



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-3000

OFFICE OF LEAD HAZARD CONTROL AND
HEALTHY HOMES

POLICY GUIDANCE NUMBER:	PGI 2015 - 01	DATE: April 10, 2015
SUBJECT:	Clarification of costs for LHRD and LBPHC grant programs	
STATUS:	Current	
APPLICABILITY:	LHRD and LBPHC grant programs	
RELATED GUIDANCES:	<p>For federal awards made <i>prior to December 26, 2014</i>:</p> <ul style="list-style-type: none">• 24 CFR part 84 (2013)¹ (institutions of higher education, hospitals, and other non-profits);• 24 CFR part 85 (2013)² (state, local, and Indian tribal governments); and• OMB Circulars A-21 (educational institutions), A-87 (state, local, and Indian tribal governments), and A-122 (non-profit organizations).³ <p>For federal awards made <i>on or after December 26, 2014</i>:</p> <ul style="list-style-type: none">• 2 CFR part 200.⁴	
COMMENTS:	This PGI will replace PGI 2012-01.	

This policy guidance is being used to clarify program costs, administrative costs, direct costs, and indirect costs for Lead-Based Paint Hazard Control (LBPHC) grants and Lead Hazard Reduction Demonstration (LHRD) grants. **Table 1** provides a visual representation of all cost categories and the minimum and maximum limits for each cost category.

Allowable Costs

A cost may be charged to a federal grant only if it is allowable. To be allowable, a cost must be reasonable; necessary to perform the program; allocable to grant as either a direct or indirect cost; consistently treated in like circumstances; adequately documented; and otherwise consistent with the applicable Notice of Funding Availability, the terms and conditions of the award, and the regulations in “Related Guidances,” above.⁵

¹ To access the 2013 edition of the Code of Federal Regulations, visit www.gpo.gov/fdsys/browse/collectionCfr.action?selectedYearFrom=2013&go=Go

² See the link in the previous footnote.

³ All OMB Circulars, including those referenced here, are available at www.whitehouse.gov/omb/circulars_default.

⁴ For more information on 2 CFR part 200 and an explanation of the differences between 2 CFR part 200 and the OMB Circulars, see the following:

- OMB’s Frequently Asked Questions, at <https://cfo.gov/wp-content/uploads/2014/08/2014-08-29-Frequently-Asked-Questions.pdf>
- Uniform Guidance Crosswalk from Existing Guidance to Final Guidance, at www.whitehouse.gov/sites/default/files/omb/fedreg/2013/uniform-guidance-crosswalk-from-predominate-source-in-existing-guidance.pdf
- The December 26, 2013, and December 19, 2014, notices on this rule, at <https://federalregister.gov/a/2013-30465> and <https://federalregister.gov/a/2014-28697.pdf>, respectively.
- The full text of 2 CFR part 200, at www.gpo.gov/fdsys/browse/collectionCfr.action?collectionCode=CFR

⁵ See 2 CFR § 200.403.

If you need help determining whether a cost is allowable, contact your assigned Government Technical Representative (GTR).

Direct v. Indirect Costs

All allowable costs are either *direct costs* or *indirect costs*.⁶ Direct costs are those costs that can be identified specifically with the OLHCHH grant, or that can be directly assigned to the grant relatively easily with a high degree of accuracy. For Lead-Based Paint Hazard Control (LBPHC) grants and Lead Hazard Reduction Demonstration (LHRD) grants, direct costs consist of all program costs and all “direct administrative costs” (See “Program v. Administrative Costs,” below).

Indirect costs, on the other hand, are a sub-category of administrative costs and represent the expenses of doing business that are not readily identified with a particular grant, contract, project function or activity, but are necessary for the general operation of the organization and the conduct of activities it performs. For more information on indirect costs, see **Attachment 1**.

Program v. Administrative Costs

Program costs are costs that directly support the grant program’s mission and services. Administrative costs, on the other hand, do not directly support the grant program’s mission and services. As described below, there are two categories of program costs: lead hazard control (LHC) program costs⁷ and other program costs⁸. Administrative costs consist of two categories of costs: (1) direct administrative costs (costs for the general management, oversight, and coordination of the grant—i.e., program administration) and (2) indirect costs.

For LBPHC and LHRD grants, program costs are a sub-category of direct costs. Administrative costs may be either direct costs (“direct administrative costs”) or indirect costs (with indirect costs as a sub-category of administrative costs). For a visual representation of the relationship among direct, indirect, program, and administrative costs, see **Table 1**.

If you need help determining whether a cost is an administrative or program cost, contact your assigned Government Technical Representative (GTR).

- **Program Costs**
Program costs are those costs that directly support the LBPHC and LHRD grant programs’ mission of identifying and controlling lead-based paint hazards.

There are two types of program costs:

⁶ 2 CFR part 200, which applies to federal awards made on or after December 26, 2014, refers to “indirect (F&A) costs.” For the purposes of this policy guidance, the phrase “indirect (F&A) costs” is interchangeable with “indirect costs” (OMB Circulars A-87 and A-122) and “facilities and administrative (F&A) costs” (OMB Circular A-21).

⁷ Previously referred to as “Lead Hazard Control Direct Costs” in the NOFA

⁸ Previously referred to as “Other Allowable Direct Costs” in the NOFA

- ***Lead Hazard Control (LHC) program costs*** (previously referred to as “Lead Hazard Control Direct Costs” in the NOFA); and
- ***Other Program Costs*** (previously referred to as “Other Allowable Direct Costs” in the NOFA).

LHC program costs are costs specifically related to the performance of lead hazard control activities, as defined in Attachment 1. Other program costs are costs that directly support the grant program’s mission of identifying and controlling lead-based paint hazards, but are not directly tied to lead hazard control activities, like equipment, blood leads testing, outreach, etc.

- For LBPHC grants, LHC program costs must make up *at least 65 percent* of the grant amount.
- For LHRD grants, LHC program costs must make up *at least 80 percent* of the grant amount.

For a list of allowable LHC program costs and other program costs, see **Attachment 2**.

- **Administrative Costs**

For the purposes of LBPHC and LHRD grants, administrative costs are costs that do not directly support the grant program’s mission and services. There are two categories of administrative costs: (1) direct administrative costs (costs for the general management, oversight, and coordination of the grant—i.e., program administration) and (2) indirect costs. Recipients of LBPHC and LHRD grants must ensure that not more than 10 percent of the total grant will be used for administrative costs. Administrative costs incurred by the recipient, subrecipients, and consultants hired to oversee or manage specific contract or grant objectives all count towards the 10 percent administrative cost limit. For the purposes of LBPHC and LHRD grants, all indirect costs and direct administrative costs count towards the 10 percent administrative cost limit. For more information on administrative costs, see **Attachment 3**.

Table 1. Cost Categories for Lead-Based Paint Hazard Control (LBPHC) Grants and Lead Hazard Reduction Demonstration (LHRD) Grants

Direct Costs		Indirect Costs	
Direct costs are those costs that can be identified specifically with a particular grant, or that can be directly assigned to the grant relatively easily with a high degree of accuracy.		(Maximum set by negotiated indirect cost rate)	
Program Costs (90% Minimum)		Administrative Costs (10% Maximum)	
Program costs are costs that directly support the grant program’s mission of identifying and controlling lead-based paint hazards. There are two types of program costs: Lead hazard control (LHC) program costs and other program costs.		Administrative costs are costs that do not directly support the grant program’s mission and services. There are two categories of administrative costs: (1) direct administrative costs and (2) indirect costs. <i>Note that the 10% maximum includes all indirect costs and all direct administrative costs.</i>	
Lead Hazard Control (LHC) Program Costs LBPHC—65% Minimum LHRD—80% Minimum	Other Program Costs	Direct Administrative Costs	Indirect Costs
Lead hazard control program costs are costs specifically related to the performance of lead hazard control activities . <i>See Attachment 1 for a list of allowable lead hazard control activities.</i>	Other program costs are costs that directly support the grant program’s mission of identifying and controlling lead-based paint hazards, but that are not specifically related to the performance of lead hazard control activities. <i>See Attachment 1 for list of allowable other program activities.</i>	Direct administrative costs are costs incurred for the general management, oversight, and coordination of the grant (i.e., program administration). <i>See Attachment 2 for list of allowable direct administrative costs.</i>	Indirect costs represent the expenses of doing business that cannot be specifically identified with a particular grant, contract, project function or activity, but are necessary for the general operation of the organization and the conduct of activities it performs. These types of costs are often referred to as “overhead” costs. <i>See Attachment 3 for a description of indirect costs.</i>

Attachment 1.

Indirect Costs

What are indirect costs?

Indirect costs are a sub-category of administrative costs and represent the expenses of doing business that are not readily identified with a particular grant, contract, project function or activity, but are necessary for the general operation of the organization and the conduct of activities it performs. These types of costs are often referred to as “overhead costs.”

What is an indirect cost rate?

An indirect cost rate is a calculation for determining fairly and conveniently within the boundaries of sound administrative principles, what proportion of indirect cost each program should bear. Note that indirect costs are incurred for common or joint objectives and cannot be readily identified with a particular grant, contract or other activity of the organization. An indirect cost rate is the ratio between the total indirect expenses and some direct cost base. The indirect cost allocation methods used by each organization depend on its own structure, program functions, and accounting system.

For federal awards made *prior to December 26, 2014*, Office of Management and Budget (OMB) Circulars A-21 (educational institutions), A-87 (state, local, and Indian tribal governments), and A-122 (non-profit organizations) establish the federal requirements for the determination of allowable and unallowable direct and indirect (or “facilities and administrative”) costs, and are available at the following website: www.whitehouse.gov/omb/circulars/default.

For federal awards made *on or after December 26, 2014*, 2 CFR 200, subpart E—Cost Principles, establishes the federal requirements for the determination of allowable and unallowable direct and indirect (F&A) costs, and is available at the following website: www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl.

How are indirect cost rates determined?

The cognizant federal agency is the agency responsible for approving indirect cost rates for a grant based on an indirect cost proposal submission. The indirect cost proposal or cost allocation plan should:

1. Identify all the activities carried on by the recipient’s overall entity (organization, department, agency, university, etc.) or a specific unit of the entity, and its attendant costs. All activities must be included regardless of the source of funds used to pay for them.
2. Incorporate those costs allocated to the departments or units through the central service cost allocation plan.

3. Classify the activities and their costs as direct or indirect.
4. Eliminate from indirect costs capital expenditures and those stipulated as unallowable by OMB Circular or program legislation, if any.
 - a. This step requires a determination of whether to “exclude” any disallowed or distorting costs or reclassify those costs to the direct costs base. The determining factor is that if the cost at issue generates overhead or benefits from indirect costs, then it should be reclassified to the base and allocated a fair share of indirect costs.
5. Compute the rate by dividing the total remaining indirect costs by the direct cost base selected for distribution of the indirect costs. The most frequently used base is Modified Total Direct Costs (MTDC).

Attachment 2.

Program Costs for Lead-Based Paint Hazard Control (LBPHC) Grants and Lead Hazard Reduction Grants (LHRD)

There are two types of program costs: Lead hazard control (LHC) program costs and other program costs.

(1) Lead Hazard Control (LHC) Program Costs

Allowable lead hazard control (LHC) program costs are defined as costs specifically related to the performance of LHC activities, as defined below. When preparing the budget, you must document how *at least 65 percent* of the requested grant amount for the Lead-Based Paint Hazard Control (LBPHC) grant program, or *at least 80 percent* of the requested grant amount for the Lead Hazard Reduction Demonstration (LHRD) grant program is dedicated specifically for lead hazard control activities. Lead hazard control activities are defined as:

- a. **Inspections/Testing.** Performing lead dust, soil and paint-chip testing, lead-based paint inspections, risk assessments, clearance examination, and engineering and architectural activities that are required for, and in direct support of, interim control and lead hazard control work, of eligible housing units constructed prior to 1978 to determine the presence of lead-based paint and/or lead hazards from paint, dust, or soil through the use of acceptable testing procedures.
- b. **Hazard Control.** The control or elimination of all lead-based paint hazards identified in housing units and in common areas of multi-family housing by either or a combination of interim controls or lead-based paint abatement. For a complete description of interim controls and abatement, see HUD's *Guidelines for the Evaluation and Control of Lead-Based Paint Hazards in Housing*, located at http://portal.hud.gov/hudportal/HUD?src=/program_offices/healthy_homes/lbp/hudguidelines.
- c. **Required Minimal Rehabilitation.** Undertaking minimal housing intervention activities that are specifically required to carry out effective hazard control, and without which the hazard control could not be completed, maintained, and sustained. Refer to HUD Policy Guidance 2008-02 on the OLHCHH website, located at http://www.hud.gov/offices/lead/library/lead/PGI-2008-02_Doing_Minimal_Rehab.pdf.
- d. **Relocation.** Carrying out temporary relocation for temporarily displaced families and individuals while the LHC work in an affected unit is conducted and until the time the unit receives clearance for re-occupancy. When persons with disabilities are temporarily relocated, they must be placed in housing that provides, at a minimum, the same accessibility features as the housing in which they currently resides. HUD expects that most temporary relocation for lead hazard control work would be for 10 days or less.
- e. **Support Costs Associated with Lead Hazard Control Activities.** Activities that directly support the undertaking of lead hazard control, and without such support

activities, the lead hazard control could not be conducted. These costs may include: staff costs for intake, review and approval of applications and preparation of documents to be signed by applicants for LHC work; staff costs for arranging for temporary relocation; staff costs associated with reimbursement and providing assistance to residents in relation to lead hazard control; on-site monitoring of LHC activities; and travel and transportation for staff that perform lead hazard control.

(2) **Other Program Costs**

Reasonable and necessary costs for the activities below are allowable program costs, but are not considered “Lead Hazard Control” costs (i.e., counted towards the 65% or 80% minimum):

- a. **Equipment.** You may not purchase or lease of equipment having a per-unit cost in excess of \$5,000, except for the purchase or lease of up to two X-ray fluorescence (XRF) analyzers to be used exclusively by the grant program. Award recipients that purchase XRF analyzers must submit the General Services Administration’s annual Tangible Personal Property Report, and its components, Standard Form (SF) 428 and SF 428-A through 428-D, the Annual Report, the Final (Award Closeout) Report, and the Disposition Report/Request, and, if needed, the Supplemental Sheet (see http://www.whitehouse.gov/omb/grants_forms). Generally, the average estimated time to complete each of these components is 0.5 hours; it is likely to be less for this grant program. For purchasing or leasing equipment under \$5,000 apiece, the recipient need not complete the Tangible Personal Property Report.
- b. **Worker Protection.** Performing blood lead testing or air sampling to protect the health of the hazard control workers, supervisors, and contractors.
- c. **Occupant Blood Testing.** Conducting pre-hazard control blood lead testing of persons residing in or frequently visiting units undergoing lead hazard control work.
- d. **Outreach, Education, and Training.** Conducting targeted outreach, affirmative marketing, education or outreach programs on lead hazard control and lead poisoning prevention that will result in increased lead hazard control activities or that are designed to increase the ability of the program to deliver lead hazard control services, including educating owners of rental properties, tenants, and others on the Residential Lead-Based Paint Hazard Reduction Act, Lead Disclosure Rule, Lead Safe Housing Rule (24 CFR part 35, subparts A, B-R), and applicable provisions of the Fair Housing Act, especially as it pertains to familial status (e.g., families with children) and disability discrimination, providing meaningful access to these program benefits and information to Limited English Proficient (LEP) individuals through language assistance strategies and services, in accordance with Title VI of the Civil Rights Act of 1964 and the *Final Guidance to Federal Financial Assistance Recipients Regarding Title VI, Prohibition Against National Origin Discrimination Affecting Limited English Proficient Persons* published on January 22, 2007 in the *Federal Register* (72 FR 2732) (for more information, see section III.C.3, Compliance with Nondiscrimination and Related Requirements, of the Fiscal Year 2015 **General Section**⁹ (or, for subsequent fiscal years, the corresponding section), and providing

⁹ http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/grants/fundsavail/2015gensec.

- training on lead-safe maintenance and renovation practices and management. Upon request, this also would include making all materials available in alternative formats to persons with disabilities (e.g., Braille, audio, and large type) pursuant to 24 CFR section 8.6(b) and Titles II and III of the Americans with Disabilities Act, as applicable. Also, a registry of lead-safe units must be developed and provided to families as part of the outreach program.
- e. **Capacity Building.** Providing resources to build capacity for lead-safe housing and lead hazard control, including free delivery of HUD-approved lead-safe work practices training courses for housing rehabilitation contractors, rehabilitation workers, renovators, remodelers, homeowners, renters, painters, maintenance staff, and others conducting renovation, rehabilitation, maintenance, hazard control, or other work in private housing; free delivery of lead sampling technician training, lead-based paint worker or contractor certification training; subsidies for licensing or certification fees to low-income persons seeking credentials as lead-based paint workers or contractors, lead sampling technicians or certified renovators; and completion of other HUD-approved courses that further the effectiveness of lead hazard control interventions or promote the integration of this grant program with housing rehabilitation, property maintenance, weatherization, healthy homes initiatives, and housing-related health hazard interventions, such as the Essentials for Healthy Homes Practitioners Course.
 - f. **Lead Safe Housing Rule compliance.** Conducting planning, coordination, and training activities to comply with HUD's Lead Safe Housing Rule (24 CFR part 35, subparts B-R). These activities must support the expansion of a workforce properly trained in lead-safe work practices that is available to conduct interim controls on HUD-assisted housing covered by these regulations.
 - g. **Insurance.** Securing liability insurance for housing-related environmental health and safety hazard evaluation and control activities, if the scope of the insurance is restricted to work under this grant. Note: If the scope of the insurance is restricted to work under this grant, the cost is a direct cost. If the scope of the insurance is not restricted to work under this grant, such as insurance for facilities or those costs covered under an indirect cost rate plan, the insurance cost is considered an indirect cost.
 - h. **Professional Certifications and Licenses.** Securing and maintaining certification and licenses for identification, remediation, and clearance of housing-related health and safety hazards.
 - i. **Research and Studies.** Participating in technical studies, or developing information systems to enhance the delivery, analysis, or conduct of lead hazard control activities; or to facilitate targeting and consolidating resources to further childhood lead poisoning prevention efforts. For this program, we do not expect research that could affect human subjects to be conducted.

Attachment 3.

Administrative Costs

For OHHLHC grants, there are two types of administrative costs: (1) direct administrative costs, and (2) indirect costs. The 10% maximum limit on administrative costs for LBPHC and LHRD grants includes all direct administrative costs and all indirect costs.

(1) Direct Administrative Costs

Direct administrative costs are costs that are reasonable, necessary, allocable as direct costs, and otherwise allowable costs of general management, oversight, and coordination of the grant (i.e. program administration). Such costs include, but are not limited to, expenditures for the following:

- a. Salaries, wages, fringe benefits, and related costs of the recipient's staff engaged in program administration that can be specifically identified with the grant. In charging costs to this category the recipient may either include the entire salary, wages, and related costs allocable to the program of each person whose primary responsibilities with regard to the program involve program administration assignments, or the pro rata share of the salary, wages, and related costs of each person whose job includes any program administration activities. The recipient may use only one of these methods during the grant period. Program administration includes, but is not limited to, the following types of activities:
 - i. Providing local officials and the public with information about the program, except that costs for targeted outreach, affirmative marketing, education or outreach for LHC programs are considered program costs (See “Other Program Costs”);
 - ii. Preparing program budgets and schedules, and amendments to them;
 - iii. Developing systems for assuring compliance with program requirements, except that costs for participating in technical studies, or developing information systems to enhance the delivery, analysis, or conduct of lead hazard control activities are considered program costs (See “Other Program Costs”);
 - iv. Developing interagency agreements and agreements with subrecipients and contractors to carry out program activities, but note that that costs carrying out the program activities under such agreements are considered program costs or administrative costs based on the type of activities conducted;
 - v. Monitoring program activities for progress and compliance with program requirements, except for on-site monitoring of lead hazard control activities (See “Lead Hazard Control (LHC) Program Costs”);
 - vi. Preparing reports and other documents related to the program for submission to HUD;
 - vii. Assisting HUD or the General Accountability Office in conducting audits or monitoring, and coordinating the resolution of audit and monitoring findings;
 - viii. Evaluating program results against stated objectives; and

- ix. Managing or supervising persons whose primary responsibilities with regard to the program include such assignments as those described in paragraph (a)(1)(i) through (viii) of this section.
- b. Travel costs incurred for official business in program administration that can be specifically identified with the grant program;
- c. Transportation costs incurred for program administration that can be specifically identified with the grant program;
- d. Equipment, supplies (especially office supplies), and materials used for program administration that can be specifically identified with the grant program;
- e. Attendance at HUD-required or HUD-approved trainings or conferences; and
- f. Certification and licensing costs required for program administration responsibilities.

(2) **Indirect Costs**

Indirect costs are a sub-category of administrative costs and represent the expenses of doing business that are not readily identified with a particular grant, contract, project function or activity, but are necessary for the general operation of the organization and the conduct of activities it performs. These types of costs are often referred to as “overhead costs.” See **Attachment 1** for more information on indirect costs.