

From: Bill Becker <bill.becker@lsohc.leg.mn>
Subject: RE: Allowable cost reimbursement claims for expenses entered into joint or enterprise wide accounts
Date: January 21, 2014 4:29:30 PM CST
To: Jim Cox <jimcox@mwthermo.com>
Cc: Scott Rall <scottarall@gmail.com>

Jim,

This is a explanation of what the appropriations law requires agencies and NGOs to do in order to get reimbursed for general expenses. The page summarizes what the Council has been advised of in a number of hearing by a number of people from the legislative auditor to staff of receiving agencies.

Here is the wording of the law referred to above:

Subd. 7. Availability of Appropriation

Money appropriated in this section may not be spent on activities unless they are directly related to and necessary for a specific appropriation and are specified in the accomplishment plan approved by the Lessard-Sams Outdoor Heritage Council. Money appropriated in this section must not be spent on indirect costs or other institutional overhead charges that are not directly related to and necessary for a specific appropriation.

What's on the page is a description of what the law means and how to implement it.

From: Jim Cox [mailto:jimcox@mwthermo.com]
Sent: Tuesday, January 21, 2014 4:15 PM
To: Bill Becker
Cc: Scott Rall
Subject: Re: Allowable cost reimbursement claims for expenses entered into joint or enterprise wide accounts

Bill::

?? ????

Jim

On Jan 21, 2014, at 3:46 PM, Bill Becker wrote:

Background on Legacy Fund Use Restrictions

Administrative costs are part of the cost of doing business for all organizations, whether they are in the public, non-profit, and private sectors. Since the passing of the legacy amendment in 2008 and its subsequent implementation, the legislature has tried to limit the use of legacy funds for administrative expenses. This goal is not unique to legacy fund dollars: efficient administration should be a goal with all state spending, so that on-the-ground program dollars can be maximized.

In MMB's view, the "direct and necessary" requirement is intended to promote efficient and effective use of legacy fund dollars: The language clearly implies the need for agencies to document and defend their legacy fund expenditure as needed, reasonable, consistently applied, and rationally allocated. However, it should not prohibit the use of indirect cost billing for necessary administrative costs when that is the most efficient mechanism, nor does it require agencies or sub-grantees to subsidize administrative costs associated with legacy fund programs with other sources of funding. It is reasonable to expect legacy fund programs to pay their fair share – and only their fair share – of agency administrative costs.

CONCLUSION

This guidance focuses on implementing the requirement that legacy fund expenditures be "direct and necessary for the specific appropriation." This requirement is intended to ensure that agencies maximize program dollars and subsequent outcomes for all Minnesotans. However, this requirement does not prohibit agencies from paying for the full cost of administering legacy programs. Under law and state policy, all state funds, including the legacy funds, should pay their portion of administrative costs, and not be subsidized by the general fund or other dedicated funding sources. That is, the legacy funds can and should pay their fair share – and only their fair share – of organizational costs. Rather than requiring agencies and organizations to subsidize their legacy funded programs with other funds, the "direct and necessary for" language requires that organizations adequately document and reasonably defend their legacy fund expenditures.

PROJECT TITLE: **DNR Grasslands**

	Total LSOHC Allocation	SS Fee Title or Easement Acquisition	SS Pass-through Grants	SS Single-source Contract	SS All Other Costs	Division Direct Rate	Division Direct Costs	Department Direct Rate	Department Direct Costs	Total Direct and Necessary Support Services
DWR	\$234,500				\$ 215,059	4.62%	\$ 3,057	4.11%	\$ 9,494	\$ 19,441
FAW	\$1,805,500			\$1,718,000	\$ 87,500	3.79%	\$ 43,056	6.17%	\$ 5,217	\$ 126,273
FOR					\$ -	2.88%	\$ -	4.78%	\$ -	\$ 0
LAM					\$ -	2.42%	\$ -	6.02%	\$ -	\$ 0
PS&I					\$ -	1.18%	\$ -	6.77%	\$ -	\$ 0
					PRE-TOTAL (pre-Direct/Necessary)					\$1,882,286

****TOTAL Direct and Necessary Costs** \$ 157,715

** insert this amount into the LSOHC Accomplishment Plan Budget as line item "Direct Support Services"

TOTAL Request (including Direct/Necessary) \$2,040,000

Calculation (multiply "All Other Costs" by Division and Department Direct rates)

Instructions

SS Fee Title or Easement Acquisition - Insert dollars to be spent on fee acquisition or easements (do NOT include professional services/other related costs here)

SS Pass-through Grants - Insert dollars passed through to another organization or agency; single payment contracts also included

SS Single source Contract - Insert the contract amount with single organization, agency, or vendor

SS All Other Costs - Insert the remaining amount of your proposal not in the other 3 categories

The Nature Conservancy's Direct Support Service Methodology

Background

Through the course of implementing grants awarded by the Legacy and Environmental Trust Fund (ENTRF) processes there are numerous costs which are directly related to and necessary for program implementation but which, for practical reasons, cannot be assigned to specific projects. For example, all projects involve the Payroll Department, but because of the size and complexity of the Conservancy's accounting systems it is not possible to determine how much of each payroll administrator's salary should be charged to specific projects.

To account for these and similar costs the Nature Conservancy has developed a methodology for documenting them on an annual basis. This methodology is based on actual costs of Direct Support Services from the previous year and is essentially a ratio of unassignable costs to those which are easily assigned. The ratio is annually adjusted based on real costs. Further, the methodology and costs are annually audited and accepted as our official "Indirect Cost Rate" by all federal funding agencies.

Costs included in this category are deemed internally as General and Administrative or Facilities and are represented as the sum in Column X in the table below. General and Administrative costs include: payroll and accounting, general legal services, human resources, grants administration, information systems, and executive management. Specifically excluded from this category are: Fundraising, Lobbying, Government Relations, Membership Development, and costs directly assigned to projects.

**The Nature Conservancy
Statement of Total Costs by Program
Operating and Land Funds
July 1, 2010 to June 30, 2011**

M	N	O	P	Q	R	S	T	U	V	W	X
Elements of Costs	Total Costs for ICR	Conservation	Membership Development	Fundraising	Lobbying	Government Relations	Land Fund	(U)-(P)-(Q) -(R)-(S)-(T) Total Direct Costs	Indirect Costs	Facilities	Total Indirect
Salaries	160,762,460	107,571,712	5,713,768	37,983,767	1,524,230	4,660,910	0	148,076,629	42,212,629	0	42,212,629
Fringe benefits	81,154,515	48,938,340	622,853	12,294,607	640,009	2,122,490	0	62,607,809	18,296,973	0	18,296,973
Fees and charges	123,019,261	64,662,866	2,830,367	4,261,214	3,657,425	641,466	76,114,142	113,337,459	7,967,317	3,624,508	10,591,825
Supplies and communications	33,070,127	14,944,705	11,552,969	2,259,258	95,972	240,662	0	29,093,566	15,795,457	0	15,795,457
Travel	10,279,067	12,764,068	40,573	2,479,246	146,737	853,254	240,294	17,408,171	11,889,171	0	11,889,171
Occupancy	20,963,791	7,661,767	0	521,639	2,241	40,885	9,650,190	15,786,622	11,994,079	0	11,994,079
Equipment	6,799,276	5,044,065	0	270,495	2,062	13,871	174,792	5,444,785	1,261,467	0	1,261,467
Unallowables	54,570,989	27,782,087	743,369	1,841,114	576,923	74,275	20,874,197	49,899,868	7,614,130	0	7,614,130
Exclusions	732,331,500	180,800	0	15,753	0	0	0	732,163,747	4,488	0	4,488
Total Costs for ICR calculation	888,246,199	336,326,073	17,109,820	58,767,381	6,811,468	8,464,712	779,498,796	769,618,793	83,095,693	14,719,687	97,815,380

	Expenditures Before Exclusions	Exclusions	Indirect unallowable charges	Fringe Based on ICR - Direct centers	Expenditures after Exclusions
Direct Base	769,016,763	336,326,073	0	769,764	432,700,690
Indirect Cost Pool	87,128,224	4,488	7,614,130	0	80,105,767
Total Expenditures	856,144,987	332,331,561	7,614,130	862,764	512,806,457

	ICR	Facilities	Total
Indirect Cost Pool	75,307,124	14,719,687	90,026,811
Direct Base	437,331,490	437,331,490	874,662,980
Indirect Cost Rate	17.24%	3.32%	20.56%

Methodology and Implementation

The Conservancy proposes to use the methodology and subsequent ratios that have been developed for our Federal approved and audited rate as the basis for calculating Direct Support Services for Legacy and ENTRF projects and programs. Direct Support Service requests will conform to the rate as specified in the individual Accomplishment Plan and will not be applied to categories that unnecessarily inflate the overall rate including the line items of Land Acquisition and Capital Equipment purchases. Total amounts will be determined as part of the allocation process with the governing body and reflected on each Accomplishment Plan or Work Program as a specific line-item. As an example, all TNC projects proposed for the 2014 Legislative Session have requested reimbursement for 50% of eligible DSS costs with the remaining 50% to be contributed as leverage by The Conservancy.

Budget Spreadsheet

LSOHC Allocation Fee Title-PassThrough-Single Source Etc. Eligible Costs ⁶

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Support Services Method

Direct Billing <input type="checkbox"/>	Percentage Cap <input type="checkbox"/>	Indirect Cost Rate <input type="checkbox"/>
Staff Cost Recovery <input type="checkbox"/>	Precision Project <input type="checkbox"/>	Other <input type="checkbox"/>

Division Rates

Department Rates

FTE Metric

Indirect Cost Rate

Percentage Cap Rate

Staff Cost Recovery Rate

FTE Units

Accounting-Financial <input type="checkbox"/>	Grant Administration <input type="checkbox"/>	Utilities <input type="checkbox"/>
Clerical Support <input type="checkbox"/>	General Office Equipment <input type="checkbox"/>	Purchasing <input type="checkbox"/>
Facilities Management <input type="checkbox"/>	Insurance <input type="checkbox"/>	Rent/Lease <input type="checkbox"/>
Information Tech <input type="checkbox"/>	Legal Services <input type="checkbox"/>	Human Resources <input type="checkbox"/>
Purchasing <input type="checkbox"/>	Security <input type="checkbox"/>	Executive Personnel <input type="checkbox"/>
	Other <input style="width: 150px;" type="text"/>	

1. Reimbursable Support Services	
2. Support Services Requested	
3. <u>Support Services Requested</u> Eligible Costs	