



Carl Moyer Program Advisory: 04-001

Administrative Costs, Third Party Contractors, and Freight and Transportation Charges

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This advisory provides guidance on the prohibitions of using Carl Moyer Program funds to pay for administrative costs.

The laws governing the Carl Moyer Program specify that State funds cannot be used for administrative purposes. The statute creating the Carl Moyer Program states that, "The program shall provide grants to offset the incremental cost of projects that reduce emissions of NOx from covered sources in California" (Section 44280(b) of the Health and Safety Code). And, "Incremental cost means the cost of the project less a baseline cost that would otherwise be incurred by the applicant in the normal course of business. Incremental cost may include added lease or fuel costs pursuant to Section 44283 as well as incremental capital costs." (Section 44275(k) of the Health and Safety Code).

Note that the definition of incremental costs does not include program costs incurred by the districts, third-party consultation fees, or freight and transportation charges incurred by project applicants. **Carl Moyer Program funds can only be used to pay for the incremental cost of approved projects.**

While this places an administrative burden on air districts, the **matching fund option** provides some fiscal relief. The 2003 Carl Moyer Program Guidelines (page seven, paragraph two) state that, "Districts with a matching requirement may continue to use up to a 15% in-kind contribution in the form of administrative costs to satisfy their match requirement. However, no amount of an air district's allocations may be used to cover administrative costs." Thus, a district's administrative costs can be used to defer up to 15% of the match fund requirement.

In the fifth and sixth years of the Carl Moyer Program, ARB allows **matching fund waivers** for districts with less than one percent of the total State population and receiving grants of the \$100,000 minimum (2003 Carl Moyer Program Guidelines, page 3, paragraph 3). Districts using the waiver will find that the fiscal flexibility of not needing to commit matching funds outweighs the benefits of using the matching fund option described above.