



## *Categories of Cost*

*The difference between  
Administrative and Program costs,  
and the implications for your grant*

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## Why this is important

### ADMINISTRATIVE COSTS

Pursuant to 20 CFR 667.210(b), grantees are advised that there is a 10% limitation on administrative costs on funds administered under this grant. The Grant Officer may, however, approve additional administrative costs up to a maximum of 15% of the total award amount, if adequate justification is provided by the grantee at the time of the award. In no event, may administrative costs exceed 15% of the total award amount. The cost of administration shall include those disciplines enumerated in 20 CFR 667.220(b) and (c).

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## Defining Costs

- Program Costs
  - Related to the direct provision of services to participants.
- Administrative Costs
  - Related to defined administrative functions that support the provision of services to participants. Functions are defined in 20 CFR 667.220.



## Defining Administrative Costs

1. General administrative functions and coordination of such functions
2. Oversight & monitoring related to administrative functions
3. Costs of goods/services required for Admin. functions of the project
4. Travel costs for carrying out Admin. activities and overall management
5. Costs of MIS related to strictly Admin functions
6. Subrecipient/vendor awards solely for Admin. functions
7. That part of an Indirect Cost Pool which covers administrative costs

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## Admin & Program on the 424a

SECTION B - BUDGET CATEGORIES			
6. Object Class Categories	GRANT PROGRAM, FUNCTION		
	(1)	(2)	(3)
a. Personnel	\$	\$	\$
b. Fringe Benefits			
c. Travel			
d. Equipment			
e. Supplies			
f. Contractual			
g. Construction			
h. Other			
i. Total Direct Charges <i>(sum of 6a-6h)</i>		0.00	0.00
j. Indirect Charges			
k. TOTALS <i>(sum of 6i and 6j)</i>	\$	0.00	\$ 0.00

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## Budget for “HVAC & Solar Training/Jobs” Project

		SECTION B - BUDGET	
6. Object Class Categories		(1)	
a.	Personnel	\$ 58,500.00	\$
b.	Fringe Benefits	9,945.00	
c.	Travel	348.00	
d.	Equipment	7,500.00	
e.	Supplies	18,200.00	
f.	Contractual	3,000.00	
g.	Construction	-	
h.	Other	-	
i.	Total Direct Charges (sum of 6a - 6h)	\$ 97,493.00	\$
j.	Indirect Charges	9,000.00	
k.	TOTALS (sum of 6i and 6 j)	\$ 106,493.00	\$

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## What is Admin vs. Program?

<b>Object Class Category (a.): PERSONNEL</b>				
A Position	B % of Time	C Monthly Salary/Wage	D # of Months	E Cost
1. Instructor #1	100.00%	\$ 4,000.00	6.00	\$ 24,000.00
2. Instructor #2	100.00%	4,000.00	6.00	24,000.00
3. Job Placement Specialist	25.00%	2,500.00	12.00	7,500.00
4. Accountant	10.00%	2,500.00	12.00	3,000.00
5.				

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## What is Admin vs. Program?

Object Class Category (b.): FRINGE BENEFITS				
A	B	C	D	E
Position/s	Benefit/s	Rate	Base Amount	Cost
1.			\$	\$
2. Instructor #1	Full Package	17.00%	24,000.00	4,080.00
3. Instructor #2	Full Package	17.00%	24,000.00	4,080.00
4. Job Placement Specialist	Full Package	17.00%	7,500.00	1,275.00
5. Accountant	Full Package	17.00%	3,000.00	510.00

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## What is Admin vs. Program?

Object Class Category (c.): TRAVEL					
A Item	B # of Staff	C # of Units	D Unit Type	E Cost per Unit	F Cost
1 Job Placement Spec. Employer Visits	1.00	400.0	Miles	\$ 0.58	\$ 232.00
2 Accountant monitoring visits (2)	1.00	200.0	Miles	0.58	116.00
3					
4					

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## What is Admin vs. Program?

<b>Object Class Category (d.): EQUIPMENT</b> (Includes equipment costing \$5,000 or more and a useful life of more than one year)			
A Item	B # of Items	C Cost per Item	D Cost
1. Training Boiler system for HVAC program	1	\$ 7,500.00	\$ 7,500.00
2.			

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## What is Admin vs. Program?

<b>Object Class Category (e.): SUPPLIES</b> (Includes equipment costing less than \$5,000)				
A Item	B # of Units	C Unit Type	D Cost per Unit	E Cost
1. Panels for solar install program	15	Item/s	\$ 1,000.00	\$ 15,000.00
2. Routine office supplies for staff	1	Case/s	\$1,200.00	\$1,200.00
3. Postage	10	Month/s	\$200.00	\$2,000.00

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## What is Admin vs. Program?

Object Class Category (f.): CONTRACTUAL	
A Brief Description	B Cost
1 Contract to develop database to track participant data	\$ 3,000.00
2	

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## What is Admin vs. Program?

<b>Object Class Category (h.): OTHER COSTS</b> (Including Training Expenses)				
A	B	C	D	E
Item	# of Units	Unit Type	Cost per Unit	Cost
1. N/A			\$	\$

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## What is Admin vs. Program?

<b>TOTAL INDIRECT CHARGES</b>	<b>\$</b>	<b>9,000.00</b>
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### **Budget Narrative - INDIRECT CHARGES**

Indirect charges cover salaries for Executive Director and COO, utilities, and rent for our facility (includes office space of project personnel).

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TOTAL INDIRECT CHARGES \$ 9,000.00

## Budget Narrative - INDIRECT CHARGES

Indirect charges cover salaries for Executive Director and COO, utilities, and rent for our facility (includes office space of project personnel).

- What part of this \$9,000 is Admin, what part is Program?
  - Exec Director & COO almost definitely all Admin Cost
  - Utilities & Rent
    - Part covers direct services (e.g., program staff space/utilities)
    - Part covers non-direct services (e.g., accountant space/utilities)
- *Grantee determines \$6,500 is Admin, \$2,500 is Program*

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## How Does This Look Now?

		SECTION B - BUDGET	
6. Object Class Categories		(1)	
a.	Personnel	\$ 58,500.00	\$
b.	Fringe Benefits	9,945.00	
c.	Travel	348.00	
d.	Equipment	7,500.00	
e.	Supplies	18,200.00	
f.	Contractual	3,000.00	
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i.	Total Direct Charges (sum of 6a - 6h)	\$ 97,493.00	\$
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## Cumulative Proposed Admin Costs

- \$3000 **Personnel** / *Accountant*
- \$510 **Fringe** / *Accountant*
- \$116 **Travel** / *Accountant*
- \$3200 **Supplies** / *Postage & Routine Supplies*
- \$6500 **Indirect Charges** / *72% of Pool*

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- \$13,326 Total Projected Admin Costs



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*Questions at this Point?*

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## Indirect Charges and DOL grants

- Grantees must have an Indirect Cost Agreement (ICA) to claim ANY indirect charges
- ICAs typically reflect a high percentage of Admin Costs, but can include Program Costs

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## Indirect Charges and DOL grants, Continued

- Administrative Costs  $\neq$  Indirect Charges
  - *Administrative: Defined in 20 CFR 667.220 based on function. May or may not be covered by an ICA.*
  - *Indirects: Defined by an ICA as a percentage of an Allocation Base (e.g., Base = total direct costs, excluding Personnel & Fringe).*
- The Administrative Cost limit of a grant overrules the approved ICA Allocation Base rate.



## Example – ETA Admin Limit Overrides Indirect Cost Rate

Grant Award = \$71,725. Admin Limit is 10% (\$7,172)

**OPTION A**

For grantees that have an approved Indirect Cost Rate Agreement	
Federal agency that issued the agreement	HHS
What is the approved rate (%)?	40% On Campus
What is the base against which rate is applied? (Note: enter description as specified in the agreement)	Total Direct costs, excluding capital expenditures
What is the the base amount (\$)?	\$ 71,725.00
Enter the rate (%) that will be used for this grant	9.00%
Enter the amount (\$) that will be used for this grant	\$ 6,455.25

The ICR says to apply a 40% rate to the Base Amount. But a 40% rate cannot be applied to the ETA grant, since doing so would result in exceeding the 10% ETA limit on Administrative Costs. The grantee is using 9% for this ETA grant.

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## Program Income

- Program income is gross income received by a grantee or subgrantee by a grant-supported activity, or earned only as the result of having the grant.
  - *But for the grant, the income would not have been realized*
  - *Mostly concerned about income during the grant Period of Performance*

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## Program Income Examples

- Fees for services
- User or rental fees
- Sale of products
- Sale/salvage of equipment purchased

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## Is Tuition Considered Program Income?

YES

- *If* grantees cover all training costs through grant funds, and charge tuition/fees on top, *then* tuition and fees ARE program income.



## Handling Program Income

- Report program income on Quarterly Financial Reports.
- Must use the “addition method” to further the aims and goals of grant, in compliance with the rules and within the Period of Performance
- Deducting costs incidental to generating program income is allowable.

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## Cost Category Tips

- Don't panic
- Master this presentation content and you can handle the everyday challenges
- Make sure both your program and fiscal staff are on the same page with this content
- Don't panic

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## *Categories of Cost - Questions?*

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