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To: Texas Councils of Governments
Texas Association of Regional Councils
Texas State Homeland Security Grant Program Points of Contact

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Subject: Clarification of Available Personnel and Management and Administration (M&A) Funds Associated with the Homeland Security Grant Program (HSGP).

The U.S. Department of Homeland Security, in the 2007 Homeland Security Grant Program (HSGP) Program Guidance, specifies that no more than 15 percent of allocated HSGP funds may be expended for personnel costs and no more than three percent of allocated HSGP funds may be expended for M&A costs. These amounts include 15 percent and three percent of all SHSP, LETPP, and UASI grant funds.

The following guidance is given to regional entities to assist in the management and administration of available HSGP personnel and M&A funds. Formerly referred to as the "COG planning grant", these funds are now being awarded to regions without specific set-asides for planning or administration of the HSGP.

Personnel

1. Personnel costs (defined as the total salary and benefits of all full-time or part-time employees) in the 24 planning regions cannot exceed 15 percent of the total SHSP, LETPP, and UASI (where applicable) grant funds allocated to the region. The 15 percent cap applies to the overall personnel expenses incurred at the region or local government level. The following examples illustrate the guidance: If eight percent of the regional allocation is used to fund regional staffing, only seven percent of the regional allocation may be used to fund personnel at the city or county level.

2. It should be noted however, that the 15 percent cap on personnel costs does not apply to contract personnel and is in addition to eligible M&A costs. This provision, therefore, gives regions and local jurisdictions multiple options for funding personnel expenses, but use of these options should be coordinated between the region and local governments. These options include:

a. Regions and local governments may agree on a split of the up to 15 percent allocation available for full-time personnel expenses, each taking an appropriate share.

b. Regions and local governments may agree on a split of full-time personnel funding up to the 15 percent cap and also engage contract employees to provide additional staffing.

c. Regions and their local government may agree to have either the region or local governments retain funding for full-time personnel up to the 15% personnel cap and the other party or parties will meet their staffing needs by engaging grant-funded contract employees.

d. Local governments may use grant funds to contract with their COG for specific homeland security planning or grant administration activities.

3. Each region must decide upon which option will best suit the region's unique needs and priorities.

M&A, Direct Costs, and Indirect Costs

1. **M&A costs** are direct costs that are incurred to administer a particular program/award. These costs are identifiable and unique to each program/award and are charged based on the activity performed for that particular grant. These costs typically include staffing and operating expenses for grant preparation, ongoing grant administration, records management, grant reporting, accounting, payment processing, project inspection, and auditing.

Guidance on those allowable program activities that may be funded using the three percent amount available for M&A expenses can be found in Appendix A of the *FY 2007 Homeland Security Grant Program Guidance and Application Kit* available from this office or on the Internet at http://www.ojp.usdoj.gov/odp/docs/fy07_hsgp_guidance.pdf.

2. **Direct costs** can be identified specifically with particular cost objectives such as a grant, contract, project, function or activity and can be paid using M&A funds. Direct costs generally include:

   a. Salaries are wages (including vacations, holidays, sick leave, and other excused absences of employees working specifically on objectives of a grant or contract – i.e., direct labor costs).
   b. Other employee fringe benefits allocable on direct labor employees.
   c. Consultant services contracted to accomplish specific grant/contract objectives.
   d. Travel of (direct labor) employees.
   e. Materials, supplies and equipment purchased directly for use on a specific grant or contract.

f. Communication costs such as long distance telephone calls or telegrams identifiable with a specific award or activity.
g. Meeting-related expenses

2. **Indirect cost** are defined as costs representing the expenses of doing business that <u>cannot be not readily attributed to a particular grant, contract, project function or activity</u>, but are necessary for the general operation of the organization and the conduct of activities it performs. In theory, costs like heat, lighting, and personnel might be charged directly if little meters could record minutes in a cross-cutting manner. Practical difficulties preclude such an approach. Therefore, cost allocation plans or indirect cost rates are used to distribute those costs to benefiting revenue sources. Indirect costs <u>may</u> include:

   a. Depreciation
   b. Rent
   c. Telephone
   d. Postage
   e. Printing
   f. Other expenses that benefit all programs and functions of an organization.

3. **Indirect costs** are those costs that are not classified as direct. An indirect cost rate is simply a mechanism for determining fairly and conveniently within the boundaries of sound administrative principle, what proportions of departmental/organization administration costs each program should bear. The cognizant federal agency is responsible for approving indirect cost rates for recipients based on an indirect cost proposal submission.

Additional information concerning Direct and Indirect costs can be found in the USDOJ *Financial Guide 2005* located at http://www.ojp.usdoj.gov/FinGuide/finguide2005.pdf.