Allowable / Unallowable Costs and Activities

All Specialty Crop Block Grant Program (SCBGP) awards are subject to the appropriate cost principles for the recipient organization, the U.S. Department of Agriculture (USDA) program requirements, and the requirements established by the California Department of Food and Agriculture (CDFA) in the Grant Management Procedures Manual.

Federal cost principles are regulations used to determine allowable costs and ensure consistent treatment of costs. Recipients are responsible for identifying the federal regulations appropriate to their organization, consistently applying cost principles to SCBGP grant funds, and ensuring contractors or consultants comply with applicable federal cost principle requirements.

- State, local, or Indian tribal governments; non-profit organizations; colleges and universities will be subject to 2 CFR 200.
- For-profit organizations will be subject to 48 CFR Subpart 31.2.

The following list describes specific funding restrictions under the SCBGP. This section is not intended to be all-inclusive. The recipient should consult the federal cost principles for the applicable organization for the complete explanation of the allowability of costs they address.

Item	Description
Advisory Councils	*Unallowable* for costs incurred by advisory councils or committees.
Alcoholic Beverages	*Unallowable* for costs associated with alcohol, except when used exclusively for verifiable scientific research purposes. This includes, but is not limited to, costs related to tasting, sampling, shipping, and associated supply, personnel, travel, and indirect costs. *Prior approval required if not already included in the approved budget.*
Buildings and Land Construction	A building means any permanent structure that is designed or intended for support, enclosure, shelter, or protection of person, animals, or property having a permanent roof that is supported by columns or walls. *Allowable* for rental costs of land and building space. However, lease agreements to own (i.e., lease-to-own) are not allowable. The lease or rental agreement must terminate at the end of the grant cycle. *Prior approval required if not already included in the approved budget.* *Unallowable* for the acquisition of buildings, facilities, or land or to make additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations, or alterations of an existing building or facility (including site grading and improvement and architecture fees). This also includes construction and construction-related materials, which may include, but are not limited to, the purchase of building materials such as wood, nails, concrete, asphalt, roofing, gravel, sand, paint, insulation, drywall, or plumbing.

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Conferences (Hosting)	A conference is defined as a meeting, retreat, seminar, symposium, workshop, or event whose primary purpose is the dissemination of technical information beyond the recipient and which is necessary and reasonable for successful performance under the federal award. *Allowable* if the conference or workshop is part of a larger project. The recipient must clearly indicate the purpose and target audience for the conference or workshop and explain how the activity will be paid for. If registration fees will be collected, the fees must be accounted for under program income. If funds are requested to pay for meals, provide an estimate (see "Meals" for more information). *Allowable* to rent a building or room for training. If renting a building or a room is necessary, the most cost-effective facilities, such as state government conference rooms, should be utilized. SCBGP encourages the use of technologies such as webinars, teleconferencing, or videoconferencing as an alternative to in-person meetings or conferences (renting a building or a room). *Allowable* conference costs paid by the non-federal recipient as a host of the conference may include rental of facilities, speakers' fees, costs of meals (see "Meals" for restrictions), local transportation, and other items incidental to such conferences, with the exception of entertainment costs, which are unallowable.
Contingency Provisions	*Unallowable* for miscellaneous and similar rainy-day funds for events the occurrence of which cannot be foretold with certainty as to the time or intensity, or with an assurance of their happening. This includes budgeting for replacement or spare supplies or equipment that do not have a high likelihood of being needed. *Unallowable* for working capital for activities/items not already in place.
Contractual/ Consultant Cost (Professional Services)	*Allowable* subject to limitations below. Contractual/consultant costs are the expenses associated with purchasing goods and/or procuring services performed by an individual or organization other than the recipient in the form of a procurement relationship. *Allowable* for contractor/consultant employee rates that do not exceed the salary of a GS-15 step 10 federal employee in your area (for more information, please visit the Office of Personnel Management website). This does not include fringe benefits, travel, indirect costs, or other expenses. Please note that any statutory limitations on indirect costs also apply to contractors and consultants. If rates exceed this amount, one of the following justifications must be provided: • A description of the steps taken to hire a contractor, which includes obtaining a cost/price analysis. The purpose of the

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	analysis is to review and evaluate each element of cost to determine reasonableness, allocability, and allowability. **OR** • Due to the complexity or uniqueness of the project, the pool of available and qualified contractors is limited. Therefore, the selected contractor's specialized qualifications necessitate hiring at a rate beyond a GS-15 step 10. In this case, please outline the unique qualifications of the contractor. *Prior approval required if not already included in the approved budget.*
Contributions or Donations	*Unallowable* for contributions or donations, including cash, property, and services, from the recipient to other entities, as well as any staff, supplies, or indirect costs associated with carrying out donations. • Example: Using grant funds to purchase or grow produce to donate to other entities and/or individuals is unallowable.
Disparaging Other Products or Organizations	*Unallowable* for projects to disparage the work of another group, or the quality, safety, etc. of other products. • Example: Grant funds can be used in a campaign to promote the quality of California olive oil; grant funds cannot be used in a campaign to criticize imported olive oil.
Electronic Benefit Transfer (EBT) Machines	*Unallowable* for the purchase/lease of Supplemental Nutrition Assistance Program EBT equipment.
Entertainment Costs	*Unallowable.* Entertainment costs include amusement, diversion, and social activities and any costs directly associated with such costs (such as bands, orchestras, dance groups, tickets to shows, meals, refreshments, lodging, rentals, transportation, giveaways, and gratuities) regardless of their relationship to project objectives. See "Meals" for more information on when meals may be allowed. Entertainment costs are defined in 2 CFR § 200.438.
Equipment	Equipment is defined as 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 $10,000. 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.

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	General Purpose Equipment means equipment that is not limited to technical activities. Examples include office equipment and furnishings, modular offices, telephone networks, information technology equipment and systems, air conditioning equipment, reproduction and printing equipment, general farming equipment, and motor vehicles including refrigerated trucks. Special Purpose Equipment is equipment used only for research, scientific, or other similar technical activities. Examples include electron microscopes, centrifuges, etc. *Allowable* for rental costs of general-purpose equipment. Vehicles may be leased, but not purchased. The lease or rental agreement must terminate at the end of the grant cycle. For vehicle and equipment leases or rentals with an acquisition cost that equals or exceeds $10,000, rates should be in light of such factors as: rental costs of comparable vehicles and equipment, if any; market conditions in the area; alternatives available; and the type, life expectancy, condition, and value of the vehicle or equipment leased. *Allowable* for acquisition costs and rental costs of special purpose equipment provided the following criterion is met: • Necessary for the research, scientific, or other technical activities of the grant award; • Not otherwise reasonably available and accessible; • The type of equipment is normally charged as a direct cost by the organization; • Acquired in accordance with organizational practices; • Must be used solely to enhance the competitiveness of specialty crops; • More than one single commercial organization, commercial product, or individual must benefit from the use of the equipment; • Must not use special purpose equipment acquired with grant funds to provide services for a fee to compete unfairly with private companies that provide equivalent services; and • Equipment is subject to the full range of acquisition, use, management, and disposition requirements under 2 CFR § 200.313 as applicable. *Prior approval required if not already included in the approved budget.* *Unallowable* for acquisition costs of general-purpose equipment or lease agreements to own (i.e., lease-to-own or rent-to-own). *Unallowable* for acquisitions costs for equipment used primarily/solely for demonstration or equipment- sharing purposes as these are considered general-purpose equipment.

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	Unallowable for drones manufactured or assembled by a covered foreign entity as described in the American Security Drone Act of 2023 (https://www.congress.gov/118/plaws/publ31/PLAW-118publ31.pdf#page=557). This includes procurement and costs associated with the operation of such a drone or unmanned aircraft system.
Equipment – Information Technology Systems	*Allowable* for special purpose systems specific to the food and agricultural sectors and specific to the activities of the grant. • Examples include food sales and traceability applications, systems, and software that support specialized equipment by design and website development, mobile apps, etc. *Unallowable* for 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 in accordance with generally accepted accounting principles (GAAP) by the recipient for financial statement purposes, or $5,000. Acquisition cost means the cost of the asset including the cost to ready the asset for its intended use. Acquisition costs for software includes those development costs capitalized in accordance with GAAP. Information technology systems include computing devices, ancillary equipment, software, firmware, and similar procedures, services (including support services), and related resources. Computing devices means machines used to acquire, store, analyze, process, and publish data and other information electronically, including accessories (or "peripherals") for printing, transmitting, receiving, or storing electronic information. Examples of unallowable information technology systems include service contracts, operating systems, printers, and computers that have an acquisition cost of $5,000 or more. Information Technology services such as networking, data management, help/support desk services, etc. are considered indirect costs and may not be charged directly. Indirect costs (also known as "facilities and administrative costs") are costs incurred for common or joint objectives that cannot be identified specifically and with a high degree of accuracy with a particular project, program, or organizational activity.
Farm, Gardening, and Production Activities and Supplies	*Allowable* for costs necessary to meet the project objectives and carry out the federal award. *Unallowable* for costs associated with crops that are grown with the end purpose of donation; this includes staff, supplies, and indirect costs associated with growing crops for donation. *Prior approval required if not already included in the approved budget.*

Item	Description
Fines, Penalties, Damages and Other Settlements	*Unallowable* for costs resulting from violations of, alleged violations of, or failure to comply with Federal, state, tribal, local, or foreign laws and regulations.
Fiscal Sponsorships	Fiscal sponsorships generally refer to an arrangement between a non-profit organization and another group, by which the non-profit organization permits the use of their legal and tax-exempt status to the other group for activities related to the non-profit's mission. *Allowable* as an indirect cost, provided the following requirements for fiscal sponsorships are met: • The fiscal sponsorship arrangement and the identities of the involved parties must be clearly disclosed within the grant application. • The fiscal sponsor, rather than the sponsored organization, is the grant recipient. The fiscal sponsor is responsible for executing the grant agreement and must ensure all project activities and costs, including activities of the sponsored organization and any contractors/consultants comply with applicable Federal regulations and requirements and grant terms and conditions. • Changes to the recipient (such as a change from the nonprofit fiscal sponsor to the sponsored organization) or key personnel require approval. • Fiscal sponsorship fees cannot be charged as a direct cost. Fiscal sponsorship fees *may* be allowable as an indirect cost, if charged consistent with the sponsored organization's established policies. *Unallowable* for fiscal sponsorship fees to be charged as a direct cost to the grant.
Fundraising and Investment Management Costs	*Unallowable* for organized fundraising, including financial campaigns, solicitation of gifts and bequests, and similar expenses incurred to raise capital or obtain contributions, regardless of the purpose for which the funds will be used. This includes salaries of personnel involved in activities to raise capital.
General Costs of Government	*Unallowable* for: • Salaries and expenses of the Office of the Governor of a state or the chief executive of a political subdivision or the chief executive of federally-recognized Indian tribe; • Salaries and other expenses of a state legislature, tribal council, or similar local governmental body, such as a county supervisor, city council, school board, etc., whether incurred for purposes of legislation or executive direction; • Costs of the judicial branch of a government; • Costs of prosecutorial activities, unless treated as a direct cost to

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	a specific program if authorized by statute or regulation (however, this does not preclude the allowability of other legal activities of the Attorney General as described in §200.435 Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements); and • Costs of other general types of government services normally provided to the general public, such as fire and police, unless provided for as a direct cost under a program statute or regulation.
Goods and Services for Personal Use	*Unallowable* for costs of goods or services for personal use of the recipient's employees regardless of whether the cost is reported as taxable income to the employees.
Health and Nutrition Messaging	*Allowable* when health and nutrition information complies with regulations and policies of the: • Federal Trade Commission http://www.ftc.gov/about-ftc/bureaus-offices/bureau-consumer-protection **And** • U.S. Food and Drug Administration https://www.fda.gov/Food/LabelingNutrition/default.htm Nutrition and health claims must be truthful, not misleading or deceptive, and include adequate disclaimers if appropriate. Health and nutrition information should align with the most up-to-date Dietary Guidelines (https://health.gov/dietaryguidelines/).
Insurance and Indemnification	*Unallowable* as a direct cost to the project. *Allowable* as indirect costs for insurance and indemnification. For health insurance or other fringe benefits, see *Salaries and Wages*.
Lobbying	*Unallowable* as defined in 2 CFR § 200.450.
Meals	*Allowable* for lunch or dinner meals if the costs are reasonable (no higher than U.S. General Services Administration (GSA) locality maximums) and a justification is provided that such activity maintains the continuity of the meeting and to do otherwise will impose arduous conditions on the meeting participants. *Allowable* for meals consumed while in official travel status. They are considered per diem expenses and should be reimbursed in accordance with the organization's established written travel policies and/or GSA locality maximums. *Unallowable* for business meals when individuals decide to go to lunch or dinner together when no need exists for continuity of a meeting. Such

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	activity is considered an entertainment cost. *Unallowable* to provide breakfast for conference attendees because it is expected these individuals will have sufficient time to obtain this meal on their own before the conference begins in the morning. *Unallowable* for meal costs that are duplicated in meeting participants' per diem, subsistence allowances, or meals provided at conferences as part of registration fee.
Memberships, Subscriptions, and Professional Activity Costs	*Allowable* for costs of membership in business, technical, and professional organizations. *Unallowable* for costs of membership in any civic or community organization.
Organization Costs	*Unallowable* for costs such as incorporation fees, brokers' fees, fees to promoters, organizers or management consultants, attorneys, accountants, or investment counselors, whether or not employees of the non-Federal entity, in connection with establishment or reorganization of an organization.
Participant Support Costs	*Allowable* for registration fees paid to or on behalf of participants or trainees (but not employees) in connection with approved conferences, training projects, and focus groups. *Allowable* for such items as stipends or subsistence allowances, including travel reimbursements, that offset the costs of participating in training or conferences for participants. Note that these costs should be reasonable and designed to offset costs incurred or services provided by trainees or participants, rather than to provide an additional benefit to these individuals. *Prior approval required if not already included in the approved budget.*
Printing and Publications	*Allowable* to pay the cost of preparing informational leaflets, reports, manuals, and publications relating to the project; however, the printing of hard copies is discouraged given the prevalence of electronic/virtual publication means.
Political Activities	*Unallowable* for development or participation in political activities in accordance with provisions of the Hatch Act (5 U.S.C.§§ 1501-1508 and §§ 7324-7326).
Salaries and Wages	*Allowable* as part of employee compensation for personnel services in proportion to the amount of time or effort an employee devotes to the grant-supported project or program during the period of performance under the federal award, including salaries, wages, and fringe benefits. Such costs must be incurred under formally established policies of the

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	organization, be consistently applied, be reasonable for the services rendered, and be supported with adequate documentation. Salary and wage amounts charged to grant-supported projects or programs for personal services must be based on an adequate payroll distribution system that documents such distribution in accordance with generally accepted practices of like organizations. Standards for payroll distribution systems are contained in the applicable cost principles (other than those for for-profit organizations). *Unallowable* for salaries, wages and fringe benefits for project staff that devote time and effort to non-specialty crop specific venues, tradeshows, events, meetings, programs, conventions, symposia, seminars, etc. where costs cannot be specifically identified and easily and accurately traced to activities that solely enhance the competitiveness of California's specialty crops. • Example: Salaries and wages for a farmers' market manager to manage and advertise a farmers' market that includes non-specialty crop items is unallowable, while salaries and wages for personnel to conduct a cooking demonstration on how to prepare fruits and vegetables is allowable.
Scholarships and Student Aid Costs	*Allowable* for costs of scholarships, fellowships, and other programs of student aid only when the purpose of the federal award is to provide training to selected participants. However, tuition remission and other forms of compensation paid as, or in lieu of, wages to students performing necessary work are allowable provided that: • The individual is performing activities necessary to the grant; • Tuition remission and other forms of compensation are consistently provided in accordance with established institutional policy and consistently provided in a like manner to students in return for similar activities conducted under federal awards as well as other activities; • During the academic period, the student is enrolled in an advanced degree program at a non-federal entity or affiliated institution and the activities of the student in relation to the federally sponsored research project are related to the degree program; • The tuition or other payments are reasonable compensation for the work performed and are conditioned explicitly upon the performance of the necessary work; and • It is the institution's practice to similarly compensate students under federal awards, as well as other activities. Charges for tuition remission and other forms of compensation paid to students as, or in lieu of, salaries and wages are subject to the reporting requirements in 2 CFR § 200.466 or an equivalent method for documenting the individual's effort on the project. Tuition remission may be charged on an average rate basis.

Item	Description
Selling and Marketing Costs	*Allowable* if the primary purpose is to promote the sale of an eligible specialty crop by either stimulating interest in a particular specialty crop or disseminating technical information or messages for the purpose of increasing market share for the specialty crops. *Prior approval required if not already included in the approved budget.*
Selling and Marketing Costs – Promotion of an Organization's Image, Logo, or Brand Name	*Unallowable* for selling and marketing costs designed solely to promote the image of an organization, general logo, or general brand rather than eligible specialty crops. Examples: • Promotional items could say "Buy STATE/COUNTY Grown Apples" but not "XYZ Grown", which promotes XYZ generically. • A promotional campaign to increase producer sales of "XYZ Grown fruits and vegetables" is acceptable while increasing membership in "XYZ Grown" generally is not. • Promoting tomatoes while including an organization's logo in the promotion is acceptable, while generally promoting an organization's logo is not.
Selling and Marketing Costs – Promotion of Non-Specialty Crop Activities	*Unallowable* for costs for promotion of non-specialty crop specific venues, tradeshows, events, meetings, programs, conventions, symposia, seminars, etc. • Advertisements could say "Buy Sweet Corn! It is the Best!" but not "Buy Local!" • Advertising educational sessions at a conference that solely benefits specialty crop growers is acceptable, while advertising at a non-specialty crop specific local food conference is not.
Selling and Marketing Costs – Promotional Items, Gifts, Prizes, etc.	*Unallowable* for promotional giveaways, such as memorabilia, prizes, souvenirs, gifts, and swag. *Allowable* with conditions when provided in the approved budget or with prior written approval for project specific marketing activities. Promotional items include point-of-sale materials, promotional kits, signs, etc. *Prior approval required if not already included in the approved budget.*
Selling and Marketing Costs – Coupons, Incentives or Other Price Discounts	*Unallowable* for costs of the value of coupon/incentive redemptions or price discounts (e.g., the $5.00 value for a $5.00 clip-out coupon). *Allowable* for costs associated with printing, distribution, or promotion of coupons/tokens or price discounts (i.e., a print advertisement that contains a clip-out coupon) only if they solely promote the specialty crop rather than promoting or benefitting a program or single organization. *Prior approval required if not already included in the approved budget.*

Item	Description
Selling and Marketing Costs – Food for Displays, Tastings, Cooking Demonstrations	*Allowable* for food for displays, tastings, and cooking demonstrations. *Prior approval required if not already included in the approved budget.*
Selling and Marketing Costs - Sponsorships	*Unallowable* for costs associated with sponsorships. A sponsorship is a form of advertising in which an organization uses grant funds to have its name and/or logo associated with certain events and where the organization does not necessarily know how the funds associated with sponsorship costs will be used. These costs are considered a contribution or donation and only benefit the organization offering funding. This limits the beneficiaries to the sponsor organization, which conflicts with the restriction that projects affect and produce measurable outcomes for the specialty crop industry and/or the public rather than a single organization, institution, or individual. *Unallowable* for the costs associated with fees for individuals or companies to have their specialty crop products placed at retail markets (i.e., slotting fees or allowances). *Allowable* for food for displays, tastings, and cooking demonstrations. *Prior approval required if not already included in the approved budget.*
Selling and Marketing Costs – Use of Meeting Rooms, Space, Exhibits for Non-Specialty Crop Activities	*Unallowable* for costs associated with trade show attendance/displays, meeting room reservations, and/or any other displays, demonstrations, exhibits, or rental of space for activities that do not solely promote California's specialty crops. Examples: • Supporting the participation of raspberry and blueberry producers at a non- specialty crop specific international trade show to promote berries to an international audience is allowable, while renting a booth space for berry producers as well as wheat producers at an international trade show is not allowable. • Supporting the participation of farmers' market managers at a national conference that is not specific to specialty crops is not allowable. • Supporting a portion of a national conference that is not specific to specialty crops is unallowable, while supporting a session on specialty crops at a national conference that is not specific to specialty crops is allowable. Funding an "XYZ Grown" booth at a specialty crop-specific venue where all exhibitors in the booth are specialty crop producers is allowable but funding an "XYZ Grown" booth at a non-specialty crop specific venue is unallowable.

Item	Description
Supplies and Materials, Including Costs of Computing Devices	*Allowable* for costs incurred for materials, supplies, and fabricated parts necessary to carry out a federal award. Purchased materials and supplies must be charged at their actual prices, net of applicable credits. Withdrawals from general stores or stockrooms should be charged at their actual net cost under any recognized method of pricing inventory withdrawals, consistently applied. Incoming transportation charges are a proper part of materials and supplies costs. Only materials and supplies actually used for the performance of a federal award may be charged as direct costs. A computing device is a supply if the acquisition cost is less than the lesser of the capitalization level established by the recipient for financial statement purposes or $5,000, regardless of the length of its useful life. In the specific case of computing devices, charging as direct cost is allowable for devices that are essential and allocable, but not solely dedicated, to the performance of a federal award. Where federally-donated or furnished materials are used in performing the federal award, such materials will be used without charge.
Training	*Allowable* when the training is required to meet the objectives of the project or program, including training that is related to Federal grant management.
Travel – Domestic	*Allowable* for domestic travel, when costs are limited to those allowed by formal organizational policy and the purpose aligns with the grant. *Prior approval required if not already included in the approved budget.* Reimbursement is for actual costs up to the maximum allowance for meals, incidentals, and lodging expenses for each complete 24 hours of travel. The maximum travel rates allowable are the lesser of the rates in effect at the time of travel as established by the GSA or the Recipient's established travel policy. Mileage reimbursement for using a privately owned vehicle will be at the standard mileage rate established by the U.S. Internal Revenue Service (IRS) in effect at the time of travel. The standard mileage rate in effect at the time of travel can be found on the IRS website. Mileage logs should be utilized to substantiate mileage costs. Consideration should be given to the use of alternative technologies such as teleconferencing or videoconferencing if they are available, appropriate for the project, and less costly. In the case of air travel, the lowest reasonable commercial airfare must be used. *Unallowable* for travel costs for conferences, venues, tradeshows, events, meetings, programs, conventions, symposia, workshops seminars, etc. that include non- specialty crop activities such as farmers'

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	market annual conferences and general marketing tradeshows where these costs cannot be specifically identified and easily and accurately traced to activities that solely enhance the competitiveness of specialty crops. • Example: Travel costs for personnel to travel to a farmers' market conference is unallowable, while travel to a vegetable food safety educational session is allowable.
Travel - Foreign	*Allowable.* Foreign travel includes any travel outside the United States. However, the term "foreign travel" for a governmental unit located in a foreign country means travel outside that country. Projects must provide justification for travel. Consideration should be given to the use of alternative technologies such as teleconferencing or videoconferencing if they are available, appropriate for the project, and less costly. In the case of air travel, the lowest reasonable commercial airfare must be used. International travel must comply with the Fly America Act, 49 U.S.C. 40118 and Department of State Standardized Regulations at: http://aoprals.state.gov/web920/per_diem.asp. *Prior approval required if not already included in the approved budget.*