

## ATTACHMENT 1



### Office of State Programs General Guidance for Federal LSTA Grants Allowable Costs: Fund Raising and Proposal Writing

With respect to whether a state or local government entity, including a **SLAA**, may use LSTA funds to prepare grants, the following statutes and regulations are relevant:

2 CFR Part 225 Appendix B, Subsection 33 (formerly OMB Circular A-87) states:  
*Proposal costs.* Costs of preparing proposals for potential Federal awards are allowable. Proposal costs should normally be treated as indirect costs and should be allocated to all activities of the governmental unit utilizing the cost allocation plan and indirect cost rate proposal. However, proposal costs may be charged directly to Federal awards with the prior approval of the Federal awarding agency.

20 USC 9141. Grants to States

- (a) In general. Of the funds provided to a State library administrative agency...such agency shall expend, either directly or through subgrants of cooperative agreements, at least 96 percent of such funds for--...expanding services...developing library services...providing electronic and other linkages...developing public and private partnerships...targeting library services [for diversity, disability, underserved urban and rural communities, and families below the poverty line]...
- (b) Special rule. Each State library administrative agency...may apportion the funds available for the purposes described in subsection (a) among such purposes, as appropriate, to meet the needs of the individual State.”

The following guidelines, therefore, derive from the two above-cited citations:

- 1) Under no circumstance may LSTA funds be used to prepare proposals unless they are for federal grants (awards);
- 2) The governmental entity may use any portion of its **indirect** 4% administrative costs for the purpose of preparing proposals for federal grants;
- 3) The governmental entity may request prior approval to be allowed to charge such an activity as a **direct** cost. However, under 20 USC 9141 (Grants to States), it is unlikely that general proposal preparation costs could be interpreted to be in furtherance of the LSTA Grants to States’ six priorities – and thus would probably not be approved by IMLS as a **direct** cost.

