

2% Administrative Cost Cap

- **What is the limitation on administrative costs for the grant?**
- Per HEA section 203(d), an eligible partnership that receives a grant may use not more than two percent of the funds provided to administer the grant.

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- **What are considered administrative costs?**
- Administrative costs encompass grant expenses associated with administering the grant. These costs can be both personnel and non-personnel, and both direct and indirect. Therefore, the limitation applies to the combined claims for indirect costs and direct administration costs. Generally, direct administrative costs differ from indirect charges in that the latter are considered organization-wide costs.

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- Examples of direct administrative costs are salaries, benefits, and other expenses of the recipient's staff that perform the following functions:
 - Overall program management, program coordination, and office management functions including the salaries and related costs of the executive director, project director and/or project evaluator;
 - Preparing program plans, budgets schedules, and related amendments;
 - Monitoring of programs, projects, subrecipients and related systems and processes;
 - Developing systems and procedures, including management information systems, for assuring compliance with program requirements;
 - Preparing reports and other documents related to the program requirements;
 - Evaluating program results against stated objectives; and
 - Divisional level administrative services such as program specific accounting, auditing or legal activities.

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- Examples of non-labor costs for direct administration include:
 - Costs for goods and services required for administration of the program, including the rental or purchase of equipment, utilities, office supplies, postage, and rental and maintenance of office space; and
 - Travel costs incurred for official business in carrying out program management.
- Costs are NOT considered administrative if they are considered “facility” costs under an approved indirect cost rate agreement (see 2 CFR §200.414).

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