

Allowable / Unallowable Costs and Activities: Infrastructure Grants

All Resilient Food Systems Infrastructure Program (RFSI) 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 (https://www.cdfa.ca.gov/rfsi/docs/2024_rfsi_grant_management_procedures_manual-infrastructure.pdf).

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 the 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 (<https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200>).
- For-profit organizations will be subject to 48 CFR Subpart 31.2 (<https://www.ecfr.gov/current/title-48/chapter-1/subchapter-E/part-31/subpart-31.2>).

The following list describes specific funding restrictions under RFSI. 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	<i>Unallowable</i> for costs incurred by advisory councils or committees.
Buildings and Land - Construction and/or Renovation	<p>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.</p> <p><i>Allowable</i> for:</p> <ul style="list-style-type: none">• Additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations, alterations, or construction on an existing building or facility.• The construction of new buildings at an existing facility and of wastewater management structures.• 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. <p><i>Prior approval required if not already included in the approved budget.</i></p> <p><i>Unallowable</i> for the acquisition or rental of land.</p>

Item	Description
Compensation for Damage	<i>Unallowable</i> for compensation for injuries or damage to property arising from project activities.
Contingency Provisions	<p><i>Unallowable</i> 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.</p> <p><i>Unallowable</i> for working capital for activities/items not already in place.</p>
Contractual/ Consultant Cost (Professional Services)	<p><i>Allowable</i> 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.</p> <p><i>Allowable</i> 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) (https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/). 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.</p> <p>If rates exceed this amount, one of the following justifications must be provided:</p> <ul style="list-style-type: none"> A description of the steps taken to hire a contractor, which includes obtaining a cost/price analysis. The purpose of the analysis is to review and evaluate each element of cost to determine reasonableness, allocability, and allowability. <p>OR</p> <ul style="list-style-type: none"> 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. (Please outline the unique qualifications of the contractor.) <p><i>Prior approval required if not already included in the approved budget.</i></p>
Contributions or Donations	<p><i>Unallowable</i> for contributions or donations, including cash, property, and services, from the recipient to other entities.</p> <ul style="list-style-type: none"> Example: Using grant funds to purchase produce to donate to other entities and individuals is unallowable.
Entertainment Costs	<p><i>Unallowable.</i> 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, lodging, rentals, transportation, giveaways, alcoholic beverages, and gratuities) regardless of their relationship to project objectives. Entertainment costs are defined in <u>2 CFR 200.438</u> (https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-E/subject-group-ECFRed1f39f9b3d4e72/section-200.438)</p>

Item	Description
Equipment	<p>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 \$5,000.</p> <p>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.</p> <p><i>Allowable</i> for purchases of special purpose equipment (such as canners, hulling processors, reverse osmosis systems, egg packing machines, flotation tanks, roasters, or other processing equipment, packing and labeling equipment, or delivery vehicles) are allowable when approved in the agreement budget or with prior written approval. All equipment purchases must meet the following criteria:</p> <ul style="list-style-type: none"> • Equipment is necessary for the technical activities of the agreement and is not otherwise reasonably available and accessible. • Equipment is normally charged as a direct cost by the organization and is acquired in accordance with organizational practices. • Equipment must be used solely to meet the purpose of the program and objectives of the agreement. • Equipment is subject to the full range of acquisition, use, management, and disposition requirements under <u>2 CFR 200.313</u> (https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-D/subject-group-ECFR8feb98c2e3e5ad2/section-200.313) as applicable. <p><i>Allowable</i> 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.</p> <p>For vehicle and equipment leases or rentals with an acquisition cost that equals or exceeds \$5,000, 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.</p> <p><i>Prior approval required if not already included in the approved budget.</i></p> <p><i>Unallowable</i> for acquisition costs for purchases of general-purpose equipment (e.g., general use motor vehicles, office furniture, office air conditioners, printers, and copiers) or lease agreements to own (i.e., lease-to-own or rent-to-own).</p>

Item	Description
Equipment – Information Technology Systems	<p><i>Allowable</i> for website development, mobile apps, etc., that are not considered to be information technology systems, but rather social media applications, provided they are used exclusively for middle-of-the-supply-chain activities.</p> <p><i>Prior approval required if not already included in the approved budget.</i></p> <p><i>Unallowable</i> 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 by 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.</p> <p>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 and 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.</p> <p>Information Technology services such as networking, data management, help/support desk services, etc. are considered indirect costs and may not be charged directly without justification and prior approval. Indirect costs (also known as “facilities and administrative costs”) are costs incurred for common or joint objectives that cannot be identified specifically with a particular project, program, or organizational activity.</p>
Farm, Gardening, and Production Activities and Supplies	<p><i>Unallowable</i> for costs related to pre-harvest and/or harvest activities.</p>
Fines, Penalties, Damages and Other Settlements	<p><i>Unallowable</i> for costs resulting from violations of, alleged violations of, or failure to comply with federal, state, tribal, local, or foreign laws and regulations</p>
Fiscal Sponsorships	<p>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.</p>

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	<p><i>Allowable</i> as an indirect cost, provided the following requirements for fiscal sponsorships are met:</p> <ul style="list-style-type: none"> • 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, 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 <i>may</i> be allowable as an indirect cost, if charged consistent with the sponsored organization's established policies. <p><i>Unallowable</i> for fiscal sponsorship fees to be charged as a direct cost to the grant.</p>
Fundraising and Investment Management Costs	<p><i>Unallowable</i> 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.</p>
General Costs of Government	<p><i>Unallowable</i> for:</p> <ul style="list-style-type: none"> • 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 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 <u>§200.435 Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements</u>) (https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-E/subject-group-ECFRed1f39f9b3d4e72/section-200.435) 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.

Item	Description
Goods and Services for Personal Use	<i>Unallowable</i> 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.
Insurance and Indemnification	<p><i>Unallowable</i> as a direct cost to the project.</p> <p><i>Allowable</i> as indirect costs for insurance and indemnification.</p> <p>For health insurance or other fringe benefits, see Personnel Costs.</p>
Lobbying	<p><i>Unallowable</i> as defined in <u>2 CFR § 200.450</u> (https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-E/subject-group-ECFRed1f39f9b3d4e72/section-200.450)</p>
Meals	<p><i>Allowable</i> for lunch or dinner meals if the costs are reasonable 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.</p> <p><i>Allowable</i> 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.</p> <p><i>Unallowable</i> for business meals when individuals decide to go to lunch or dinner together when no need exists for continuity of a meeting. Such activity is considered an entertainment cost.</p> <p><i>Unallowable</i> for breakfasts 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.</p> <p><i>Unallowable</i> for meal costs that are duplicated in meeting participant's per diem, subsistence allowances, or meals provided at conferences as part of a registration fee.</p>
Memberships, Subscriptions, and Professional Activity Costs	<p><i>Allowable</i> for costs of membership in business, technical, and professional organizations.</p> <p><i>Unallowable</i> for costs of membership in any civic or community organization.</p>
Operational Costs	<i>Unallowable</i> for costs associated with the day-to-day costs of doing business, including these costs associated with personnel, fringe benefits, supplies, and/or travel costs.
Organization Costs	<i>Unallowable</i> 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.

Item	Description
Participant Support Costs	<p><i>Allowable</i> for such items as registration fees paid to or on behalf of employees in connection with approved training projects and educational activities.</p> <p><i>Prior approval required if not already included in the approved budget.</i></p>
Personnel Costs	<p><i>Allowable</i> 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 organization, be consistently applied, be reasonable for the services rendered, and be supported with adequate documentation.</p> <p>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).</p> <p><i>Unallowable</i> for salaries, wages and fringe benefits for project staff for hours devoted to operational activities, including operational activities in the middle of the supply chain.</p>
Printing and Publications	<p><i>Allowable</i> 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.</p>
Political Activities	<p><i>Unallowable</i> for development or participation in political activities in accordance with provisions of the Hatch Act (<u>5 U.S.C. §§ 1501-1508</u> (https://www.govinfo.gov/content/pkg/USCODE-2023-title5/pdf/USCODE-2023-title5-partII-chap15-sec1501.pdf) and <u>§§ 7324-7326</u>) (https://uscode.house.gov/view.xhtml?req=granuleid%3AUSC-prelim-title5-chapter73-subchapter3&edition=prelim).</p>
Scholarships and Student Aid Costs	<p><i>Unallowable</i> for costs of scholarships, fellowships, and other programs of student aid.</p>
Selling, Retail, and Marketing Costs	<p><i>Unallowable</i> for costs associated with marketing, retail, or direct-to-consumer activities, including sales or delivery direct-to-consumer.</p>
Training	<p><i>Allowable</i> when the training is required to meet the objectives of the project or program, including training that is related to Federal grant management.</p> <p><i>Prior approval required if not already included in the approved budget.</i></p>

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Travel - Domestic	<p><i>Allowable</i> for domestic travel, when costs are limited to those allowed by formal organizational policy and the purpose aligns with the grant.</p> <p><i>Prior approval required if not already included in the approved budget.</i></p> <p>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 <u>U.S. General Services Administration (GSA)</u> (https://www.gsa.gov/), or the Recipient's established travel policy.</p> <p>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 <u>IRS website</u> (https://www.irs.gov/tax-professionals/standard-mileage-rates). Mileage logs should be utilized to substantiate mileage costs.</p> <p>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 airfares must be used.</p> <p><i>Unallowable</i> for operational travel.</p> <p><i>Unallowable</i> for travel related to pre-harvest, harvest, or retail activities.</p>
Travel - Foreign	<p><i>Allowable.</i> 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.</p> <p>International travel must comply with the Fly America Act, 49 U.S.C. 40118 and Department of State Standardized Regulations at: <u>U.S. Department of State Foreign Per Diem Rates</u> (https://aoprals.state.gov/web920/per_diem.asp).</p> <p><i>Prior approval required if not already included in the approved budget.</i></p>