

LIHEAP ADMINISTRATION COSTS

This paper is an overview of LIHEAP administrative costs and will provide grantees with the following information:

1. What the LIHEAP statute and regulations say about administrative costs, including the 10 percent limit
2. Exceptions to the 10 percent limit
3. Federal guidance on administrative costs
4. Carryover of Administrative Funds
5. Using TANF Rules for Administrative Costs
6. Sample grantee definitions: administrative vs program costs

1) LIHEAP Statute and Regulations

LIHEAP Statute Section 2605(9)(A) and (B) provides that--

(A) the State may use for planning and administering the use of funds under this title an amount not to exceed 10 percent of the funds payable to such State under this title for a fiscal year; and

(B) the State will pay from non-Federal sources the remaining costs of planning and administering the program assisted under this title and will not use Federal funds for such remaining cost (except for the costs of the activities described in paragraph (16 -) (commonly referred to as Assurance 16);

(16) use up to 5 percent of such funds, at its option, to provide services that encourage and enable households to reduce their home energy needs and thereby the need for energy assistance, including needs assessments, counseling, and assistance with energy vendors, and report to the Secretary concerning the impact of such activities on the number of households served, the level of direct benefits provided to those households, and the number of households that remain unserved.

Any costs in excess of the 10 percent limit must be paid from non-federal funds.

Exception: Other Federal funds (such as CSBG funds) may be used to pay for the costs associated with administering Assurance 16 activities, without regard to the 10percent limit on the use of federal funds for planning and administration. However, LIHEAP funds used to administer Assurance 16 activities do count against the 10 percent limit.

2) Exception to 10 percent limit

According to LIHEAP block grant regulations at 45 CFR 96.88(b), administrative costs for tribes and insular area (territorial) grantees may be greater than 10 percent. There are two ways to calculate the administrative cost cap depending on the size of the tribal allotment.

1. If a tribe receives an allotment of \$20,000 or less, the cap for administrative funds is 20 percent of the allotment or up to \$4,000.
2. For tribes that have allotments greater than \$20,000, the maximum administrative cost is \$4,000 plus 10 percent of the total allotment minus \$20,000.

All other statutory and regulatory provisions concerning administrative costs apply to all LIHEAP grantees.

3) Federal Guidance on administrative costs

The federal government does not define administrative costs; however, the HHS Division of Energy (DEA) Assistance has addressed the issue and provided some general guidance in an [Information Memorandum](#) published March 15, 2000.

While not specifically defining administrative costs, the memorandum stated that costs associated with taking applications, determining eligibility and benefit levels, and monitoring the assistance provided, are normally administrative in a predominantly cash assistance program such as LIHEAP. It went on to say that most outreach activities are not considered administrative, in that outreach encompasses some activities that are administrative and others that are not.

In resolving any issue raised by a complaint or a federal audit, HHS/DEA will accept the state's definition unless it is based on an interpretation of the statute that is "clearly erroneous". [45 CFR 96.50(e)]. HHS will examine grantee programs on a case-by-case basis, looking in particular to other state programs that provide analogous benefits to determine the appropriateness of the State's definition of administrative costs for LIHEAP.

Other key points:

Neither the LIHEAP statute nor the LIHEAP regulations make any distinction between direct and indirect costs. Grantees must determine which activities - administrative or non-administrative - are directly related to LIHEAP and which are shared costs to be allocated among LIHEAP and other programs. All direct costs and all indirect costs attributable to LIHEAP administration must be counted towards the 10 percent limit.

Grantees should note that LIHEAP regulation explicitly requires that *all* costs for administrative activities be counted toward the maximum, whether they are incurred by state or local agencies, or by contractors [(45 CFR 96.88(a)].

4) Carryover of administrative funds

LIHEAP grants are issued for a two-year grant period (90 percent of funds obligated in the first year, 10 percent in the second year).

Administrative costs not used in the first program year, may be used the second year for administrative purposes. These funds are part of carryover funds that cannot exceed 10 percent limit.

Example: If the grantee uses 8 percent of funds for administration in FY 2013, the grantee may carry over 2 percent of administrative funds to the next program year, FY 2014. The 2 percent can be added to the 10 percent allowable for administrative costs in FY 2011. Carried over administrative funds may also be used for other purposes such as program benefits.

5) Using TANF Rules for Administrative Costs

When defining administrative costs, grantees should consider using the same definitions used in other public assistance programs such as TANF. HHS IM [“LIHEAP Costs for Planning and Administration”](#) reviews TANF administrative costs rules and states: “Grantees should consider whether the new TANF regulations affect their interpretation of what constitutes administrative costs for the LIHEAP program.” Some states have adopted the TANF regulations for LIHEAP operations, as outlined below. TANF administrative costs are defined in 45 CFR Parts 263 and 264:

TANF **excludes** direct program costs such as:

- Providing program information to clients
- Screening and assessments (not eligibility determination)
- Providing program information to clients
- Case management
- Salaries and benefits for staff providing direct services and the direct administrative costs associated with providing the services, such as the costs for supplies, equipment, travel, postage, utilities, rental and maintenance of office space.
- IT needed for tracking and monitoring statutory requirements

TANF **includes** direct costs providing program services such as:

- Salaries and benefits for administrative staff
- Activities related to eligibility determination
- Preparation of plans and budgets
- Monitoring
- Fraud and abuse prevention
- Procurement
- Public relations
- Audits, accounting, litigation, management of property, payroll, and personnel
- Goods and services used in the course of other administrative functions
- IT systems not related to tracking and monitoring statutory requirements

6) Sample grantee definitions: administrative versus program costs

States have a variety of definitions for administrative and program costs; the attached document shows definitions used by several states, followed by a list of functions associated with LIHEAP administration and program delivery and some variations used by states in categorizing them.