
ATTENTION OF:
All Louisiana Low Income Home Energy
Assistance Program (LIHEAP) Providers

NOTICE: LHP-2018-01

ISSUED: DECEMBER 4, 2018

This notice remains in effect until amended,
superseded, or rescinded

SUBJECT: Definitions of Administrative Costs and Programmatic Cost Categories

PURPOSE

In an ongoing effort to improve the quality of oversight, transparency, and accountability, the Louisiana Housing Corporation (LHC), “Grantee”, has defined and clarified the Louisiana definitions of administrative costs and programmatic costs as it relates to the Low Income Home Energy Assistance Program (LIHEAP).

BACKGROUND

The following statutory and regulatory guidance has been provided by the Department of Health and Human Services as a basis for a State’s definition of administrative and programmatic costs:

- Section 2605(b)(9) of the LIHEAP statute requires grantees to assure that they will follow these requirements:
 - 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));
- The regulations at 45 CFR 96.50(e) state:

The Department recognizes that under the block grant programs the States are primarily responsible for interpreting the governing statutory provisions. As a result, various States

may reach different interpretations of the same statutory provisions. This circumstance is consistent with the intent of and statutory authority for the block grant programs. In resolving any issue raised by a complaint or a Federal audit the Department will defer to a State's interpretation of its assurances and of the provisions of the block grant statutes unless the interpretation is clearly erroneous.

- The regulations at 45 CFR 96.88(a) state:

Any expenditure for governmental functions *normally associated with administration in a public assistance program* must be included in determining administrative costs subject to the statutory limitation on administrative costs, **regardless of whether the expenditure is incurred by the State, a subrecipient, a grantee, or a contractor of the State.**

- The preamble to the block grant program regulations cited in 45 CFR 96.88(a) provided additional guidance (52 Federal Register 37961- 37964, published October 13, 1987) regarding the Department's position on administrative costs in a cash assistance program such as LIHEAP, including the following:

...While we are not including the list of specific functions in the final rule, nonetheless, we believe that the costs associated with those functions, i.e., taking applications, determining eligibility and benefit levels, and monitoring the assistance provided, are normally administrative in a predominantly cash assistance program, such as LIHEAP. Consequently, we will carefully assess any other categorization of these costs in our compliance reviews and in our reviews of audit findings. We will continue to 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.

...We agree that outreach activities are not intrinsically administrative...The term encompasses activities that are administrative and others that are not.

LOUISIANA STATE DEFINITIONS

I. ADMINISTRATIVE COSTS

The term "administrative costs" means costs necessary for the proper administration and management oversight of the Louisiana LIHEAP program, including all costs, both direct and indirect, associated with the general administration and coordination of the program; supportive services including accounting, human resource, and procurement; development of policies, goals and objectives; participant intake and eligibility determination; and monitoring.

- A. All Federal funds used to administer LIHEAP activities (except for the costs associated with client education – Assurance 16) count against the 10% State limit and are considered an administrative cost.
- B. It **excludes** direct costs of providing program services.
 - 1. For example, it excludes costs of providing diversion benefits and services, providing program information to clients, screening and assessments, development of employability plans, work activities, post-employment services, work supports, and case management. It also excludes costs for contracts devoted entirely to such activities.
 - 2. It excludes the salaries and benefits costs for staff providing program services and the direct administrative costs associated with providing the services, such as the costs for supplies, equipment, travel, postage, utilities, rental of office space and maintenance of office space.
- C. It **includes** costs for general administration and coordination of these programs, including contract costs and all indirect (or overhead) costs. Examples of administrative costs include:
 - 1. Salaries and benefits of staff performing administrative and coordination functions (fiscal, executive, and support);
 - 2. Activities related to intake functions, including eligibility determination, assessing income and benefit levels, and application processing;
 - 3. Preparation of program plans, budgets, and schedules;
 - 4. Monitoring of programs and projects;

5. Fraud and abuse prevention;
6. Procurement activities;
7. Public relations;
8. Services related to accounting, litigation, audits, management of property, payroll, and personnel;
9. Costs for goods and services required for administration of the program such as the costs for supplies, equipment, travel, postage, utilities, and rental of office space and maintenance of office space, provided that such costs are not excluded as a direct administrative cost for providing program services under paragraph (l)(b) of this section;
10. Travel costs incurred for official business and not excluded as a direct administrative cost for providing program services under paragraph (l)(b) of this section;
11. Trainings and/or Meetings related to national organizations, fiscal training, strategic planning, and overall staff development;
12. Management information systems not related to the tracking and monitoring of LIHEAP requirements (e.g., for a personnel or payroll system for State staff); and
13. Preparing reports and other documents.

II. PROGRAM SUPPORT COSTS

The term “program support costs” means actual costs that are non-administrative in nature but are for activities directly related to outreach, information resource and referral, case management and crisis service necessary to serve eligible households.

- A. Other federal sources may subsidize this non-administrative category without any effect on the allocation limit given by the State.
- B. It includes direct costs of providing program services which are **not strictly** associated with intake and eligibility determination. Examples of direct program support costs include:

1. Costs associated with program outreach, including dissemination of program information, information on and referral to other programs, taking applications, and staffing of outreach sites;
2. Screening and assessments (not eligibility determination);
3. Referrals to other agencies, assistance in budgeting for utilities, short-term case work, coordination of benefits on behalf of a household;
4. Case work in response to a household's energy emergency, including all crisis related activities, such as intervention with utility companies, negotiation with township trustees or other agencies on behalf of a household;
5. Salaries and benefits for staff providing direct program services and the direct costs associated with providing the services, such as the costs for supplies, equipment, travel, postage, utilities, rental and maintenance of office space;
6. Costs associated with home visits (e.g. mileage, gas);
7. Expenses related to maintenance of outreach sites;
8. Trainings and/or Meetings related to case management, intake worker training, and LHC provided-training; and
9. Management information systems related to the tracking and monitoring of LIHEAP statutory requirements.

III. CLIENT EDUCATION COSTS (ASSURANCE 16)

The term "client education costs" means costs associated with activities that support providing direct services to the eligible participant, including but not limited to, energy conservation activities which encourage and enable participants to reduce their home energy needs and thereby the need for energy assistance, including needs assessments, counseling, and assistance with energy vendors, and reporting regarding such activities.

- A. LIHEAP funds used to administer Assurance 16 activities **do** count against the 10% State limit and are considered an administrative cost.

- B. 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 10% State limit on the use of federal funds for planning and administration.
- C. Examples of client education costs include:
1. Energy Education: An educational plan or activity for customers that requires purchases of materials to conduct the training or activity, and the labor cost associated with this activity.
 2. Production or acquisition of DVD'S, CD'S, brochures, or pamphlets, the cost associated with the development or procurement of those materials, and the labor cost associated with this activity.
 3. Itineraries or flyers indicating an energy conservation training or conference, and the labor cost associated with producing and distribution of these flyers.
 4. Copies of newspaper, radio, or television advertising cost related specifically to customer education and/or outreach, and the labor cost associated with preparation and distribution of these advertisements.
 5. Purchase and distribution of CFL and/or LED light bulbs. Distribution must include information on the energy savings generated by the use of CFL and/or LED bulbs, and the labor cost associated with this activity.
 6. Purchase and distribution of energy kits, and the labor cost associated with procuring and distributing these products.
 7. Purchase of laptop computers, WI-FI hot spot equipment, purchase of USB type modems to use with laptops, purchase of portable printers to conduct off-site outreach to new clients, and the labor cost associated with procuring these products.
 8. Outreach activities: Going out into the community and educating individuals about the LIHEAP and Weatherization programs, including referrals to Weatherization. The cost of materials used during outreach, and the labor cost associated with this activity should be charged to the Client Education Program.

IV. CLIENT ASSISTANCE

The term “client assistance” means funds available for energy assistance payments to or on behalf of eligible households.

CLARIFICATION OF COMMON ADMINISTRATIVE COST ISSUES

I. USE OF OTHER FEDERAL FUNDS FOR ADMINISTRATIVE COSTS

As noted above, the statute requires that administrative costs in excess of the administrative cost ceiling must come from *non-federal funds*.

In 1991, the Government Accounting Office issued a report, "Low Income Home Energy Assistance: HHS Has Not Assured State Compliance with Administrative Cost Restrictions" (GAO/HRD-91-15). The issue raised in the report involved a state's use of Community Services Block Grant funds to supplement the 10% of LIHEAP funds that the state was using for LIHEAP administrative costs. As a result, this office issued FSA-IM- 91-19, in which we reminded grantees that any Federal funds used for LIHEAP administration and planning must be applied to the 10% limit on federal funds. The only exception to this restriction is for costs associated with administering Assurance 16 activities.

This means, for example, that CSBG funds may not be used to administer LIHEAP if that will put total Federal funds used for LIHEAP administration costs over the 10% limit.¹

A local agency has the option to do an overall CSBG intake assessment of a household, simultaneously determining the LIHEAP need, and allocate personnel time proportionately to CSBG—as the CSBG assessment of the household’s comprehensive needs are being determined.

II. DIRECT AND INDIRECT COSTS

Neither the LIHEAP law nor the LIHEAP regulations make any distinction between direct and indirect costs. This distinction is relevant only in determining which activities - administrative or non-administrative - are directly related to LIHEAP and which are shared costs to be allocated among LIHEAP and other programs.

¹ LIHEAP IM 2000-12 Costs for Planning and Administration – Updated Information

All direct costs and all indirect costs attributable to LIHEAP administration must be counted towards the 10% limit.²

III. STATE VS. LOCAL OR CONTRACTOR COSTS

The 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.²

CONCLUSION

All costs must be cost-share allocated, allowable, and reasonable in order to be an eligible LIHEAP cost.

This notice hereby amends the current Louisiana LIHEAP Program Guide.

If you have any questions regarding this notice, please contact the LHC Energy Assistance Department at E4@lhc.la.gov or Lauren Holmes at lhartley@lhc.la.gov or 225-763-8700.

Louisiana Housing Corporation (LHC)
Energy Assistance

² LIHEAP IM 2000-12 Costs for Planning and Administration – Updated Information