

In accordance with district Policy 894 and federal regulations, federal grant funds may only be spent on costs which are necessary and reasonable for the performance of the federal award. District staff must consider these elements when determining the reasonableness of the cost. When determining the reasonableness of a cost, consideration must be given to:

- Whether the cost is a type generally recognized as ordinary and necessary for the operation of the District or the proper and efficient performance of the federal award.
- The restraints or requirements imposed by factors, such as: sound business practices; arm's-length bargaining; federal, state and other laws and regulations; and terms and conditions of the federal award.
- Market prices for comparable goods or services for the geographic area.
- Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the District, its employees, its students, the public at large, and the federal government.
- Whether the District significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the federal award's cost.

While 2 C.F.R. §200.404 does not provide specific descriptions of what satisfies the “necessary” element beyond its inclusion in the reasonableness analysis above, necessity is determined based on the needs of the program. Specifically, the expenditure must be necessary to achieve an important program objective. It means it is vital or required in order to meet the objectives of the grant or for the grant to be successful. Necessary does not mean “nice to have,” which means it is not necessary to accomplish the objectives of the program in that it is not vital or required for the success of the program.

A key aspect in determining whether a cost is necessary is whether the district can demonstrate that the cost addresses an existing need, and can prove it. For example, the district may deem a language skills software program necessary for a limited English proficiency program.

When determining whether a cost is necessary, consideration may be given to:

- Whether the cost is needed for the proper and efficient performance of the grant program.
- Whether the cost is identified in the approved budget or application.
- Whether there is an educational benefit associated with the cost.
- Whether the cost aligns with identified needs based on results and findings from a needs assessment.
- Whether the cost addresses program goals and objectives and is based on program data.



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

ADOPTED: March 17, 2026

AMENDED: