



BUDGETING COSTS GUIDANCE HANDBOOK

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INTRODUCTION

The purpose of this handbook is to provide individuals responsible for managing Texas Education Agency (TEA) federal grants with guidance on how to determine allowable costs and budget items by class/object code in accordance with grant requirements. The following information is presented:

- Education Department General Administrative Regulations
- Costs That Require Specific Approval
- Costs That Do Not Require Specific Approval
- Unallowable Costs
- Use of Federal Funds for Conferences and Meetings
- Other Specific Items of Cost

Online Resources

This handbook is designed to be viewed in electronic form, with web links taking the form of anchor text (the [TEA home page](#)) rather than URLs (<http://tea.texas.gov>). The websites mentioned throughout this handbook are provided for ease of reference, along with the description of how to navigate to them from the [TEA home page](#).

Grants Page

The Grants page is produced by the Grants Administration Division. You can reach the page as follows:

From the [TEA home page](#), hover over the Finance & Grants section at the top of the page.

FEDERAL STATUTE: SUPPLEMENT NOT SUPPLANT

Supplement, not supplant is a provision common to many federal statutes authorizing education grant programs. Generally speaking, the purpose of a supplement, not supplant provision is to help ensure that federal grant funds are expended to expand or increase the level of services, rather than being diverted to cover expenses that the LEA would have paid out of other funds in the event the federal funds were not available.

For more information on Supplement, Not Supplant, visit the [Supplement, Not Supplant Handbook](#) webpage. You can find the Supplement, Not Supplant Handbook from the TEA homepage by going to www.tea.texas.gov. Under the Finance and Grants section at the top of the page, select the Training and Other Resources link. Once on this page, select the link for the Supplement, Not Supplant Handbook located in the Handbooks and Other Guidance section.

EDUCATION DEPARTMENT GENERAL ADMINISTRATIVE REGULATIONS (EDGAR)

EDGAR is a collection of resources that includes key documents an administrator needs to run a compliant federal education program. These resources include regulations that cover, but are not limited to, the applicat.707 0 Td4 431.4 Tm[E0 0 32.0a(o)9 (e)10.5 (g)-11.2 (u8.8 (er)-6 (,)rn)-2 (l)2.6 (1 .T

Basic Factors of Allowability

There are a number of basic factors that will determine if grant expenditures are allowable. These include factors such as, but not limited to, when the obligation is made, whether costs are reasonable, necessary, and allocable, whether costs are treated consistently regardless of funding source, and whether costs can be adequately documented.

For more information on these and other basic factors of allowability, visit the [General and Fiscal Guidelines](#) webpage. You can find the General and Fiscal Guidelines from the TEA homepage by going to www.tea.texas.gov. Under the Finance and Grants section at the top of the page, select the Administering a Grant link. Once on this page, select the link for Guidelines, Provisions and Assurances. Once on the Guidelines, Provisions and Assurances webpage, select the General and Fiscal Guidelines (G&F) that apply to your grant award.

Grant Program Purposes

Funds budgeted and expended through a grant program must be used in accordance with the purpose, goals, and objectives of the grant program, including statutory requirements and TEA program requirements. Each grant program administered by TEA has a set of Program Guidelines that will describe the specific purpose, goals, and objectives, as well as allowability of administrative costs, pre-award costs, and other allowable activities and uses of funds.

For detailed information on a specific grant program, visit the [TEA Grant Opportunities](#) webpage. You can find the TEA Grant Opportunities webpage from the TEA homepage by going to www.tea.texas.gov. Locate the Popular Applications ribbon at the top of the page and select the Grant Opportunities link. Once on the TEA Grant Opportunities page, use the search features to locate the specific grant application. Click on the Magnifier icon beside the name of the grant application. The resulting page will provide you information and links related to this grant application. Under the Application and Support Information section, select the Program Guidelines.

Forms for Prior Approval, Disclosure, and Justification

EDGAR requires that LEAs take specific steps to document their intent to expend grant funds on certain activities. TEA has developed different forms to meet the differing requirements.

There are specific forms for Participant Support Costs, Educational Field Trips, Out-of-State

Travel, and Other Expenses. For more information on these forms, visit the [TEA Grant Opportunities](#) webpage. Under the Application and Support Information section, select the Program Guidelines.

Other Operating Costs (6400)

The following Other Operating Costs (6400) require specific approval in the grant application and may require a request for approval form to be submitted to TEA, or additional justification of the expenditure to be maintained locally and provided when requested by TEA.

Participant Support Costs

Participant support costs means direct costs for items such as stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with conferences, or training projects. Participant support costs are allowable with the prior approval of the Federal awarding agency. (2 CFR Part 200, §200.75 and §200.456)

The following participant support costs require specific approval in the grant application and a [Request for Approval of Participant Support Costs](#) form must be submitted to TEA.

- 6412 – Travel for students to conferences (does not include field trips)
- 6413 – Stipends for non-employees other than those included in 6419
- 6419 – Non-employee costs for conferences

NOTE 1: A Participant Support Costs form for [Equitable Services to Private Nonprofit Schools](#) has already been approved for programs in which these activities are required, and therefore allowable, under federal program statute. There is no need to submit individual requests for approval of these activities. Simply complete the school year and grantee information and maintain the completed form locally

Capital Expenditures or Capital Outlay

Capital expenditures means expenditures to acquire capital assets or expenditures to make additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations, or alterations to capital assets that materially increase their value or useful life. (2 CFR Part 200, §200.13)

Acquisition Cost

Acquisition cost means the cost of the asset including the cost to ready the asset for its intended use. Acquisition cost for equipment, for example, means the net invoice price of the equipment, including the cost of any modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable for the purpose for which it is acquired. Acquisition costs for software includes those development costs capitalized in accordance with generally accepted accounting principles (GAAP). Ancillary charges, such as taxes, duty, protective in transit insurance, freight, and installation may be included in or excluded from the acquisition cost in accordance with the non-federal entity's regular accounting practices. (2 CFR Part 200, §200.2)

Equipment

Equipment means tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-federal entity for financial statement purposes, or \$5,000. See also §§200.12 Capital assets, 200.20 Computing devices, 200.48 General purpose equipment, 200.58 Information technology systems, 200.89 Special purpose equipment, and 200.94 Supplies. (2 CFR Part 200, §200.33)

Rules Regarding Capital Outlay

- The maximum capitalization level that an applicant may use is \$5,000 per unit.
- All capital outlay requires specific approval from TEA.
- All capital outlay, regardless of cost, must be excluded from the calculation of indirect costs.

Examples of Capital Outlay

- Capitalized equipment, including:
 - o Telephone systems
 - o Telecommunication systems
 - o Intercommunication systems
 - o mainframes and minicomputers
 - o high-capacity copy machines
- Capitalized furniture

- Capitalized vehicles
- Capitalized software, including site licenses or single-use software
- Library books and library media (to be catalogued and controlled by the library)

Technology Purchases

Applicants should be thoughtful and deliberate in the planning phase of the application process when budgeting grant funds to purchase technology equipment, in particular items such as tablet computers and laptops. Because different types of technology equipment are used in different ways, they offer different benefits to the intended beneficiaries.

COSTS THAT DO NOT REQUIRE SPECIFIC APPROVAL

The following costs do not require specific approval in the grant application.

Professional and Contracted Services (6200)

The following costs do not require specific approval in the grant application. If the following costs are budgeted

NOTE 1: Cell phone contracts must be in the name of the fiscal agent/subgrantee and not in the name of the employee.

NOTE 2: Cell phone stipends (or cell phone allowances) are unallowable costs for both federally and state-funded grant programs.

- o Electricity when grant activities are conducted before school, after school, or during the summer
- o Energy sources such as natural gas, propane, coal, and other fuel used for the heating and cooling of buildings when grant activities are conducted before school, after school, or during the summer
- o Water, wastewater treatment, and sanitation (garbage disposal) when grant activities are conducted before school, after school, or during the summer
- Rentals and leases for equipment not owned by the subgrantee's organization, including the rental or lease of the following:
 - o Furniture

Specific Items of Cost” section of this handbook for information about food costs, as they are allowable under very limited circumstances.

- General supplies and materials
 - o Office supplies—paper, pencils, forms, postage
 - o Audio-visual aids—CDs, DVDs
 - o Workbooks
 - o Supplies for satellite dish and other technology supplied
 - o Computing devices if the acquisition costs are less than the lesser of the capitalization level established by the subgrantee or \$5,000
 - o Equipment (not capitalized)

Other Operating Costs (6400)

The following costs do not require specific approval in the grant application. If these costs are budgeted, they should be included in the “Remaining 6400 - Other Operating Costs that do not require specific approval” line.

- In-state travel for employees including transportation, lodging, and subsistence
- Conference and training fees for in-state travel for employees
- Transportation for participants or parents to or from grant activities
- Property and liability insurance for the subgrantee organization (NOTE: Liability insurance for individuals is unallowable)
- Advertising costs solely for the following in performance of the grant award
 - o Recruitment of personnel
 - o Procurement of goods and services
 - o Disposal of scrap or surplus materials
 - o Program outreach and other specific purposes necessary to meeting the requirements of the award

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- Food and beverage costs, under very limited circumstances (NOTE: See the Other Specific Items of Cost section of this handbook for information on food and beverage costs)
- Awards for recognition and incentives for participation (NOTE: See the “Other Specific

- New building construction or renovating or remodeling of buildings
- Conducting required annual audit and report of financial activities
- Audit fees and expenses for state-funded grants
- Audit fees and expenses when such costs are part of the organization's indirect cost pool

Supplies and Materials (6300)

Grant funds may not be used for the following:

- Supplies and materials, including electronic devices, for personal use. Must be used only for grant-related activities.
- Costs associated with awards banquets, ceremonies, celebrations, and social events
- Cell phones for personal use
- Gifts or items that could be construed as a gift
- Souvenirs, memorabilia, or promotional items (such as T-shirts, cap

- Professional or personal liability insurance for individual employees
- Tuition and fees for courses not directly related to the grant program

Travel costs that are not allowed are the following:

- Alcoholic beverages
- Tips or gratuities
- Entertainment, recreation, or social events
- Travel allowances, where per diem is paid to the employee regardless of the amount actually expended
- First-class airfare
- Any expense for other persons
- Meals and lodging for persons who live in the same city or town where the meeting, conference, or workshop is held
- Costs that are not reasonable and necessary to meet the objectives of the grant
- Costs related to training or technical assistance on grant writing or obtaining funds
- Field trips that do not meet the guidelines established by TEA (Refer to the Other Specific Items of Cost section of this handbook for guidance related to field trips)

Capital Outlay (6600)

Unless specifically permitted in the authorizing statute and approved by TEA in the grant application, the following costs are unallowable:

- Land purchase and improvements to land
- Construction, renovation, or remodeling

Ground leveling, site preparation, foundation, plumbing, wiring, and sidewalk for a portable building are considered construction costs. Therefore, these costs are unallowable to be charged to the grant.

USE OF FEDERAL FUNDS FOR CONFERENCES AND MEETINGS¹

The following requirements apply to the use of federal funds for conferences and meetings.

Hosting Meetings or Conferences

A subgrantee may use federal grant funds received from USDE to host a meeting or conference if doing so is:

- Consistent with its approved application

Factors to Consider

When deciding whether to host a meeting or conference, subgrantees should consider whether a face-to-face meeting or conference is the most effective or efficient way to achieve the desired result and whether there are alternatives, such as webinars or video conferences, that would be equally or similarly effective and more efficient in terms of time and costs than a face-to-face meeting.

In addition, subgrantees should consider how the meeting or conference will be perceived by the public; for example, will the meeting or conference be perceived as a waste of taxpayer money? 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While these determinations will be made on a case-by-case basis, and there may be some circumstances where the cost would be permissible, it is likely that those circumstances will be rare. Subgrantees, therefore, will have to make a compelling case that the unique circumstances they have identified would justify these costs as reasonable and necessary.

If program offices have questions, they should consult with their program attorney.

Receptions and Networking Sessions

In virtually all cases, using grant funds to pay for food and beverages for receptions and “networking” sessions is not justified because participation in such activities is rarely necessary to achieve the purpose of the meeting or conference.

Food Costs Included in Contracts with Hotels

Federal grant funds may only be used for expenses that are reasonable and necessary. In planning a conference or meeting and negotiating with vendors for meeting space and other relevant goods and services, subgrantees may only pay for allowable costs. If a hotel vendor embeds food and beverage costs into a hotel contract for meeting space, the subgrantee should work with the hotel to have the food and beverage costs identified and “backed out” of the contract, and have the price they are paying for meeting space appropriately adjusted to reflect the fact that food and beverages are not being purchased. The fact that food and beverages are embedded in a contract for meeting space does not mean that the food and beverages are being provided at no cost to the subgrantee.

Complimentary Beverages at Meeting Venues

If a hotel or other venue provides “complimentary” beverages (e.g., coffee, tea) and there is no charge to the subgrantee hosting the meeting, the subgrantee has an obligation, under these circumstances, to confirm that the beverages are truly complimentary and will not be reflected as a charge to the grant in another area. For example, many hotels provide complimentary beverages to all guests who attend a meeting at their facility without reflecting the costs of those beverages in other items that their guests or, in this case, the subgrantee purchases. As noted

expenses are “reasonable,” subgrantees should consider how the costs (e.g., lodging, travel, registration fees) compare with other similar events and whether the public would view the expenses as a worthwhile use of federal funds.

Considerations When Planning to Use Federal Grant Funds

Among other considerations, subgrantees should consider how many people should attend a meeting or conference on its behalf. The number of attendees should be reasonable and necessary to accomplish the goals and objectives of the grant. The subgrantee should also determine whether it is necessary to attend the entire meeting or conference, or whether attending only a portion of the meeting or conference is reasonable and necessary.

Travel Expenses

Subgrantees may use federal grant funds for travel expenses only to the extent such costs are reasonable and necessary and do not exceed charges normally allowed by the subgrantee in its regular operations consistent with its written travel policies. In the absence of an acceptable written policy regarding travel costs, subgrantees must follow the federal travel and subsistence rates established by the General Services Administration. 48 CFR 31.205-46(a), established under subchapter I of Chapter 57, Title 5, United States Code (“Travel and Subsistence Expenses; Mileage Allowances”).

Federal grant funds may be used to pay expenses for transportation, per diem, and lodging if the costs are reasonable and necessary. Subgrantees should follow their own travel and per diem rules and costs when charging travel expenses to their federal grant. As noted in the cost principles, subgrantees that do not have travel policies must follow:

...the rates and amounts established under subchapter I of Chapter 57, Title 5, United States Code (“Travel and Subsistence Expenses; Mileage Allowances”), or by the Administrator of General Services, or by the President (or his or her designee) pursuant to any provisions of such subchapter shall apply to travel under sponsored agreements (48 CFR 31.205-46(a)). (See 2 CFR Parts 220, 225, and 230.)

Allowable Use of Federal Grant Funds

Subgrantees must follow all applicable statutory and regulatory requirements in determining whether costs are reasonable and necessary, especially the federal cost principles for federal grants that are specified in 2 CFR 200, Subpart E.

Entertainment

Federal grant funds may not be used to pay for entertainment, which includes costs for amusement, diversion, and social activities.

Lobbying

Appropriated funds may not, except under very limited circumstances, be used for expenses related to any activity designed to influence the enactment of legislation, appropriations, regulations, administrative actions, or Executive Orders proposed or pending before the Congress or the Administration.

To the extent that a portion of time at a conference is spent on lobbying activities, costs associated with the lobbying, including transportation to and from Washington, DC, lodging, and per diem, may not be charged to the federal grant. For example, if a meeting or conference lasts for two days and a visit to lobby a member of Congress requires an additional day of travel, 1/3 of all costs involved in attending the meeting or conference, including travel to and from Washington, DC, may not be charged to the grant.

Unallowable Expenses

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Awards for Recognition and Incentives for Participation

Minimal-cost certificates, plaques, ribbons, small trophies, or instructionally related items to be used in the classroom (such as pens and pencils) are acceptable incentives for participation in program activities or awards for recognition.

The following items may be donated by others but may not be purchased with grant funds:

- Gifts or items that appear to be gifts
- Souvenirs, memorabilia, or promotional items, such as T-shirts, caps, tote bags,

Construction, Remodeling, or Renovation

These costs are not allowed unless specifically authorized in the authorizing program statute and unless specifically approved by TEA in the applicable grant application.

Corporate Credit Card Charges

TEA will reimburse costs charged to the grant using corporate credit cards only when the accounting ledger reflects each individual charge on the credit card statement by the following:

- The individual vendor name (not just the credit card company name)
- The grant funding source/code
- The expense category (i.e., supplies, instructional materials, equipment, travel)
- The actual date of the charge (as opposed to the billing statement or the date the credit card bill was paid)

The subgrantee must maintain the original itemized receipt that identifies each item purchased (and not just the credit card receipt). The subgrantee must also maintain all other appropriate internal accounting records, such as travel vouchers, expense reimbursement vouchers, purchase orders, etc.

Donations

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- Field trips that are not properly documented (as described above)
- Field trips to entertainment or recreational locations that have legitimate educational programs when more than 25 percent of the time spent at the location is used for entertainment or recreation of field trip participants

Refer to the program guidelines for the specific grant application for more guidance.

Fines and Penalties

While these determinations will be made on a case-by-case basis, and there may be some circumstances where the cost would be permissible, it is likely that those circumstances will be rare. Subgrantees, therefore, will have to make a compelling case that the unique circumstances they have identified would justify these costs as reasonable and necessary.

Interest Paid

Interest paid in a prior grant period may not be charged retroactively to this grant period.

Land Purchase and Improvements

Land purchase and improvements to land are unallowable costs, unless specifically authorized in the grant program statute and specifically approved by TEA in the grant application.

Legal Fees

Travel Costs for Executive Director, Superintendent, or Board Members

Travel costs for executive directors, superintendents, or board members are allowed only when they are specifically related to carrying out the objectives of the grant project and only with specific TEA approval in the grant application. If travel is out-of-state, the [Out-of-State Travel Justification Form](#) must be attached to the grant application.

Allowable Travel Expenses

For more detailed information regarding allowable travel expenses, consult the [Texas State Comptroller's Travel](#) (Comptroller) website. Included on this website are current and historical travel rates for mileage, lodging, and meals. The mileage, lodging, and meal rules and reimburseme.6 (ai)2.6 (l)2.6 canno27.72 1t exceed .6 (l)2.he68

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for lodging, the traveler can apply \$10 of the maximum available for meal reimbursement toward the lodging rate. If the traveler chooses to apply meal reimbursement to lodging, the maximum meal reimbursement rate is reduced by the same amount. (Applying \$10 of the meal reimbursement to lodging would reduce the maximum allowable meal reimbursement by \$10.) NOTE: The opposite case does not apply; that is, a traveler may not reduce the amount spent on lodging and increase the amount spent on meals. Under no circumstances may a traveler be reimbursed from grant funds for meals at a rate that exceeds the rate given on the Federal Rate Schedule (or the maximum meal reimbursement rate, depending on whether the destination is specified in the Federal Rate Schedule).

- Taxi fares for official business are allowable. Tips cannot be reimbursed.
- Itemized miscellaneous business expenses (such as business phone calls, printing, or materials) for carrying out official business of the meeting, conference, or workshop are allowable.
- Registration fees to attend workshops or conferences are allowable. Social events or recreational events available at a cost above the basic registration fee may not be paid from grant funds.

Unallowable Travel Expenses

The following travel expenses are unallowable:

- First-class air fare
- Per diem (meals and lodging) for meeting, conference, or workshop participants who live in the same city where the event is held. (NOTE: Automobile mileage is allowable.)
- Tips or gratuities of any kind
- Alcoholic beverages
- Entertainment, recreation, or social events
- Any expense for other persons
- Automobile mileage or taxi fares for other than official business
- Personal accident insurance or personal effects coverage for rental cars
- Rental car for personal use or for purposes not associated with the official business of the meeting, conference, or workshop
- Travel allowances (i.e., per diem paid regardless of participant's actual expenses)

Travel Documentation

Tuition

Tuition fees, either paid directly to an institution or on a reimbursement basis to an employee, are allowable only for courses directly related to the grant program and where authorized in the grant program as an allowable use of funds.