

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

This IMLS Office of State Programs Guidance Sheet 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 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 should review the applicable OMB Cost Principles circulars for more complete information on allowable and unallowable costs. Please also be advised that the OMB Cost Circulars will always take priority over IMLS Office of State Programs Guidance Sheets. 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, and Office of Management and Budget (OMB) circulars. SLAAs are encouraged to review and become familiar with the OMB Circulars which are available electronically both on the IMLS extranet, [cite], and the OMB website, [www.whitehouse.gov/omb/circulars](http://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;
- OMB Circular A-87 - Cost Principles for State, Local, and Indian Tribal Governments for State Library Agencies; and
- OMB Circular A-122 - Cost Principles for Non-Profit Organizations.

Generally, for a cost to be allowable for an LSTA grant award, the cost must be: (1) directly related to and necessary to carry out the approved LSTA activities, (2) reasonable, (3) allocable, and (4) not specifically disallowed by the State or local laws or regulations. 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.

**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.”

The circulars establish that allowable advertising costs on LSTA federal grant projects include:

- 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.

Therefore, a 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 define public relations costs as “includ[ing] community relations and mean[ing] those activities dedicated to maintaining the image of the governmental unit or maintaining or promoting understanding and favorable relations with the community or public at large or any segment of the public.”

These circulars establish that allowable public relations costs on LSTA federal grant projects include:

- costs specifically required by the grant award for a specific LSTA grant project;
- communicating with the public and press about the specific activities or accomplishments which result from performance of the Federal award or specific LSTA grant projects (these costs are considered necessary as part of the outreach effort for the Federal award); and
- costs of conducting general liaison with news media and government public relations officers, to the extent that such activities are limited to communication and liaison necessary to keep the public informed on matters of public concern, such as notices of Federal contract/grant awards, financial matters, etc.

Typically, public relations costs are any expenses involved in informing the public or the press about particular LSTA grant projects. Therefore, it would not be an allowable cost on a LSTA grant for a SLAA to hire a photographer to take photographs of library patrons for a press release highlighting the importance of libraries.

### 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. Pursuant to these circulars, SLAAs **may not** use LSTA grant funds to cover:

- any public relations or advertising 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 at meetings);
- 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 libraries 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 which may have a promotional nature arise frequently for both SLAAs and their sub-grant recipients.

Following is a listing of promotional items, which SLAAs have asked the Office of State Programs about and which should be carefully reviewed by SLAAs on a case-by-case basis before their cost is approved out of LSTA award funds: bookmarks, reading records, certificates, 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.

As stated above, the OMB Circulars prohibit that any of these items be 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. Conclusion**

SLAAs should familiarize themselves with the limits on allowable costs for LSTA grant funds for advertising, public relations and promotional costs, and should 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, public relations and promotional 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.