

April 27, 2007

**Office of State Programs General Guidance
for Federal LSTA Grant Allowable Costs:
Advertising, Public Relations, and Promotional Materials**

This IMLS Office of State Programs Guidance provides information on allowable and unallowable costs related to advertising, public relations, and promotional materials for Library Service and Technology Act (LSTA) grant awards and sub-awards. The information provided herein is meant to address common questions about advertising, public relations, and promotional materials received by the Office of State Programs from State Library Administrative Agencies (SLAAs).

SLAAs must be familiar with the six priorities of the LSTA program since no LSTA funds may be expended for any program that does not meet at least one of these priorities. The six priorities are:

- (1) expanding services for learning and access to information and educational resources in a variety of formats, in all types of libraries, for individuals of all ages;
- (2) developing library services that provide all users access to information through local, State, regional, national, and international electronic networks;
- (3) providing electronic and other linkages among and between all types of libraries;
- (4) developing public and private partnerships with other agencies and community-based organizations;
- (5) targeting library services to individuals of diverse geographic, cultural, and socioeconomic backgrounds, to individuals with disabilities, and to individuals with limited functional literacy or information skills; and
- (6) targeting library and information services to persons having difficulty using a library and to underserved urban and rural communities, including children (from birth through age 17) from families with incomes below the poverty line (as defined by the Office of Management and Budget and revised annually in accordance with section 9902(2) of title 42) applicable to a family of the size involved.
(20 USC Chapter 72, Sec. 9141).

SLAAs also must review the applicable OMB Cost Principles circulars for more complete information on allowable and unallowable costs. Please be advised that the OMB Cost Circulars take precedence over IMLS Office of State Programs Guidance. Additionally, please consult with your State Program Officer with any questions or for further guidance on allowable costs for LSTA grant awards.

I. Allowable Costs Overview

As Federal grant recipients, SLAAs are required to comply with the terms and conditions of their grant awards, as well as with applicable federal laws, regulations, Office of Management and Budget (OMB) circulars, and applicable state and local laws and regulations. SLAAs are encouraged to review and become familiar with the OMB

Circulars which are available electronically both on the IMLS main website <http://www.imls.gov/recipients/references.shtm> and the OMB website, www.whitehouse.gov/omb/circulars.

All costs charged to grants awarded by IMLS under LSTA must be “allowable costs.” Allowable costs are defined and discussed in full in the following circulars:

- OMB Circular A-21 - Cost Principles for Educational Institutions (relocated to **2 CFR, Part 220**);
- OMB Circular A-87 - Cost Principles for State, Local, and Indian Tribal Governments (relocated to **2 CFR, Part 225**); and
- OMB Circular A-122 - Cost Principles for Non-Profit Organizations (relocated to **2 CFR, Part 230**).

Generally, for a cost to be allowable for an LSTA grant award, the cost must be **directly related to and necessary to carry out one or more of the approved LSTA priorities** (*20 USC Chapter 72, Sec. 9141*). **In addition, it must be (1) reasonable, (2) allocable, and (3) not specifically disallowed by the State or local laws or regulations** (*OMB Circular A-87, Appendix A, C. 1. a-c*). Examples of allowable costs for LSTA awards include, but are not limited to: salaries and wages, fringe benefits, consultant fees, travel costs, equipment, supplies and materials, and indirect costs.

In general, no IMLS State Program funds may be used for **lobbying** activities. The term “lobbying” is generally considered to cover any attempt to influence government decision-making. Note that lobbying also includes activities or the publication or distribution of literature that in any way tends to promote public support or opposition to a pending legislative proposal.

II. Advertising, Public Relations, and Promotional Materials Costs

A. Advertising Costs

OMB Circulars A-21, A-87, and A-122 define advertising costs as “the costs of advertising media and corollary administrative costs. Advertising media include magazines, newspapers, radio and television, direct mail, exhibits, electronic or computer transmittals, and the like.”

Generally applying the circulars to LSTA projects, the only allowable advertising costs are:

- recruitment of personnel for the LSTA grant projects;
- procuring or acquiring goods, equipment, and services for the performance of LSTA grant projects;
- disposal of surplus materials acquired in the performance of LSTA grant projects (except where SLAAs are reimbursed for disposal costs at a predetermined amount); and

- other specific purposes necessary to fulfill the requirements of the LSTA grant.

With respect to LSTA, an SLAA can advertise for staff to assist in the implementation of a state-wide database, for equipment and software necessary to implement the databases, and for training of library staff in the use of the database.

B. Public Relations Costs

OMB Circulars A-21, A-87, and A-122 establish that the definition of public relations “includes community relations and means those activities dedicated to maintaining the image of the [institution, governmental unit, non-profit] or maintaining or promoting understanding and favorable relations with the community or public at large or any segment of the public.”

These circulars establish, with respect to LSTA grant projects, that allowable public relations costs include:

- costs specifically required by the grant award for a specific LSTA grant project.

Typically, allowable public relations costs are specific expenses involved in a project to inform the public or the press about specific LSTA grant projects. Public relations costs, such as brochures and bookmarks, charged to an LSTA project to carry out that specific project would be allowable. However, a general message such as “libraries are good places and deserve to exist” would be considered unallowable. As a further example, it would not be an allowable cost on an LSTA project for an SLAA to hire a photographer to take photographs of library patrons for a press release highlighting the importance of libraries. However, using a photographer to take photographs to let users know about the availability of an LSTA-funded service in furtherance of a specific LSTA-funded projects would likely be allowable.

C. Unallowable Advertising and Public Relations Costs

OMB Circulars A-21, A-87, and A-122 also provide direct examples of unallowable advertising and public relations materials. With respect to these circulars, SLAAs **may not** use LSTA grant funds to cover:

- any advertising or public relations costs other than specified as allowable by the circulars;
- costs of meetings, conventions, convocations, or other events related to other non-LSTA grant activities of the organization (including the costs of displays, demonstrations, exhibits, meeting rooms, hospitality suites, other special facilities used in connection with special events, and salaries and wages of employees engaged in setting up exhibits and providing briefings);
- costs of promotional items and memorabilia including models, gifts, and souvenirs; and

- costs of advertising and public relations designed solely to promote the SLAA or a library in general.

SLAAs should both be very cautious in approving any item which may fall into the prohibited cost categories set out above and consult with the appropriate Program Officer for guidance.

D. Promotional Materials

As set forth above, OMB Circulars A-21, A-87, and A-122 do not allow costs of promotional items and memorabilia including models, gifts, and souvenirs to be applied as allowable costs to LSTA grant awards. However, based on questions received by the Office of State Programs, the purchase of items that may have a promotional nature arise frequently for both SLAAs and their sub-grant recipients.

Following is a listing of promotional items that SLAAs have asked the Office of State Programs about and that should be carefully reviewed by SLAAs on a case-by-case basis before their cost is approved out of LSTA award funds: bookmarks, postcards, T-shirts, mugs, books, bags, CDs, calculators, banks, jump ropes, ties, scarves, bibs, safety plugs, hats, rubber stamps, sidewalk chalk, jigsaw puzzles, patches, flying disks, paint sheets, plastic bags, trading cards, stretch band watches, gel bracelets, posters, door hangers, magnetic bookmarks, pennants, megaphones, figurines, banners, book packs, mini-pad holders, and message magnets. Please note that the foregoing list is illustrative; its inclusion in this Guideline does not imply that these items are per se allowable. Each item should be carefully scrutinized in the context of its specific corresponding project.

As stated above, the OMB Circulars prohibit these items from being used as gifts, models, or souvenirs. The purchase of these items with LSTA funds is rarely an allowable cost unless SLAAs and sub-grant recipients have a clearly demonstrable and legitimate purpose for the purchase and distribution of these items that is directly related to the LSTA grant project. A general guiding question often used is whether a prudent person would determine that the items are directly related to the LSTA grant project, and a factor may be whether the items are more educational and informational in nature than promotional. Since often these items are more promotional in nature, and therefore are an unallowable cost, many libraries partner with businesses and other organizations to cover the costs of promotional materials.

Each SLAA should ensure that their sub-grant recipients understand the OMB Circular restrictions regarding promotional items such as those listed above. The Office of State Programs encourages SLAAs to provide written instructions to their sub-grant recipients on the use of LSTA grant awards for promotional items as this is a common area of confusion for LSTA sub-grant recipients.

III. LSTA Public Relations/Advertising Activities, Workshops, & Projects

A. LSTA-Funded Public Relations/Advertising Activities

Subject to the restraints of OMB Circulars A-21, A-87, and A-122, public relations/advertising in support of a specific LSTA-funded project are allowable. This means that there can be a public relations/advertising component to a project that provides a service or program that meets any of the six LSTA priorities. For instance, the SLAA could develop brochures or announcements that inform potential participants or users about the availability of an LSTA-funded summer reading program or state on-line database.

B. Workshops/CE Activities on Public Relations/Advertising

Again, subject to the restraints of the three afore-cited OMB Circulars, LSTA funds may be used to conduct workshops that teach librarians how to engage the public in specific library services and programs. The workshops would be instructional, rather than promotional. There should not be a component of the workshop that would fund the actual production of public relations materials, etc., unless the material were designed to carry out a specific LSTA-funded project.

C. Public Relations/Advertising Projects

Public relations/advertising projects per se are not allowable uses of LSTA funds EXCEPT in furtherance of addressing priorities 5 and 6 of the LSTA legislation. (See page 1) This means that a project whose purpose is to promote or market libraries or their services may not be funded with LSTA dollars unless they are used to address those groups identified in priorities 5 and 6.

IV. Conclusion

The intent of the IMLS LSTA program is to support specific projects (that meet the six statutory priorities) and their related costs. The OMB Circulars provide further guidance on allowable and unallowable costs. SLAAs need to familiarize themselves with the limits on allowable costs for LSTA grant funds for advertising and public relations costs and must be aware of the explicit restrictions set out in the OMB Circulars. SLAAs should also make sub-grant recipients aware of the limitations on allowable costs for LSTA grant funds for advertising and public relations costs and provide written guidance where appropriate on this issue. **Please contact your State Program Officer for further guidance on advertising, public relations, and promotional materials costs as well as with general questions on allowable costs.**

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