

Grants' Administrative Costs: A Federal Perspective

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Administrative Costs for Grants

No common definition

Could include:

- ▶ Central agency costs
- ▶ Central department costs
- ▶ Program administration costs

Nomenclature Adds Complexity

- ▶ Administrative costs vs. direct program costs
- ▶ Direct vs. indirect costs as defined by OMB cost principles

Diversity of Grants Complicates Determining Administrative Costs

- ▶ Size
- ▶ Grant's purpose—Service? “Product”?
Administrative?
- ▶ Directly administered vs. pass-through
- ▶ Grantee's type of entity

Caps on Reimbursement for Administrative Costs

- ▶ Some grants have caps: Set by law, regulation, or program guidance
- ▶ Grants to universities – “Administrative costs” limited to 26%
- ▶ Definitions differ; some contradict

Affect of Reimbursement Rates

- ▶ Caps and limitations can affect grantees' decisions on participation
- ▶ Reimbursement affects entities' ability to operate effectively and maintain infrastructure

“...Administrative expenses, though classified as ‘overhead,’ allow the organization to achieve its mission and improve its performance and sustainability.” [Guidestar]

Information on Grantees' Administrative Costs

- ▶ Transparency of grantees' administrative cost information is mixed
- ▶ Programs' federal administrative costs are also difficult to quantify

Comparability of Administrative Costs

- ▶ Definitions vary
- ▶ Administrative cost caps don't reflect true costs
- ▶ Administrative costs are not always collected
- ▶ Indirect costs – not a precise proxy
- ▶ Some entities pursue administrative cost recovery more aggressively than others
- ▶ Additional administrative burden of better data



Resources

- ▶ OMB's "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" (search on title)
- ▶ GAO reports (see www.gao.gov) :
 - ▶ Nonprofit Sector: Treatment and Reimbursement of Indirect Costs Vary among Grants, and Depend Significantly on Federal, State, and Local Government Practices. GAO-10-477. May 18, 2010.
 - ▶ University Research: Policies for the Reimbursement of Indirect Costs Need to Be Updated. GAO-10-937. Sept. 8, 2010.

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