

APPENDIX D

Guidelines, Definitions and Allowable Expenditures for

The Economic and Workforce Development Program

California Apprenticeship Initiative New Innovative Grant Program

Determining if a Cost is Allowable

All allowable costs, must meet three primary criteria: 1) Substantiate that the cost was necessary and reasonable for proper and effective administration of the allocations; 2) The cost must be allocable to the funding source activities; and 3) The cost must not be a general expense required to carry out the fiscal agent's overall responsibilities (not supplanting). However, even if the costs meet the prior three criteria, the costs must be approved within the application annual workplan/budget summary of the individual fiscal agent otherwise they are not allowable within that year without annual workplan/budget summary changes. Also the State has the discretion to impose special conditions above and beyond the funding source which would also determine allowability of cost.

While the proposed cost is allowable under the funding source is it also reasonable?

Reasonable is defined by the dictionary as: agreeable to sound judgment, not exceeding the limit prescribed by reason (not excessive), moderate in price, and a rational decision.

Systems that can guide this definition are: necessary for the performance of the grant; following sound business practices (procurement processes, follow state and local laws, follow the terms of the grant); use of fair market prices; acting with prudence under the circumstances; and having no significant deviation from established prices.

What are the guidelines of Allocable?

Allocable is defined by the dictionary as: capable of being allocated or assigned. A cost is considered allocable to a particular funding source/program to the extent it actually benefits the objectives of that program. You can only charge in proportion to the value received by the funding source/program. An example would be that a Sector Navigator works 80% on the funded program (only 80% of the salary and benefits can be charged in the grant application). Above and beyond this definition allocable also means that the cost must be related to the annual workplan/activities that have been approved by the fiscal agent's Project Monitor.

Matching Costs

A primary factor in considering the award of funds is the level and commitment of employers and industry partners. The California Apprenticeship Initiative requires that participating employers provide real and verifiable support for the program, through cash or in kind contributions, as per the RFA. The level and commitment of employers and industry shown by cash or in-kind matching basis is required for subsidized internships and performance-improvement training activities. Matching resources may come from various sources and may be cash or in-kind. In-kind resources include, but are not limited to, staff time (i.e., industry partner attending advisory committee meetings), facilities, and use of equipment. Cash match may include monetary or equipment donations.

Examples of match include, but are not limited to:

- Employer commitment such as supervision, rent, utilities, etc.;
- Equipment donations;
- Professional time donated to the project by individuals;
- Donations of office space or meeting locations (at market rental value);

The Chancellor's Office is using the *Office of Management and Budget Circular A-110 section 23 Cost Sharing or Matching* as a guideline for referencing cash and third party in-kind contributions, unrecovered indirect costs, how to evaluate contributions, volunteer services, donated supplies, etc., in regards to matching funds.

OMB Circular A-110

23 Cost sharing or matching.

- (a) All contributions, including cash and third party in-kind, shall be accepted as part of the recipient's cost sharing or matching when such contributions meet all of the following criteria.
 - (1) Are verifiable from the recipient's records.
 - (2) Are not included as contributions for any other federally-assisted project or program.
 - (3) Are necessary and reasonable for proper and efficient accomplishment of project or program objectives.

- (4) Are allowable under the applicable cost principles.
 - (5) Are not paid by the Federal Government under another award, except where authorized by Federal statute to be used for cost sharing or matching.
 - (6) Are provided for in the approved budget when required by the Federal awarding agency.
 - (7) Conform to other provisions of this Circular, as applicable.
- (b) Unrecovered indirect costs may be included as part of cost sharing or matching only with the prior approval of the Federal awarding agency.
- (c) Values for recipient contributions of services and property shall be established in accordance with the applicable cost principles. If a Federal awarding agency authorizes recipients to donate buildings or land for construction/facilities acquisition projects or long-term use, the value of the donated property for cost sharing or matching shall be the lesser of (1) or (2).
- (1) The certified value of the remaining life of the property recorded in the recipient's accounting records at the time of donation.
 - (2) The current fair market value. However, when there is sufficient justification, the Federal awarding agency may approve the use of the current fair market value of the donated property, even if it exceeds the certified value at the time of donation to the project.
- (d) Volunteer services furnished by professional and technical personnel, consultants, and other skilled and unskilled labor may be counted as cost sharing or matching if the service is an integral and necessary part of an approved project or program. Rates for volunteer services shall be consistent with those paid for similar work in the recipient's organization. In those instances in which the required skills are not found in the recipient organization, rates shall be consistent with those paid for similar work in the labor market in which the recipient competes for the kind of services involved. In either case, paid fringe benefits that are reasonable, allowable, and allocable may be included in the valuation.
- (e) When an employer other than the recipient furnishes the services of an employee, these services shall be valued at the employee's regular rate of pay (plus an amount of fringe benefits that are reasonable, allowable, and allocable, but exclusive of overhead costs), provided these services are in the same skill for which the employee is normally paid.
- (f) Donated supplies may include such items as expendable equipment, office supplies, laboratory supplies or workshop and classroom supplies. Value assessed to donated supplies included in the cost sharing or matching share shall be reasonable and shall not exceed the fair market value of the property at the time of the donation.

- (g) The method used for determining cost sharing or matching for donated equipment, buildings and land for which title passes to the recipient may differ according to the purpose of the award, if (1) or (2) apply.
- (1) If the purpose of the award is to assist the recipient in the acquisition of equipment, buildings or land, the total value of the donated property may be claimed as cost sharing or matching.
 - (2) If the purpose of the award is to support activities that require the use of equipment, buildings or land, normally only depreciation or use charges for equipment and buildings may be made. However, the full value of equipment or other capital assets and fair rental charges for land may be allowed, provided that the Federal awarding agency has approved the charges.
- (h) The value of donated property shall be determined in accordance with the usual accounting policies of the recipient, with the following qualifications.
- (1) The value of donated land and buildings shall not exceed its fair market value at the time of donation to the recipient as established by an independent appraiser (e.g., certified real property appraiser or General Services Administration representative) and certified by a responsible official of the recipient.
 - (2) The value of donated equipment shall not exceed the fair market value of equipment of the same age and condition at the time of donation.
 - (3) The value of donated space shall not exceed the fair rental value of comparable space as established by an independent appraisal of comparable space and facilities in a privately-owned building in the same locality.
 - (4) The value of loaned equipment shall not exceed its fair rental value.
- (1) The following requirements pertain to the recipient's supporting records for in-kind contributions from third parties.
 - i. Volunteer services shall be documented and, to the extent feasible, supported by the same methods used by the recipient for its own employees.
 - ii. The basis for determining the valuation for personal service, material, equipment, buildings and land shall be documented.

Allowability of General Costs

The following table is an easy reference synopsis of allowability of general costs. As stated above in the permissive section, just because a cost is allowable via 2 CFR 215-220, the intent of the RFA must be followed, the cost must be necessary, reasonable,

allocable and not supplanting, and any additional cost restrictions listed in the RFA would supersede allowable costs within this document:

| Allowable | Allowable With Prior Approval | Unallowable |
|-------------------------------------------------------------------------------|-------------------------------|----------------------------------------------------------------------------------------------------------------|
| Advertising and Public Relations ¹ | | Advertising and Public Relations ¹ |
| Advisory Councils (<i>if the RFA requires or allows Advisory Councils</i>) | | |
| | | Alcoholic Beverages |
| | | Alumni Activities |
| | | Bad Debts |
| | | Commencement and Convocation Costs |
| Communication Costs (<i>telephone, telegrams, postage, messenger</i>) | | |
| Compensation for Personnel Services (<i>salary, wages, fringe benefits</i>) | | |
| | | Contingencies |
| Contributions or Donations Received (<i>cash, property, services</i>) | | Contributions or Donations Rendered (<i>cash, property, services</i>) |
| | | Entertainment Costs ² |
| Equipment ³ | | Equipment ³ |
| | | Fines and Penalties ⁴ |
| | | Fund Raising and Investment Costs |
| | | Gifts of Public funds are never allowed (<i>memorabilia, honoraria, gifts, souvenirs, etc.</i>) ⁵ |
| | | Goods and Services for Personal Use |
| Improvements ⁶ | | Improvements ⁶ |
| Indirect or Administrative Expenditures (<i>4% of total direct costs</i>) | | |
| | | Lobbying ⁷ |
| | | Losses on Other Sponsored Agreements or Contracts |

¹ **Advertising and Public Relations:** The term advertising costs means 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 term public relations includes community relations and means those activities dedicated to maintaining the image of the institution or maintaining or

promoting understanding and favorable relations with the community or public at large or any segment of the public.

ALLOWABLE Advertising costs are those that are solely for: (1) The recruitment of personnel required for the performance by the institution of obligations arising under a sponsored; (2) The procurement of goods and services for the performance of a sponsored agreement; (3) The disposal of scrap or surplus materials acquired in the performance of a sponsored agreement except when non-Federal entities are reimbursed for disposal costs at a predetermined amount; or (4) Other specific purposes necessary to meet the requirements of the sponsored agreement.

ALLOWABLE Public Relations costs are those that are solely for: (1) Costs specifically required by the sponsored agreement; (2) Costs of communicating with the public and press pertaining to specific activities or accomplishments which result from performance of sponsored agreements (these costs are considered necessary as part of the outreach effort for the sponsored agreement); or (3) 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 keep the public informed on matters of public concern, such as notices of Federal contract/grant awards, financial matters, etc.

UNALLOWABLE: advertising and public relations costs include the following: (1) All advertising and public relations cost unless specified as allowable above; (2) Costs of meetings, conventions, convocations, or other events related to other activities of the institution, including: (a) Costs of displays, demonstrations, and exhibits; (b) Costs of meeting rooms, hospitality suites, and other special facilities used in conjunction with shows and other special events; and (c) Salaries and wages of employees engaged in setting up and displaying exhibits, making demonstrations, and providing briefings; (3) Costs of promotional items and memorabilia, including models, gifts, and souvenirs; (4) Costs of advertising and public relations designed solely to promote the institution.

- ² **Entertainment Costs:** Costs of entertainment, including amusement, diversion, and social activities and any costs directly associated with such costs (such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities) are unallowable.
- ³ **Equipment:** Equipment means article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost which equals or exceeds the lesser of the capitalization level established by the institution for financial statement purpose, or \$5,000. Any equipment requested will be closely scrutinized to determine purchases meet the intent of the funding and show long-term sustainability.

General Purpose Equipment – General purpose equipment furnishings, modular offices, telephone, networks, information technology equipment systems, air conditioning equipment, reproduction and printing equipment, motor vehicles, etc. are unallowable unless the awarding agency approves them in advance. The Chancellor's Office considers general purpose equipment and furnishings to be the responsibility of the local education agency and as such it will not approve such expenditures.

- ⁴ **Fines and Penalties:** Costs resulting from violations of, or failure of the institution to comply with, Federal, State, and local or foreign laws and regulations are unallowable, except when incurred as a result of compliance with specific provisions of the sponsored agreement, or instructions in writing from the authorized official of the sponsoring agency authorizing in advance such payments.
- ⁵ **Gifts of Public Funds:** If it looks like a gift it is. You are not allowed to purchase pencils, pens, mouse pads, t-shirts, etc. and give them out (under the marketing banner). This would still be considered a gift of public funds. Awards and honorarium would also be considered a gift of public funds and not allowed.
- ⁶ **Improvements:** Improvements for land, buildings, or equipment which materially increases their value or useful life are unallowable as a direct cost except with the prior approval of the awarding agency. The Chancellor's Office will not approve improvements for land, building, or equipment with the following exception: If a piece of equipment has been approved for purchase and that piece of equipment has some building modification required in order to make it usable for the purpose for which it was acquired (upgraded

plug/wiring etc.) then that improvement to the building is allowed.

- ⁷ **Lobbying:** Lobbying is never allowed unless it meets the following criteria: (1) Technical and factual presentations on topics directly related to the performance of a grant, contract, or other agreement (through hearing testimony, statements, or letters to the Congress or a State legislature, or subdivision, member, or cognizant staff member thereof), in response to a documented request (including a Congressional Record notice requesting testimony or statements for the record at a regularly scheduled hearing) made by the recipient member, legislative body or subdivision, or a cognizant staff member thereof, provided such information is readily obtainable and can be readily put in deliverable form, and further provided that costs under this section for travel, lodging or meals are unallowable unless incurred to offer testimony at a regularly scheduled Congressional hearing pursuant to a written request for such presentation made by the Chairman or Ranking Minority Member of the Committee or Subcommittee conducting such hearings.
- ⁸ **Meetings and Conferences:** Costs of meetings and conferences, the primary purpose of which is the dissemination of technical information, are allowable. This includes costs of meals, transportation, rental of facilities, speakers' fees, and other items incidental to such meetings or conferences. Be aware not to cross over into entertainment costs.
- ⁹ **Memberships:** OMB only allows institutional memberships (not individual memberships), the CCCC Budget and Accounting Manual allows individual memberships that are required within a job description. The application must justify why the regional workplan cannot be accomplished without paying for such membership(s). Business, technical and professional organization or periodical memberships are allowed. Civic or community, or country club or social or dining club memberships are not allowed.
- ¹⁰ **Maintenance and Repairs:** Activities such as construction and remodeling, which increase the value of an asset or appreciably extend its useful life, are not allowed unless authorized by the funding source. Maintenance of equipment which neither adds to the permanent value of the property nor appreciably prolongs its intended life, but keeps it in an efficient operating condition is allowable.
- ¹¹ **Student Expenses, Activities or Direct Services:** All forms of student aid are allowable only when the purpose of the sponsored agreement is to provide training to selected participants and the charge is approved by the sponsoring agency.
- ¹² **Selling and marketing:** Cost of selling and marketing any products or services of the institution are unallowable unless the agreement requires this activity or if it is an allowable under public relations costs (see #1 above).
- ¹³ **Travel:** Only travel necessary for the project is allowed. Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business for the grant. Such costs (via Legal Article II attached to the application) will be based the fiscal agent's per diem rates. These costs shall be considered reasonable and allowable only to the extent such costs do not exceed charges normally allowed by the institution in its regular operations as the result of the institution's written travel policy.

OUT-OF-STATE TRAVEL: Out-of-State travel will be closely scrutinized and requires completion of the Out-of-State Travel Request Form found within Appendix C of the application and must be disclosed on the Budget Detail sheet. After the application is fully executed, any further Out-of-State travel requires prior approval of the Project Monitor by sending in the above-mentioned form for approval. The state reserves the right to limit Out-of-State travel.

OUT-OF-COUNTRY TRAVEL: The Chancellor's Office has determined that Out-of-Country travel will not be an allowed via this funding source.