

Two Percent Grant Administration Spending Limitation Guidance

The National Telecommunications and Information Administration (NTIA) offers this resource to help Broadband Equity, Access, and Deployment (BEAD) Program Eligible Entities adhere to the two percent grant administration cost spending limitation.¹ This primer explains the limitation, defines related terms, and offers best practices on tracking and calculating costs. **Any Eligible Entity that exceeds the statutory limitation is in noncompliance with the statute and faces disallowance of those excess costs.**

WHAT IS THE 2% LIMITATION?

Under Section 60102(d)(2)(B) of the Infrastructure Investment and Jobs Act, the BEAD program prohibits Eligible Entities from using more than two percent of allocated funds for expenses relating (directly or indirectly) to the administration of the BEAD grant; this **includes** any costs incurred by contractors or subrecipients related to the administration of the Eligible Entity's grant. Note, the two percent statutory cap **does not apply** to funds allocated during the Initial Planning Funds phase of the BEAD Program or to the subgrantee's administrative expenses to manage its subaward, per the [NOFO](#) and [subsequent guidance](#).

How to Calculate the Two Percent Limitation

As seen in **Figure 1**, the two percent limitation should be calculated based on the total amount of BEAD implementation funds. To calculate this number Eligible Entities should take their total funding allocation and multiply it by 0.02.

Figure 1: Two Percent Limit Calculation

$$\text{TOTAL FUNDING ALLOCATION} \times 0.02 = 2\% \text{ GRANT ADMINISTRATION COST LIMIT}$$



DEFINITION OF TERMS

Administrative vs. Programmatic Costs

As Eligible Entities receive their allocations, it is important to define and categorize costs related to the administration of the BEAD grant, as they are subject to specific limitations and reporting requirements. **Administrative costs** are those expenses incurred by the grant recipients or subrecipients in support of the **day-to-day operations**. These overhead costs are the expenses that are not directly tied to a specific programmatic purpose or activity. **Programmatic costs** are directly tied to the delivery of a particular project, service, or **activity** and undertaken by a grantee to achieve program outcomes.

¹ This document is intended solely to assist recipients in better understanding the BEAD program and the requirements set forth in the Notice of Funding Opportunity (NOFO) for this program. This document does not and is not intended to supersede, modify, or otherwise alter applicable statutory or regulatory requirements, or the specific application requirements set forth in the NOFO. In all cases, statutory and regulatory mandates, and the requirements set forth in the NOFO, shall prevail over any inconsistencies contained in this document.



WHAT ADMINISTRATIVE COSTS COUNT TOWARD THE TWO PERCENT LIMIT?

To determine if a cost is subject to the two percent administrative cap, Eligible Entities should consider the relationship between their administrative activity, NTIA, and subgrantee(s). As seen in **Figure 2**, if a grantee’s administrative activity involves NTIA, it is typically subject to the two percent cap. If the grantee’s administrative activity involves the subgrantee, it is not typically subject to the two percent cap.

Figure 2: Two Percent Cost Determination



Costs Subject to the 2% Cap

Examples of costs typically subject to the administrative two percent cap are available in the list below. Please note this is **NOT** an exhaustive list.

- Costs associated with reporting to NTIA
- Costs associated with monitoring requested by NTIA, including quarterly conference calls, desk reviews, and site visits
- Costs associated with data collection requests by NTIA (including data collection from subgrantees in support of this ask)
- Costs associated with an Eligible Entity’s budget preparation or submitting a budget modification to NTIA
- Costs associated with audit requirements and requests (including information gathering from subgrantees in support of an audit requirement or request)
- Unfunded grant actions (e.g., no cost extension, closeout)
- Costs associated with developing policies and procedures related to the administration of the grant
- Costs related to legal work for the Eligible Entity to administer the grant
- Drawing down funds from NTIA
- Accounting fees
- Costs associated with office supplies (e.g., printer ink)
- Travel costs by the Eligible Entity for grant administration purposes
- Rent and utilities, if a direct cost for the grant award
- Indirect administrative costs related to the administration of the overall BEAD grant



WHAT ADMINISTRATIVE COSTS COUNT TOWARD THE TWO PERCENT LIMIT? CONT.

Costs NOT Subject to the 2% Cap

Examples of costs typically **NOT** subject to the administrative two percent cap are available in the list below. Please note this is **NOT** an exhaustive list.²

- Costs associated with reviewing subgrantee reports
- Costs associated with monitoring subgrantees
- Costs associated with reviewing budget modifications by subgrantees
- Disbursing funds to subgrantees, including activities related to reviewing receipts, matching requirements, program income, and unrecovered indirect costs
- Costs associated with monitoring subgrantee requirements including the useful life of equipment, federal interest period, and low-cost service option
- Costs associated with legal work for subgrantees
- Travel associated with subgrantee monitoring



Note, per the BEAD FAQs, costs associated with the Challenge Process and Subgrantee Selection **are not** subject to the 2% cap. These activities are **programmatic** and therefore not related to the administration of an Eligible Entity's grant.



TRACKING COSTS

In accordance with 2 CFR 200 and the [BEAD NOFO](#), grantees are required to track, categorize, and report costs associated with the two percent limitation. Note that grantees who exceed the two percent limitation will be subject to repayment. Best practices for tracking grant administration costs include:

- Track when direct administrative costs are incurred and retain documentation;
- Identify key personnel associated with administering the program. Record their salaries and fringe benefits;
- Report operating expenses of facilities required to administer the program;
- Check spent administrative costs against the 2% cap estimate on a monthly basis;
- Create multiple charge codes specific to BEAD administrative and programmatic activities within your financial system;
- Ensure your organization has a time and attendance policy that addresses tracking of administrative charges.



ADDITIONAL QUESTIONS

For additional questions on administrative costs both subject and not subject to the two percent limitation, please contact your Federal Program Officer (FPO).

²Note: Costs are subject to the 2% cap if they are associated with a subgrant that is given by the EE to help with the administration of the EE's award.