

## CHAPTER 3-100 COST PRINCIPLES

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### **3-100-00 What does this chapter do?**

This chapter explains to you, the applicant or recipient, the basic principles of allowable cost for all assistance agreements awarded by us, the Office of Surface Mining Reclamation and Enforcement (OSM).

### **3-100-10 Where do these principles come from?**

- A. The Office of Management and Budget (OMB) has established principles for determining allowable costs for Federal assistance agreements. They publish the cost principles in three circulars according to the type of recipient organization. You can find more information about allowable costs for your organization in the appropriate circular in the Code of Federal Regulations (CFR).
1. *Cost Principles for State, Local, and Indian Tribal Governments*, 2 CFR Part 225 (formerly OMB Circular A-87).
  2. *Cost Principles for Educational Institutions*, 2 CFR Part 220 (formerly OMB Circular A-21).
  3. *Cost Principles for Non-Profit Organizations*, 2 CFR Part 230 (formerly OMB Circular A-122).
- B. We include the appropriate cost principles by reference in each assistance agreement we award. These cost principles apply to your activities as a recipient, and also to any subrecipients or cost-type contractors who receive funds under your assistance agreement. You must cite the appropriate principles in the subgrant or contract award.

### **3-100-20 What types of costs are allowable?**

- A. You must follow the applicable OMB circular listed above.
- B. Costs we approve in your assistance agreement are allowable.
- C. Generally, costs are allowable if they meet all of the following standards.
1. The costs must be necessary and reasonable for the proper and efficient execution of the

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project.

2. The costs must be in accordance with the assistance agreement and the most recent approved project budget.
3. The costs must not be prohibited by Federal, state, or local statutes or regulations.
4. The costs must be treated consistently with your accounting procedures.
5. The costs must not be included as part of any other Federally financed program.
6. The costs must be net costs after deducting all applicable credits.
7. The costs must comply with any budgetary or other types of restrictions on expenses we have established.
8. The costs must be incurred and the work performed within the dates of the performance period. Pre-agreement or proposal costs may be allowable, but only if the assistance agreement specifically provides for them.
9. The costs must be fully documented.

### **3-100-30 What costs may be allowable with OSM approval?**

- A. The OMB cost circulars show that some costs, including equipment, are only allowable with our prior approval. If you included these costs in your application budget, our approval of your assistance agreement or amendment constitutes our approval of the costs. If these costs are not in your approved budget, you must request our approval before you incur the costs.
- B. When you treat these costs as indirect costs (or, in the case of a state government, include them in a statewide cost allocation plan), we will consider that approval of your indirect cost rate or cost allocation plan by the cognizant Federal agency constitutes our approval of the costs. You do not have to request our specific approval.

### **3-100-40 What costs are unallowable?**

- A. You must apply the standards of the applicable OMB cost principles to determine whether a cost is unallowable. However, you must consider the specific circumstances in each case when you apply the cost principles.
- B. The following list provides some examples of unallowable costs.
  1. Costs related to losses from uncollectible accounts, other claims, or any related costs.

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2. Costs related to payments to a contingency reserve or any similar provision for unforeseen events.
3. Costs related to contributions and donations.
4. Costs of amusements, social activities, and related incidental costs.
5. Costs resulting from violation of, or failure to comply with, Federal, state and local laws and regulations, including fines, penalties, damages, attorney fees and litigation costs, and other settlements. These costs are also unallowable if they result from failure to comply with the terms of your assistance agreement or approved program.
6. Cost of general state or local government, including the following costs.
  - a. Salaries and expenses of the office of the governor of a state or the chief executive of a political subdivision.
  - b. Salaries and other expenses of the state legislature or similar local governmental bodies such as county supervisors, city councils, or school boards, whether incurred for purposes of legislation or executive direction
7. Costs related to interest on borrowed capital (however represented), bond discounts, cost of financing and refinancing operations, and related legal and professional fees, unless Federal legislation authorizes them.
8. Costs of certain influencing activities associated with obtaining a grant.
9. Costs of one assistance agreement that exceeded the total Federal funding available under that agreement cannot be charged to other assistance agreements.
10. Costs for individual memberships, such as bar association and professional engineering society dues and license fees are unallowable. However, costs for agency membership in civic, business, technical and professional organizations may be allowable if they are necessary for the assisted activity.