

*List of Allowable and Unallowable Items of Cost that will be posted to www.cdfa.ca.gov/oga
pursuant to Section 600.2 of the proposed regulations*

Allowable and Unallowable Items of Cost

All regulation sections referenced in this document are contained in Title 3 of the California Code of Regulations, Division 1, Chapter 5 Grant Administration, unless otherwise specified.

Pursuant to section 600.2, this list of allowable and unallowable items of cost is intended to provide guidance to grant applicants and recipients. Failure to mention a particular item of cost is not intended to imply the cost is allowable or unallowable. Final determination of allowability shall be made by the Department of Food and Agriculture and shall take into consideration section 600.1.

(1) Advertising and public relations

- a. Advertising media includes magazines, newspapers, radio, television, direct mail, exhibits, and electronic or computer transmittals.
- b. The only allowable advertising costs are those incurred for the procurement of goods and services for the performance of the grant award.
- c. The only allowable public relations costs are:
 - i. Costs specifically required by the grant award.
 - ii. Costs of communicating with the public, industry, and press pertaining to grant award activities and results if outreach efforts are required by the grant award.
- d. Unallowable costs include:
 - i. Costs of promotional items, memorabilia, gifts, souvenirs, and similar items.
 - ii. Costs of advertising and public relations that are not directly related to the purpose or objectives of the grant program or grant award.

(2) Alcoholic beverages

- a. Costs of alcoholic beverages are unallowable, except when the costs are necessary to the performance of the grant award and included in the approved scope of work and budget.
- b. Such costs shall be included in the approved budget.

(3) Compensation – salary and wages

- a. Costs for salary and wages are allowable subject to the following:
 - i. The cost of the compensation is reasonable for the services rendered.
 - ii. The compensation is in accordance with the recipient's established policies.
 - iii. The supporting documentation complies with timekeeping requirements in section 511.
 - iv. Costs for overtime are unallowable except with prior written approval by the Department.
- b. Reasonableness
 - i. Compensation for employees engaged in work necessary for the performance of the grant award will be considered reasonable to the extent it is consistent with that paid for similar work on non-grant award activities or for comparable work in the labor market.
 - ii. Determination of reasonableness for salaried employees such as executive directors and officers of recipient entities shall be based on the actual personal services rendered to the grant award and not as a distribution of earnings.

- (4) Compensation – fringe benefits
 - a. Costs for fringe benefits are allowable subject to the following:
 - i. The cost of the benefits is reasonable.
 - ii. The cost is in accordance with the recipient’s established policies.
- (5) Conferences
 - a. Costs incurred for conducting conferences, meetings, seminars, symposiums, workshops, or events, the primary purpose of which is to disseminate information, may be allowable if necessary to the performance of the grant award and included in the approved budget.
 - b. Costs for attending conferences, meetings, seminars, symposiums, workshops, or events, may be allowable if necessary to the performance of the grant award and included in the approved budget.
- (6) Contributions and donations
 - a. Costs incurred for contributions and donations from the recipient to other entities are unallowable.
- (7) Entertainment costs
 - a. Costs for entertainment, amusement, diversion, or social activities, including any associated costs, are unallowable.
- (8) Equipment and other capital expenditures
 - a. Capital expenditures for general purpose equipment, special purpose equipment, buildings, and land are allowable with prior written approval by the Department.
- (9) Fines, penalties, damages and other settlements
 - a. Costs resulting from the recipient’s failure to comply with grant program requirements, grant award terms and conditions, or applicable laws, are unallowable.
- (10) Fundraising
 - a. Costs associated with fundraising, including financial campaigns, endowment drives, solicitation of gifts, donations, and bequests, and similar endeavors to raise capital or obtain contributions, are unallowable.
- (11) Freight and postage costs
 - a. Costs incurred for freight charges, postage, and other transportation services relating to goods purchased are allowable.
- (12) Insurance
 - a. Costs associated with insurance are allowable as an indirect cost to the grant award. Costs may be allowable as a direct cost to the grant award if necessary to the performance of the grant award, and with prior written approval of the Department.
- (13) Intellectual property
 - a. Costs for developing intellectual property are allowable, subject to section 513, if developed as a result of an approved project.
 - b. Costs associated with applications for patents, copyrights, or trademarks are unallowable.
- (14) Lobbying
 - a. Costs associated with lobbying are unallowable.
- (15) Maintenance and repair costs
 - a. Costs incurred for maintenance and repair of equipment necessary to the performance of the grant award are allowable with prior written approval of the Department.
- (16) Materials and supplies costs
 - a. Costs incurred for materials and supplies, including computing devices and software, are allowable.

- (17) Organization costs
 - a. Costs such as incorporation fees, business license fees, and other costs related to organizing a business or similar entity are unallowable.
- (18) Participant support costs
 - a. Participant support costs, such as stipends or focus group participant payments, are allowable if included in the approved budget.
- (19) Pre-award costs
 - a. Pre-award costs are unallowable.
- (20) Professional services costs
 - a. Costs of professional and consultant services rendered by persons who are members of a particular profession or possess a special skill, and who are not officers or employees of the recipient organization, are allowable when necessary for the performance of the grant award, subject to sections 509 and 510.
- (21) Publication and printing costs
 - a. Costs associated with electronic and print media are allowable.
 - b. Page charges for professional journal publication are allowable if the publication reports the work or results of the grant award activities, and costs are incurred during the grant period.
- (22) Rental costs of real property and equipment
 - a. Rental costs of real property and equipment are allowable.
 - b. Lease-to-own costs are unallowable.
- (23) Scholarships and student aid costs
 - a. Costs of scholarships, fellowships, and other programs of student aid are allowable only when the purpose of the grant award is to provide training to selected participants.
 - b. Tuition and fee remission paid as, or in lieu of, wages to students performing work necessary to the performance of the grant award, are allowable subject to the following:
 - i. The tuition and fee remission is provided in accordance with the recipient's established policies.
 - ii. The tuition and fee remission is reasonable compensation for the work performed.
 - c. Persons whose tuition and fee remission are charged to a grant award are subject to the timekeeping requirements in section 511.
- (24) Selling and marketing costs
 - a. Costs of selling and marketing any products or services, other than as specified in Item (1) Advertising and Public Relations, are unallowable.
- (25) Specialized service facilities
 - a. Costs of services provided by specialized service facilities, including "buying time" at a specialized service facility, are allowable.
- (26) Sponsorships
 - a. Costs of sponsorships are unallowable, except when the costs are necessary to the performance of the grant award, and with prior written approval from the Department.
- (27) Termination costs
 - a. Costs that cannot be discontinued immediately after the effective date of termination are generally allowable subject to the following:
 - i. The recipient makes all reasonable efforts to terminate, assign, settle, or otherwise reduce costs that are already obligated.
 - ii. Costs that accrue due to the negligent or willful failure of the recipient to prevent such costs are unallowable.

- (28) Training and education costs
 - a. The cost of training and educating employees is allowable if necessary for the performance of the grant award.
- (29) Travel costs
 - a. Costs for travel necessary for the performance of the grant award are allowable subject to section 512.