

# Allowable and Unallowable Costs

Including Supplement, not Supplant guidance for  
Title II-A & Title IV-A

# All Costs Must Be:

- Necessary, Reasonable and Allocable
- Consistently treated as either direct cost or an indirect cost
- Conform with federal law & grant terms
- Consistent with state and local policies
- In accordance with GAAP
- Not included as match
- Net of applicable credits
- Adequately (properly) documented

2 CFR Part 200, Subpart E - Cost Principles

# Necessary Costs

- **Not** “nice to have.”
- If you catch yourself or someone else saying, “It would be nice to have...”, then most likely it is not necessary to accomplish the objectives of the program in that it is not vital or required.
- **Necessary** means it is vital or required in order to meet the objectives of the grant or for the grant to be successful.

# Reasonable Costs

- Reasonable in cost – Consistent with prudent business practice and comparable to current fair market value.

# Allocable Costs

- Assignable or chargeable to the grant in accordance with relative benefits received by the grant during the grant period.
- Must demonstrate how a particular cost benefits the specific population being served in the grant (ex: homeless students).

# Allocable Costs (2)

- If a cost benefits 1 grant program, the entire cost can be charged to that single grant program.
- If a cost benefits more than 1 grant program, the cost must be allocated among the grant programs (i.e., split-funded) in accordance with the relative benefits received by each program.

# Federal funds are to Supplement, not Supplant non-Federal Funds

- **Supplement** – to add to; to enhance; to expand; to increase; to extend; to create something new.
- **Supplant** – to take the place of; to replace by something else.
- An LEA must be able to operate its schools and its core foundation programs without any federal funds.
- Federal grant funds may be used only to supplement the educational programs generally offered with state and local funds.
- They may be used only to provide supplemental services that would not have been provided had the federal grant funds not been available.

# Am I Supplanting with Federal Funds?

- Ask yourself: If I didn't have federal funds available to conduct this activity/service, would I still conduct it with state or local funds anyway?
  - If the answer is yes, you are most likely supplanting because it is no longer a supplementary activity. You must be able to demonstrate that you could not conduct the activity if it weren't for the federal funds.

# Am I Supplanting with Federal Funds?(2)

- Is the program required by federal, state or local law?
  - If the answer is yes, you are supplanting because the activity is required and not supplemental.
- Were local funds used to pay for the program in prior years?
  - If the answer is yes, you are supplanting because federal funds are being used to replace local funds and not to provide new opportunities.

# Direct Costs 2 CFR §200.413

- Cost that can be identified specifically with a particular final cost objective.
- Typically are salaries and benefits of personnel who work on that award, and the costs of materials and other expenses incurred for the federal award.

# Direct Costs (2) 2 CFR §200.413

- Administrative and clerical costs are allowable only if:
  - Services are integral to a project or activity
  - Individuals involved can be specifically identified with the project or activity
  - Costs are explicitly included in the budget or have prior written approval
  - Costs are not also indirect costs

# Indirect Costs 2 CFR §200.414

- Costs occurred for common or joint purposes benefitting more than one cost objective
- Typically are general administration, accounting, HR, payroll, clerical staff

# Allowable & Unallowable Costs

- All costs must be:
  1. Reasonable, Necessary, and Allocable
  2. Consistently treated as either a direct cost or indirect cost
  3. Conform with federal law and grant terms

# EDGAR

- Education Department General Administrative Regulations covers general cost principles applicable to all education grants.
- In addition to general cost principles, each program has specific program requirements and restrictions.

# Contact Information

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