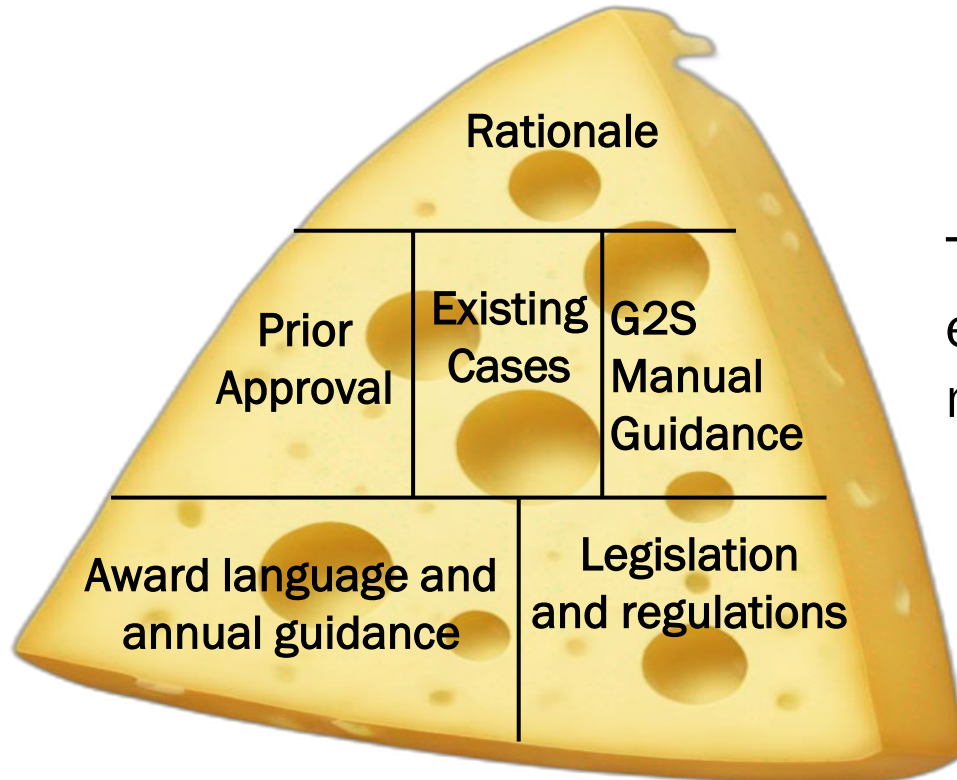
More money
for libraries!!!



Other Common Unallowable Costs

- Costs associated with starting a new organization (2 C.F.R. § 200.455)
- Personal memberships (institutional memberships are allowable) (2 C.F.R. § 200.445 and § 200.454)
- Bad debts/funds for services not rendered (2 C.F.R. § 200.426)
- Video surveillance equipment from certain companies (2 C.F.R. § 200.216)
- Furniture with no programmatic purpose
- Adding to endowments
- Activities unrelated to [LSTA purposes and priorities](#)

Framework for Justifying a Certain Cost



The more of these elements are present, the more solid your case is!

Let's take a breather

Table Discussion:

- What are your thoughts so far?
- What are people confused about?





Direct vs. Indirect Costs

- [Direct costs \(2 C.F.R. § 200.413\)](#) can be identified with a particular cost objective (i.e., project).
 - Examples: staff, equipment, consultant fee, travel expenses
- [Indirect costs \(2 C.F.R. § 200.414\)](#) are for a common or joint purpose benefitting more than one cost objective (i.e., project).
 - Examples: heating, lighting, accounting and personnel administration, office furniture, rent, phone lines

See also, IMLS admin costs memo: https://imls.gov/sites/default/files/administrativecosts_feb2015.pdf

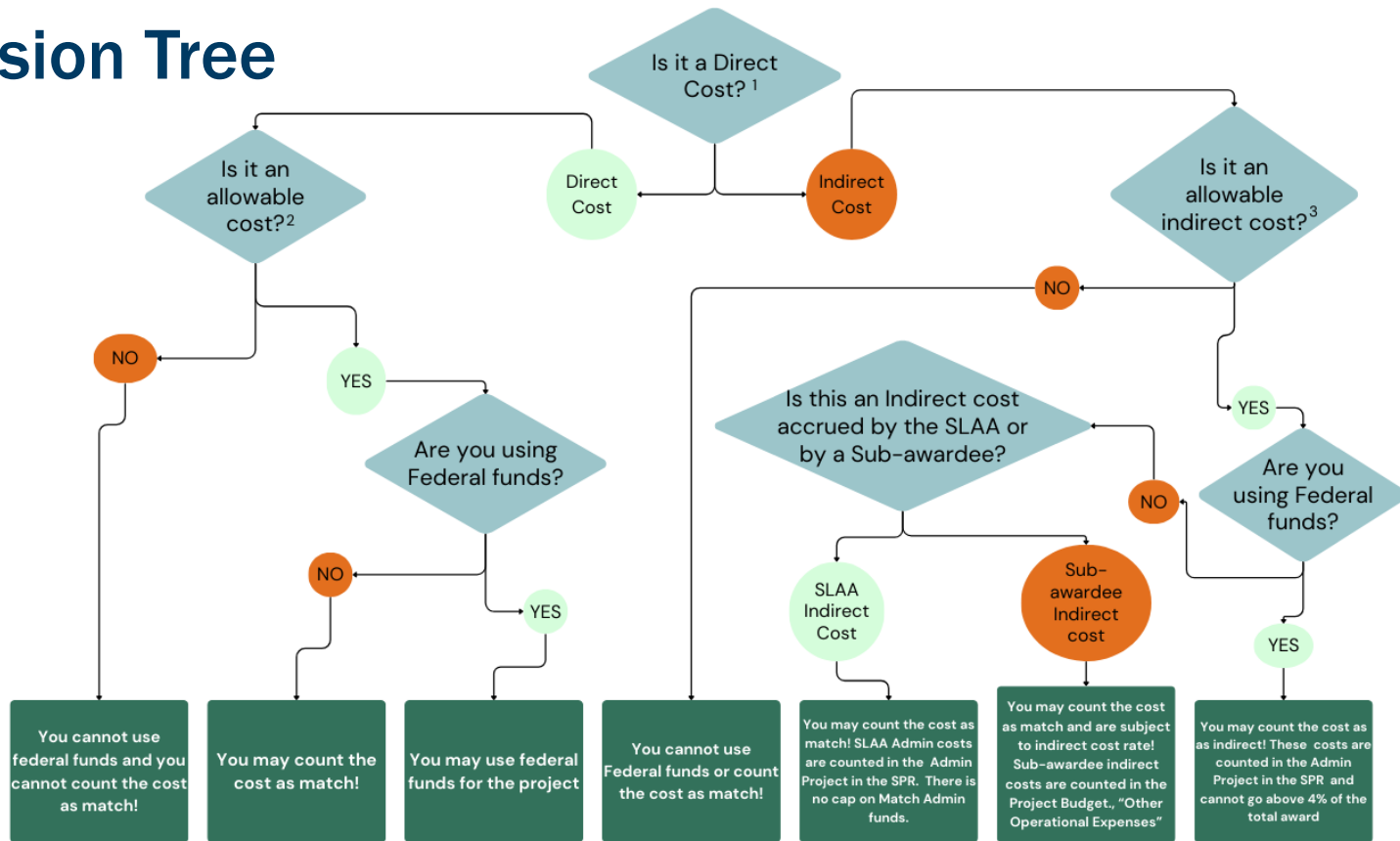


Indirect/Administrative/ Operational Costs

- LSTA has a 4% Administrative cap for SLAAs (there is no indirect cap for subrecipients). Be mindful of:
 - All facilities-related costs incurred at the state level
 - Office or other furniture that doesn't directly relate to a project
 - Phone lines
- Any de minimis (currently 10% indirect) subawards should calculate based on Modified Total Direct Costs (MTDC) (see [2 C.F.R. § 200.1 Definitions](#))
 - MTDC excludes equipment, rental costs, tuition remission, scholarships and fellowships, [participant support costs](#), etc.
 - It only applies to the first \$25K (soon \$50K) of any subawards/subcontracts

THESE ARE UNALLOWABLE AS DIRECT COSTS

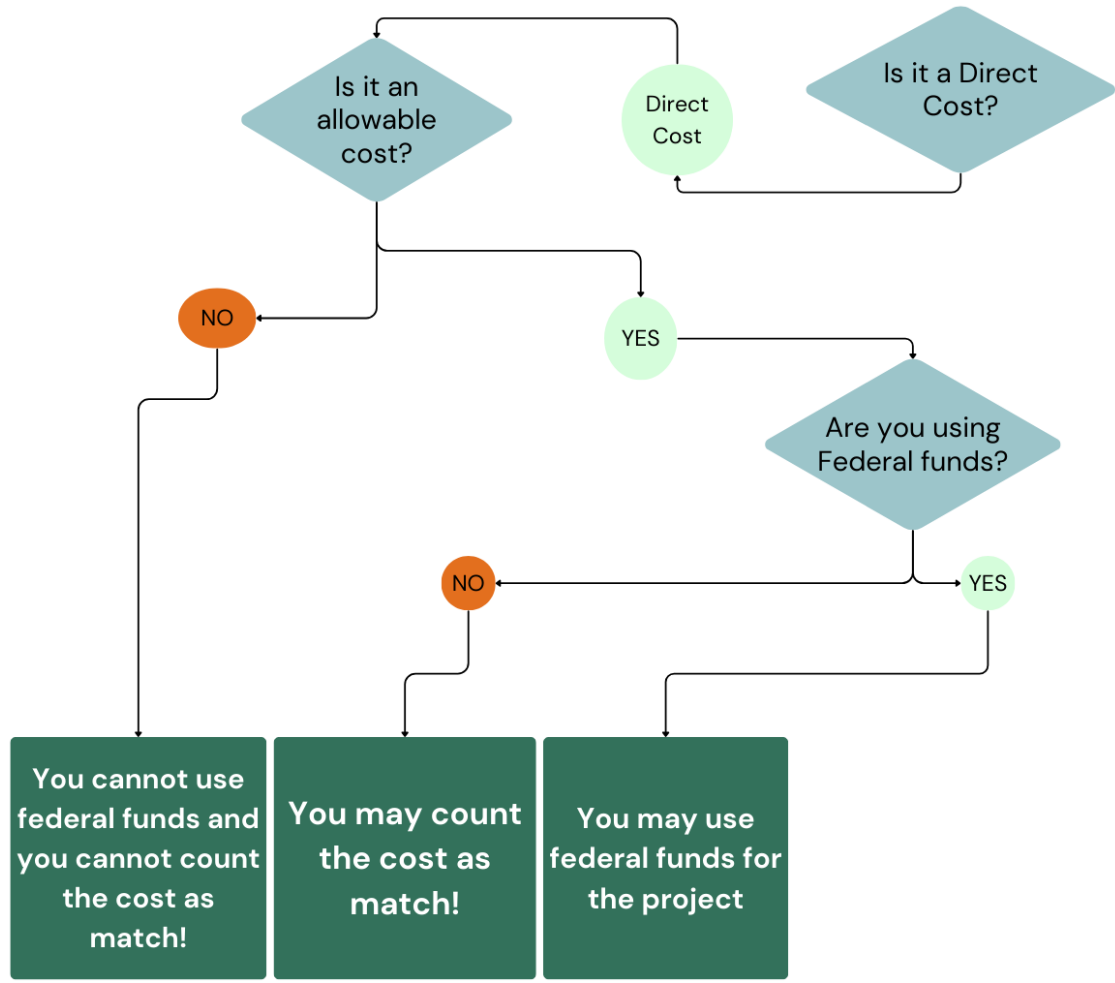
Cost Decision Tree

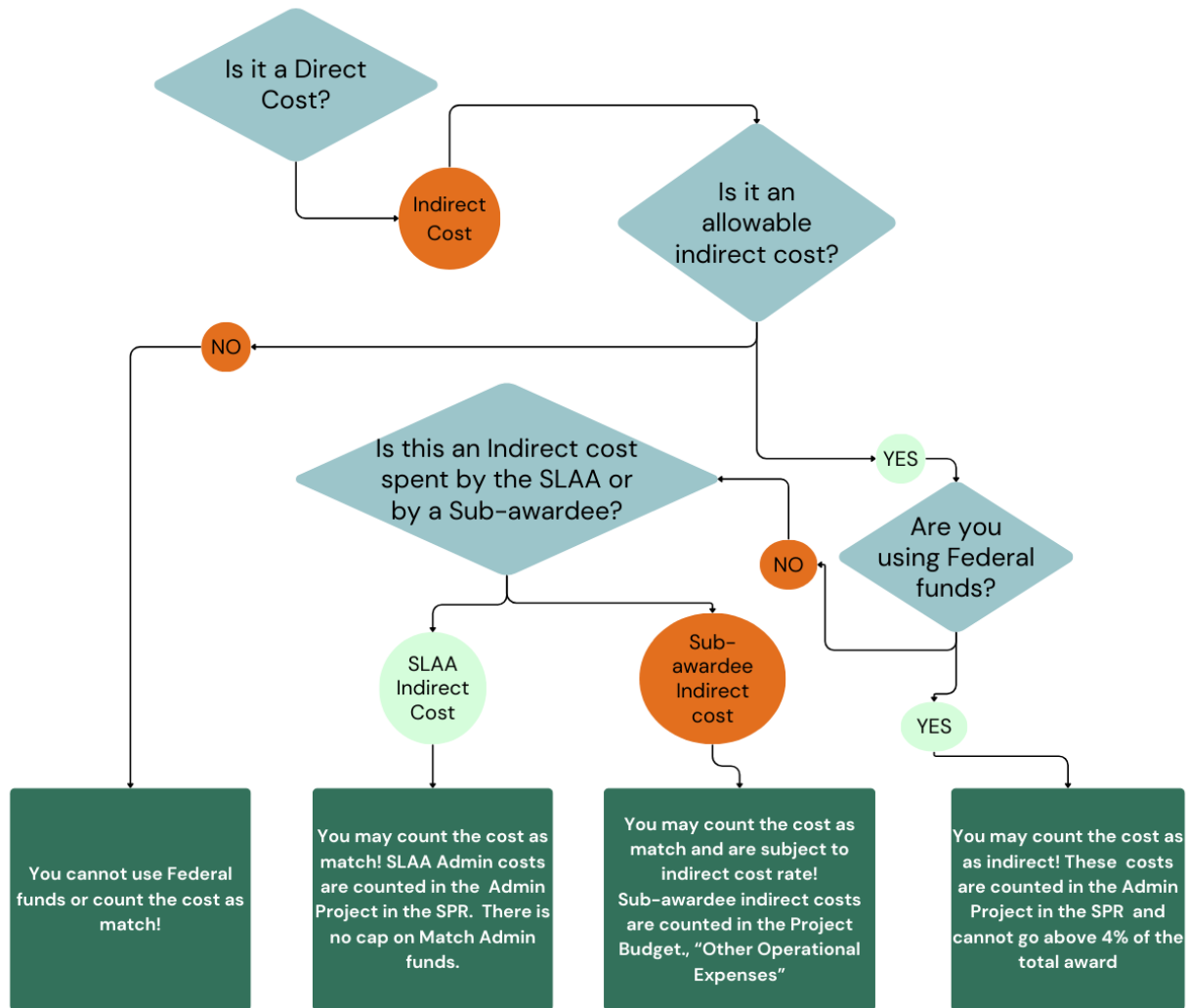


1. **2 CFR 200.413 Direct costs:** <https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-E/subject-group-ECFRd93f2a98b1f6455/section-200.413>

2. **Tip Sheet for Allowable Costs:** https://www.imls.gov/sites/default/files/tipsheetforallowablecosts_dec2015.pdf

3. **G2S Administrative Costs memo:** https://www.imls.gov/sites/default/files/administrativecosts_feb2015.pdf







Other Considerations: Project Dates

- Costs dated before the project period start date (October 1) and after the end date (September 30) are unallowable
- Materials and equipment must be ordered and delivered within the grant award period
- Liquidations of costs may occur up to 120 days after the award period is over
- Grant period extensions (especially due to unspent funds) are generally not allowed
- See: [2 C.F.R. § 200.403 Factors affecting allowability of costs.](#)

Scenario: Project Dates



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Other Considerations: Salaries & Benefits

- Hours worked must be pro-rated to the project ([2 C.F.R. § 200.405 Allocable costs](#))
- Generally cannot cover incentives or bonuses
- Volunteer hours can be converted to in-kind match (Match-Other in the SPR)
- See: [2 C.F.R. § 200.430 Compensation](#)



Other Considerations: Program Income

- Does your project charge someone money?
- Earned funds must generally go back into the project and must be pre-approved by your Program Officer
- See [IMLS guidance on Program Income](#)



Other Considerations: Required Certifications

- The certs apply to ALL your LSTA funded projects
- They require adherence to non-discrimination
- They prohibit using your position for personal gain
- Full set of certifications are signed
 - 1) at the time of the new five-year plan, and
 - 2) at the onboarding of a new Authorized Certifying Official
- Annual certifications are signed at the time of the award



Other Considerations: You're a Pass-through

- If you are making subawards, there is required documentation, risk assessment, and monitoring
- You will have gray areas
- See: [2 C.F.R. § 200.332 Requirements for pass-through entities](#)



Questions?