

Expenditures must be aligned with approved budgeted items in the approved grant application. Any changes or variations from the state-approved budget and grant application need prior approval from the State Department of Education (“SDE”) or other awarding agency.

When determining how the district will spend its grant funds, district staff responsible for federal programs will review the proposed cost to determine whether it is an allowable use of federal grant funds before obligating and spending those funds on the proposed goods or services. All expenditures made with federal education funds must meet the standards outlined in the Education Department General Administrative Regulations (“EDGAR”), 2 CFR Part 3474 and 2 CFR Part 200, which are provided in the bulleted list below. The following factors must be considered when making an allowability determination specific to each program.

- **Necessary and Reasonable** All costs must be Necessary and Reasonable for the performance of the federal award. This determination will be made in accordance with the procedures set forth in Policy 894P1.
- **Allocable to the federal award.** A cost is allocable to the federal award if the goods or services involved are chargeable or assignable to the federal award in accordance with the relative benefit received. This means that the federal grant program derived a benefit in proportion to the funds charged to the program. 2 C.F.R. §200.405. For example, if 50% of a teacher’s salary is paid with grant funds, then that teacher must spend at least 50% of his or her time on the grant program.
- **Consistent with policies and procedures.** All costs must be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the district and SDE. For example, personnel whose travel is paid with federal funds is reimbursed at the same rates as personnel whose travel is paid with state or local funds and the grant is charged accordingly.
- **Conform to any limitations or exclusions set forth as cost principles in 2 CFR Part 200, Subpart E, or in the terms and conditions of the federal award.**
- **Consistent treatment.** A cost cannot be assigned to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been assigned as an indirect cost under another award.
- **Adequately documented.** All expenditures must be properly documented. All costs must be determined in accordance with generally accepted accounting principles (“GAAP”), unless provided otherwise in Part 200.
- **Be determined in accordance with GAAP, unless provided otherwise in 2 CFR Part 200.**
- **Not included as a match or cost-share.** Costs cannot be included as a match or cost-share unless the specific federal program authorizes federal costs to be treated as such. Some federal program statutes require the non-federal entity to contribute a certain amount of non-federal resources to be eligible for the federal program.

- **Be the net of all applicable credits.** The term “applicable credits” refers to those receipts or reduction of expenditures that operate to offset or reduce expense items allocable to the federal award. Typical examples of such transactions are: purchase discounts; rebates or allowances; recoveries or indemnities on losses; and adjustments of overpayments or erroneous charges. To the extent that such credits accruing to or received by the state relate to the federal award, they shall be credited to the federal award, either as a cost reduction or a cash refund, as appropriate.

Federal rules require State/district level requirements and policies regarding expenditures to be followed as well. In addition, as required by federal rules, the district will follow, as appropriate, all state and district-level requirements and policies regarding expenditures.

HELPFUL QUESTIONS FOR DETERMINING WHETHER A COST IS ALLOWABLE

In addition to the cost principles and standards described above and in Policies 894P1 and 894P2, district staff can refer to this section for a useful framework when performing an allowability analysis. In order to determine whether the federal funds may be used to purchase a specific cost, it is helpful to ask the following questions:

- Is the proposed cost allowable under the relevant program?
- Is the proposed cost consistent with an approved program plan and budget?
- Is the proposed cost consistent with program specific fiscal rules?
 - For example, the District may be required to use federal funds only to supplement the amount of funds available from nonfederal (and possibly other federal) sources.
- Is the proposed cost consistent with EDGAR?
- Is the proposed cost consistent with specific conditions imposed on the grant (if applicable)?

District staff should also consider whether the proposed cost is consistent with the underlying needs of the program. For example, program funds must benefit the appropriate population of students for which they are allocated. Additionally, funds should be targeted to address areas of weakness, as necessary. To make this determination, district staff should review data when making purchases to ensure that federal funds meet these areas of concern.



LEGAL REFERENCE:

- 2 CFR Part 200 – Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Funds
- 2 CFR §§200.420-.475 – Considerations for Selected Items of Cost
- 2 CFR §200.404 – Reasonable Costs
- 2 CFR §200.405 – Allocable Costs
- 2 CFR §200.406 – Applicable Credits

CROSS-REFERENCE:

819 – Consistency of Application of Federal Funding During Closure

850 – Purchasing

850.20 – Purchases Using Federal Funds

850.20P1 – Purchase Procedures for Federal Funds

894P1 – Allowable Uses of Grant Funds – Determining Necessity and Reasonableness of Expenses

894P2 – Allowable Uses of Grant Funds – Selected Items of Cost

ADOPTED: March 17, 2026

AMENDED: