

# Montana Carl D. Perkins Policy and Procedures Manual

**Subject:** Montana Perkins Funds Distribution and Management  
**Policy:** Allowable and Unallowable Expenses  
**Effective:** July 1, 2007  
**Revised:** Not Applicable

## Perkins Policy:

All Perkins grantees must comply with the following allowable and unallowable expenses. Individual Requests for Proposal or Local Applications may be more restrictive. Those restrictions must be clearly identified at the time of application.

Allowable and unallowable expenses are defined in the Office of Management and Budget (OMB) 2 CFR Parts 215 and 220, Cost Principles for Educational Institutions (OMB Circular A-21). Click this link to view the entire CFR. [OMB Circular A-21](#)

The table below is a summary of the OMB Circular A-21. A limited number of expense category details have not been included in this table because the expenses are less likely to be included in a grant proposal. If more guidance is provided in the CFR/Circular than is shown in the table, these categories will be **colored blue**. OVAE has released non-regulatory guidance that is more restrictive than Circular A-21 for two expense categories: Scholarships and student aid costs (45) and Student Activity Costs & Career Technical Student Organizations CTSOs (48). **These have been highlighted in yellow**. The OVAE restrictions displace OMB authority for these two expense categories.

	Expense Item	Allowable	Unallowable
1.	<b>Advertising &amp; Public Relations</b> The term "advertising costs" means the costs of advertising media and corollary administrative costs. Advertising media include magazines, newspapers, radio and television, direct mail, exhibits, electronic or computer transmittals, and	Advertising: The recruitment of CTE personnel required by the Perkins grant. The procurement of goods and services for the performance of a sponsored agreement. Other specific purposes necessary to meet the requirements of the sponsored agreement.  Public Relations: Costs specifically required by the Perkins Grant. Perkins required costs of outreach or communicating with the public and	Costs of meetings, conventions, convocations, or other events related to other activities of the institution, including: (a) Costs of displays, demonstrations, and exhibits; (b) Costs of meeting rooms, hospitality suites, and other special facilities used in conjunction with shows and other special events; and (c) Salaries and wages of employees engaged in setting up and displaying exhibits, making

	the like. The term “public relations” includes community relations and means those activities dedicated to maintaining the image of the institution or maintaining or promoting understanding and favorable relations with the community or public at large or any segment of the public.	press pertaining to specific grant award, activities or accomplishments.	demonstrations, and providing briefings; (3) Costs of promotional items and memorabilia, including models, gifts, and souvenirs; (4) Costs of advertising and public relations designed solely to promote the institution.
2.	<b>Advisory councils.</b>	Costs incurred by advisory councils or committees are allowable as a direct cost where authorized by the Federal awarding agency or as an indirect cost where allocable to sponsored agreements.	
3.	<b>Alcoholic beverages.</b>		Costs of alcoholic beverages are unallowable.
4.	<b>Alumni/ae activities.</b>		Costs incurred for, or in support of, alumni/ae activities and similar services are unallowable.
5.	<b>*Audit costs and related services</b>	The costs of audits required by, and performed in accordance with, the Single Audit Act, as implemented by Circular A– 133.	
6.	<b>Bad Debt.</b>		Bad debts, including losses (whether actual or estimated) arising from uncollectable accounts and other claims, related collection costs, and related legal costs, are unallowable.
7.	<b>*Bonding costs.</b>	Bonding costs arise when the Federal Government requires assurance against financial loss to itself or others by reason of the act or default of the institution.	
8.	<b>Commencement and convocation costs.</b>		Costs incurred for commencements and convocations are unallowable.
9.	<b>Communication costs.</b>	Costs incurred for telephone services, local and long distance telephone calls, telegrams, postage, messenger, electronic or computer transmittal services and the like directly attributable to the grant are allowable.	
10.	<b>*Compensation for personal services</b>	Compensation for personal services covers all amounts paid currently or accrued by the institution for services of employees rendered during the period of performance under the	

		approved Perkins Grant. Such amounts include salaries, wages, and fringe benefits. These costs are allowable to the extent that the total compensation to individual employees conforms to the established policies of the institution, consistently applied, and provided that the charges for work performed directly on grant activities or administration.	
11.	<b>Contingency provisions.</b>	Contributions to a contingency reserve or any similar provision made for events the occurrence of which cannot be foretold with certainty as to time, intensity, or with an assurance of their happening, are unallowable, except as noted in the cost principles in this Appendix regarding self-insurance, pensions, severance and post-retirement health costs.	
12.	<b>Deans of faculty and graduate schools.</b>	The salaries and expenses of deans of faculty and graduate schools, or their equivalents, and their staffs, are allowable.	
13.	<b>*Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringement.</b>		
14.	<b>* Depreciation and use allowances</b>		
15.	<b>Donations and contributions.</b>	<p>Donated or volunteer services may be furnished to an institution by professional and technical personnel, consultants, and other skilled and unskilled labor. The value of these services is not reimbursable either as a direct or F&amp;A cost. However, the value of donated services may be used to meet cost sharing or matching requirements in accordance with 2 CFR Part 215.</p> <p>The value of donated property is not reimbursable either as a direct or F&amp;A cost, except that depreciation or use allowances on donated assets are permitted in accordance with</p>	Contributions or donations, including cash, property, and services, made by the institution, regardless of the recipient, are unallowable.

		Section J.14. The value of donated property may be used to meet cost sharing or matching requirements, in accordance with 2 CFR Part 215.	
16.	<b>Employee morale, health, and welfare costs and costs.</b>		
17.	<b>Entertainment costs.</b>		Costs of entertainment, including amusement, diversion, and social activities and any costs directly associated with such costs (such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities) are unallowable.
18.	<b>*Equipment and other capital expenditures.</b>	Capital expenditures for special purpose equipment are allowable as direct costs, provided that items with a unit cost of \$5000 or more have the prior approval of the awarding agency.	Capital expenditures for general purpose equipment, buildings, and land are unallowable as direct charges, except where approved in advance by the awarding agency. Capital expenditures for improvements to land, buildings, or equipment which materially increase their value or useful life are unallowable as a direct cost except with the prior approval of the awarding agency. Equipment and other capital expenditures are unallowable as indirect costs.
19.	<b>*Fines and penalties</b>	When incurred as a result of compliance with specific provisions of the Perkins Grant, or instructions in writing from the authorized official of the sponsoring agency authorizing in advance such payments.	Costs resulting from violations of, or failure of the institution to comply with, federal, state, and local or foreign laws and regulations are unallowable.
	<b>Food (See 32. Meetings and conferences.)</b>		
20.	<b>Fund raising and investment costs.</b>	Costs related to the physical custody and control of monies and securities are allowable.	Costs of organized fund raising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred solely to raise capital or obtain contributions, are unallowable. Costs of investment counsel and staff and similar expenses incurred solely to enhance income from investments are unallowable.
21.	<b>*Gain and losses on</b>		

	<b>depreciable assets.</b>		
22.	<b>*Goods or services for personal use</b>		Costs of goods or services for personal use of the institution's employees are unallowable regardless of whether the cost is reported as taxable income to the employees.
23.	<b>*Housing and living expenses</b>		
24.	<b>*Idle facilities and idle capacity.</b>		
25.	<b>*Insurance</b>		
26.	<b>*Interest</b>		
27.	<b>Labor relations costs.</b>	Costs incurred in maintaining satisfactory relations between the institution and its employees, including costs of labor management committees, employees' publications, and other related activities, are allowable.	
28.	<b>*Lobbying.</b>		In general, lobbying is unallowable. See section 28.
29.	<b>Maintenance and repair costs.</b>	Costs incurred for necessary maintenance, repair, or upkeep of buildings and equipment (including federal property unless otherwise provided for) which neither add to the permanent value of the property nor appreciably prolong its intended life, but keep it in an efficient operating condition, are allowable. Costs incurred for improvements which add to the permanent value of the buildings and equipment or appreciably prolong their intended life shall be treated as capital expenditures (see section J.18.a(1) of this Appendix).	
30.	<b>Losses on other sponsored agreements or contracts.</b>		Any excess of costs over income under any other sponsored agreement or contract of any nature is unallowable. This includes, but is not limited to, the institution's contributed portion by reason of cost-sharing agreements or any under-recoveries through negotiation of flat amounts for F&A costs.
31.	<b>*Material and supplies costs.</b>	Costs incurred for materials, supplies, and fabricated parts necessary to carry out a sponsored agreement are allowable.	

32.	<b>Meetings and Conferences.</b>	Costs of meetings and conferences, the primary purpose of which is the dissemination of technical information, are allowable. This includes costs of meals, transportation, rental of facilities, speakers' fees, and other items incidental to such meetings or conferences.	
33.	<b>Memberships, subscriptions and professional activity costs.</b>	Costs of the institution's membership in business, technical, and professional organizations are allowable. Costs of the institution's subscriptions to business, professional, and technical periodicals are allowable.	Costs of membership in any civic or community organization are unallowable. Costs of membership in any country club or social or dining club or organization are unallowable.
34.	<b>*Patent costs.</b>		
35.	<b>*Plant and homeland security costs.</b>		
36.	<b>Pre-agreement costs.</b>		Costs incurred prior to the effective date of the sponsored agreement, whether or not they would have been allowable thereunder if incurred after such date, are unallowable unless approved by the sponsoring agency.
37.	<b>*Professional service costs.</b>	Costs of professional and consultant services rendered by persons who are members of a particular profession or possess a special skill, are allowable, when reasonable in relation to the services rendered and when not contingent upon recovery of the costs from the Federal Government.	
38.	<b>Proposal costs.</b>	Proposal costs are the costs of preparing bids or proposals on potential federally and non-federally funded sponsored agreements or projects, including the development of data necessary to support the institution's bids or proposals. Proposal costs of the current accounting period of both successful and unsuccessful bids and proposals normally should be treated as Facilities & Administrative/Indirect costs and allocated currently to all activities of the institution, and no proposal costs of past accounting periods will be allocable to the current period. However, the institution's established practices may be to treat proposal costs by some other recognized method.	

		Regardless of the method used, the results obtained may be accepted only if found to be reasonable and equitable.	
39.	<b>*Publication and printing costs. Publication costs include the costs of printing (including the processes of composition, plate-making, press work, binding, and the end products produced by such processes), distribution, promotion, mailing, and general handling. Publication costs also include page charges in professional publications.</b>	If these costs are not identifiable with a particular cost objective, they should be allocated as indirect costs to all benefiting activities of the institution.	
40.	<b>Re-arrangement and alteration costs.</b>	Costs incurred for ordinary or normal re-arrangement and alteration of facilities are allowable. Special arrangement and alteration costs incurred specifically for the project are allowable with the prior approval of the sponsoring agency.	
41.	<b>Reconversion costs.</b>	Costs incurred in the restoration or rehabilitation of the institution's facilities to approximately the same condition existing immediately prior to commencement of a sponsored agreement, fair wear and tear accepted, are allowable.	
42.	<b>*Recruiting costs.</b>		
43.	<b>*Rental costs of buildings and equipment.</b>		
44.	<b>*Royalties and other costs for use of</b>		

	<b>patents.</b>		
45.	<b>*Scholarships and student aid costs.</b>	Some allowances may be made for special populations. See disallowed field.	OVAE is more restrictive than OMB regarding these expenses and displaces this circular as the authority. Refer to pages 13-14 of this link. <a href="http://cte.ed.gov/docs/nonregulatory/PerkinsIV Non-RegulatoryGuidanceOAVersion3.0.pdf">http://cte.ed.gov/docs/nonregulatory/PerkinsIV Non-RegulatoryGuidanceOAVersion3.0.pdf</a>
46.	<b>Selling and marketing.</b>	May be allowed as allowable public relations costs or under as allowable proposal costs. See those expense categories for further details.	Costs of selling and marketing any products or services of the institution are unallowable.
47.	<b>*Specialized service facilities.</b>		
48.	<b>Student activity costs &amp; Career Technical Student Organizations CTSOs</b>	Some allowances may be made for special populations. See disallowed field.	Costs incurred for intramural activities, student publications, student clubs, and other student activities, are unallowable, unless specifically provided for in the sponsored agreements.  OVAE is more restrictive than OMB regarding these expenses and displaces this circular as the authority. Refer to pages 13-14 of this link. <a href="http://cte.ed.gov/docs/nonregulatory/PerkinsIV Non-RegulatoryGuidanceOAVersion3.0.pdf">http://cte.ed.gov/docs/nonregulatory/PerkinsIV Non-RegulatoryGuidanceOAVersion3.0.pdf</a>
49.	<b>Taxes</b>	In general, taxes which the institution is required to pay and which are paid or accrued in accordance with generally accepted accounting principles are allowable.	
50.	<b>*Termination costs applicable to sponsored agreements.</b>		
51.	<b>Training costs.</b>	The cost of training provided for employee development is allowable.	
52.	<b>*Transportation costs.</b>	Costs incurred for freight, express, cartage, postage, and other transportation services relating either to goods purchased, in process, or delivered, are allowable.	
53.	<b>*Travel costs.</b>	Travel costs are the expenses for transportation,	

		lodging, subsistence, and related items incurred by employees who are in travel status on official business of the institution. The costs are allowable when associated with Perkins grant activities.	
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**Secondary:**

[Perkins Purchasing Manual](#)

[OPI Federal Grants Handbook, Section 300 Procedures](#)