

APPENDIX 1

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Part 1

GENERAL GUIDELINES APPLICABLE TO ALL COST PRINCIPLES

The following guidelines and **Part 2**—Cost Principles apply whether a cost is treated as a direct or an indirect cost.

A. To be allowable:

1. Costs must be **necessary** and **reasonable** for proper and efficient performance and administration of the grant award. "Necessary" means essential to accomplish the objectives of the project. A "reasonable cost" is consistent with prudent business practice and comparable to current market value.

Program incentives and awards are an important part of conducting program activities. However, schools should examine closely the type of incentives or awards given to students for program participation in order to ensure the award or incentive does not appear to be a gift.

Gifts, or items that appear to be gifts, are prohibited by the state constitution.

Souvenirs, memorabilia, or promotional items are specifically listed as unallowable in OMB A-87.

Items such as T-shirts, tote bags, etc., are usually classified as gifts, promotional items, or memorabilia and are unallowable.

"Reasonable" awards and incentives for participation include such items as certificates, plaques, ribbons, small trophies, or inexpensive **instructionally related** items such as pens/pencils to be used in the classroom.

Satisfactory justification must be provided to document that the items requested are reasonable in cost and are necessary to accomplish the objectives of the project.

"Necessary to accomplish the objectives of the project" is interpreted as meaning that the project will not be successful without the expenditure of funds for certain items/purposes/activities.

2. Costs are not prohibited under specific program statutes, regulations, or guidelines that govern an individual program.
 3. Costs must be treated consistently among all programs regardless of fund source (state or federal). Consideration must be given to regard each item of cost as a direct cost or indirect cost and apply determination uniformly.
 4. Costs must relate specifically (either directly or indirectly) to the grant program and must be adequately documented.
 5. Costs must not be included as a cost or used to meet cost sharing or matching requirements of any other federally financed program.
- B. See **Part 2** entitled "Cost Principles" or refer to OMB Circulars A-87, A-122, or A-21 as applicable, for a more detailed description of the guidelines and allowable and unallowable costs.

Part 2 does not include typical expenditures, such as extra duty pay or substitute pay for public and charter school teachers, instructional supplies and materials, etc., that are allowable without specific approval.