

Federal Requirements Related to Allocation of Shared Costs

Definitions

- **Eligible costs** are all the allowable program expenses that are included in the Interim Rule applicable to your program (CoC or ESG).
- **Administrative costs**¹ are a specific subset of eligible costs outlined in the Interim Rule applicable to your program. Please note that these costs exclude staff and overhead expenses directly related to carrying out rental, leasing, supportive services, or other eligible activities. Some of these costs clearly benefit a single grant while others are shared costs.
 - Eligible CoC Admin costs are outlined in the [CoC Program Interim Rule](#) at 24 C.F.R. part 578.59.
 - Eligible ESG Admin costs are outlined in the [ESG Program Interim Rule](#) at 24 C.F.R. part 576.108.
- **Shared costs** benefit more than one cost objective and cannot reasonably be tracked to each activity. The shared costs under an Admin line item may be classified and billed as either direct costs, or as indirect costs under an indirect cost rate, depending on the type of cost and the approach selected by the grant recipient or subrecipient. See 2 C.F.R. Part 200.405(d).
- **Direct costs** can be identified specifically with a particular final cost objective (i.e., a Federal award) or can be directly assigned to such activities relatively easily with a high degree of accuracy. See 2 C.F.R. Part 200.413(a).
- **Indirect costs** are incurred for a common purpose benefitting more than one cost objective and are not readily assignable to your project. Indirect costs exclude expenses for fundraising and lobbying, which generally cannot be federally reimbursed. See 2 C.F.R. Part 200.56, 200.422, and 200.450.
- **Cost objective** is a program, function, activity, award, organizational subdivision, contract, or work unit for which cost data is desired and for which provision is made to accumulate and measure the cost of processes, products, jobs, capital projects, etc. See 2 C.F.R. Part 200.28.
- **Allocation** is the process of assigning a cost/group of costs, to one or more cost objective(s), in reasonable proportion to the benefit provided or other equitable relationship. See 2 C.F.R. Part 200.4.
 - Allocation to each cost objective should be “in reasonable proportion to the benefit provided or other equitable relationship.” (2 C.F.R. Part 200.4).
 - The method used to determine the proportionate benefit provided to an activity must be related to the type of cost being allocated. It is unlikely that a single allocation method will be appropriate for all of an agency’s shared costs, so multiple allocation bases may need to be calculated.
 - For each cost, an allocation base should be applied that results in the least distortion of the proportionate benefit.

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Examples

Allocation Based on Percentage of Staff Time or “FTE”

To allocate based on staff time or “FTE,” first determine which programs or activities benefitted from the shared cost to be allocated. Then, calculate the percentage of overall staff time spent on each of those cost objectives. **Staff time must reflect the actual staff time spent on the cost objective and cannot be projected or budgeted staff time.** If you provisionally allocate costs based on the allocation based for a previous time period, you will need to adjust or correct the allocation to reflect actual benefit conferred.

For example, a shared cost of \$10,000 would be allocated among four benefitted cost objectives as follows:

| | Staff Hours | Percentage | Amount Allocated |
|--------------|---------------|-------------|------------------|
| Program A | 17,000 | 28% | \$2,800 |
| Program B | 20,400 | 34% | \$3,400 |
| Program C | 22,000 | 37% | \$3,700 |
| Fundraising | 400 | 1% | \$100 |
| Total | 60,000 | 100% | \$10,000 |

Alternative Allocation Examples:

- Accounting services and payroll services can be allocated based on the number of accounting transactions or payroll related to each program, as a **percentage of the total number of transactions.**
- Office space and related costs can be allocated based on a **percentage of square footage.** The square footage occupied by or used for the benefit of each program or cost objective must be determined, in order to calculate a percentage of the total square footage. Shared spaces can be allocated to individual cost objectives based on the percentage of total square footage occupied or used for the benefit of each cost objective.
- **Percentage of personnel expenditures** might be preferred by some auditors for some types of administrative costs for costs that are not directly tied to the actual number of employees. However, allocation based on FTE is likely preferable for costs directly tied to the actual number of employees, such as costs related to office space and utilities, office supplies, and human resources.
- Costs that correlate to physical devices, such as telephone lines and maintenance, internet, or IT services for computers or mobile devices, can be allocated based on the **number of units** (phone lines, computers, etc.) assigned to each cost objective. This requires that the agency identify a specific number of phones or computers that are used for each program, activity, or other cost objective. If, for example, computers are assigned to individual staff who work on multiple cost objectives, this might be difficult to determine.