



**Department of Energy**  
Washington, DC 20585

**EECBG PROGRAM NOTICE 11-002**  
**EFFECTIVE DATE: July 28, 2011**

**SUBJECT: CLARIFICATION OF TEN PERCENT LIMITATION ON USE OF FUNDS FOR ADMINISTRATIVE EXPENSES**

**PURPOSE**

To provide guidance to Energy Efficiency Conservation Block Grant Program (EECBG) recipients on the ten percent limitation on use of funds for administrative expenses established in the Energy Independence and Security Act of 2007 (EISA; Pub. L. No. 110-140).

**SCOPE**

The provisions of this guidance apply to recipients of EECBG funds, pursuant to Formula Grant or American Recovery and Reinvestment Act of 2009 (Recovery Act).

**LEGAL AUTHORITY**

Title V, Subtitle E of the Energy Independence and Security Act of 2007, as amended, authorizes the Department of Energy (Department or DOE) to administer the EECBG program. All grant awards made under this program must comply with all laws including the Recovery Act and other procedures applicable to this program.

**GUIDANCE**

Under the EECBG Program, an eligible unit of local government or Indian tribe may use "an amount equal to the greater of 10% and \$75,000" for administrative expenses, excluding the cost of meeting reporting requirements (42 USC 17155 (b)(3)(A)) "A State may not use more than ten (10) percent of amounts provided under the program for administrative expenses" (42 USC 17155 (c)(4)).

The purpose of this guidance is to 1) clarify the application of the ten percent limit on administrative expenses, and 2) clarify that the ten percent limitation on administrative expenses excludes the cost of meeting reporting requirements for all Grantees including States, their subgrantees, and eligible units of local government and Indian tribes.

While the statute establishes limits on administrative costs, it does not specify whether the ten percent limit applies to the total amount of funds received by Grantees, or only those funds used by the Grantee itself (i.e., not to funds provided as subgrants).

Grantees may apply the ten percent limitation on administrative expenses so as to include internal Grantee administrative expenses and administrative expenses contracted by the Grantee to a third-party for Grantee administrative purposes. In the case where a subgrantee's award is to administer a state's prime award on behalf of the state, the award must be counted towards the 10% limitation. When a Grantee provides a subgrant to a subgrantee, administrative expenses may be accrued by the subgrantee beyond the Grantee's limited ten percent. However, DOE recommends that Grantees limit to ten percent the amount of subgrantee's funds that could be used for administrative expenses.

For example, if a Grantee is awarded a grant of \$10 million, only \$1 million can be used for administrative expenses for the award. A Grantee may choose to subgrant the remaining \$9 million to 100 grantees. In this case, each subgrantee's administrative expenses should not exceed ten percent of their individual subgrant. The Grantee's limitation for its own (state) administrative expenses related to administering the 100 grants would still be \$1 million (or 10% of the original \$10 million grant) as opposed to \$100,000 (or 10% of the \$1 million that was retained by the state).

The DOE understands that, with the influx of funds through the Recovery Act, Grantees may require additional flexibility to effectively and efficiently deploy Recovery Act funds in a timely manner. This may be particularly necessary in instances in which Grantees provide funds to subgrantees that have not previously implemented energy efficiency programs or projects. In addition, the Department is aware that the Recovery Act enabled Grantees to expand their operations in order to support more energy efficiency and renewable energy activities. This in turn would lead the Grantee and subgrantees to increase administrative expenses in order to effectively complete activities.

In addition, the costs of meeting reporting requirements pursuant to the EISA and Recovery Act are fundamental to completing the projects in a transparent manner that complies with applicable rules and regulations. The EECBG statute specifies that for eligible units of local governments, reporting costs are excluded from administrative costs. The statute is silent as to whether reporting costs are similarly treated for State grantees and subgrantees, so DOE is providing clarification that states may exclude the costs of meeting reporting requirements for themselves and their subgrantees.

Additional guidance related to EECBG Program reporting requirements can be found at:  
[http://www1.eere.energy.gov/wip/sep\\_10\\_006B\\_eecbg\\_10\\_07C.html](http://www1.eere.energy.gov/wip/sep_10_006B_eecbg_10_07C.html)



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