

ALLOWABLE AND UNALLOWABLE COSTS AND ACTIVITIES

All SCBGP awards are subject to the terms and conditions, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and other considerations described in the most recent SCBGP Terms and Conditions of Award.

All costs must be allowable in accordance with the Federal cost principles outlined in [2 CFR part 200 Subpart E](#).

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

Item	Description
Alcoholic Beverages	<i>Unallowable</i> for alcoholic beverages except when the costs are associated with enhancing the competitiveness of a processed product as defined above.
Aquaponics	<p><i>Allowable</i> as long as the crops that are being grown are eligible specialty crops and the focus of the project is on the specialty crops and not the fish.</p> <ul style="list-style-type: none"> • A project to determine whether carp, catfish, or tilapia are best for growing lettuce is acceptable. • A project to study whether lettuce or tomato produced the highest yield of tilapia is not acceptable. • A project to farm fish using an aquaponics system and then sell the fish is not acceptable. • A project to grow specialty crops where both the specialty crops and the fish are sold is not acceptable. <p>For more information on constructing or purchasing an aquaponics system, see Equipment-General Purpose and Equipment – Special Purpose.</p>
Conferences	<p><i>Allowable</i> for costs of conferences. A conference is defined as a meeting, retreat, seminar, symposium, workshop or event whose primary purpose is the dissemination of technical information beyond the non-Federal recipient or subrecipient and is necessary and reasonable for successful performance under the Federal award. Allowable conference costs paid by the non-Federal recipient or subrecipient as a sponsor or host of the conference may include rental of facilities, speakers' fees, costs of meals (see Meals for restrictions), and refreshments, local transportation, and other items incidental to such conferences with the exception of entertainment costs that are unallowable. If registration fees are collected, the recipient or subrecipient must report fees as program income.</p> <p>The SCBGP encourages the use of technologies such as webinars, teleconferencing, or videoconferencing as an alternative to renting a building or a room.</p>
Construction and Renovation and Land or Building Acquisition	<p><i>Unallowable</i> 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).</p> <p>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>
Contractual/Consultant Costs (Professional Services)	<i>Allowable subject to limitations below.</i> Contractual/consultant costs are the expenses associated with purchasing goods and/or procuring services performed by an individual or organization other than the applicant in the form of a procurement relationship.

Item	Description
	<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 go to http://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/2015/general-schedule/). 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 you took 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.)
Contributions and Donations	<p><i>Unallowable</i> for contributions or donations, including cash, property, and services, from the recipient or subrecipient to other entities.</p> <ul style="list-style-type: none"> • A non-profit entity using grant funds to purchase produce to donate to other entities and individuals is unallowable.
Entertainment	<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, and gratuities).</p>
Equipment, Buildings, and Land	<p><i>Unallowable</i> for acquisition costs of general purpose equipment, buildings and land.</p> <p><i>Allowable</i> for rental costs of general purpose equipment, buildings, and with prior approval for land. Vehicles may be leased, but not purchased.</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>Allowable</i> for acquisition costs and rental costs of special purpose equipment provided the following criterion is met:</p> <ol style="list-style-type: none"> 1) Necessary for the research, scientific, or other technical activities of the grant award; 2) Not otherwise reasonably available and accessible; 3) The type of equipment is normally charged as a direct cost by the organization; 4) Acquired in accordance with organizational practices; 5) Must only be used to solely enhance the competitiveness of specialty crops; 6) More than one single commercial organization, commercial product, or individual must benefit from the use of the equipment; 7) 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 8) Equipment is subject to the full range of acquisition, use, management, and disposition requirements under 2 CFR part 200.313 as applicable.

Item	Description
	<p>Equipment Definitions</p> <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. Recipients and subrecipients purchasing equipment are encouraged to use funds to purchase only American-made equipment or products.</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>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, and motor vehicles.</p> <p>Special Purpose Equipment is equipment used only for research or technical activities. Examples include grape harvesters, vegetable washing machines, fruit or vegetable processing equipment, etc.</p>
Fines, Penalties, Damages and Other Settlements	<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.
Fixed Amount Subawards	<i>Allowable</i> with prior written approval from AMS, a pass-through entity may provide subawards based on fixed amounts up to the Simplified Acquisition Threshold, provided that the subawards meet the requirements for fixed amount awards in 2 CFR 200.201 .
Foreign Travel	<p>For purposes of this provision, “foreign travel” includes any travel outside Canada, Mexico, the United States, and any United States territories and possessions. However, the term “foreign travel” for a governmental unit located in a foreign country means travel outside that country. An applicant with a proposal that involves foreign market development must determine if the project is more appropriate for grant programs administered by the Foreign Agricultural Service or funded through the State-Regional Trade Groups. SCBGP recommends that applicants search the Foreign Agricultural Service database of GAIN reports (http://gain.fas.usda.gov/Pages/Default.aspx) to ensure that proposals will not duplicate information that already exists. Any proposal involving foreign travel must be well justified.</p> <p>See Travel in this table for more information on travel costs.</p>
Fundraising	<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.
General Costs of Government	<i>Unallowable</i> for: <ol style="list-style-type: none"> 1) Salaries and expenses of the Office of the Governor of a state or the chief executive of a local government or the chief executive of an Indian tribe; 2) 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; 3) Costs of the judicial branch of a government; 4) 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

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	<p>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</p> <p>5) 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.</p>
Goods or Services for Personal Use	<p><i>Unallowable</i> for costs of goods or services for personal use of the recipient’s or subrecipient’s employees regardless of whether the cost is reported as taxable income to the employees.</p>
Health and Nutrition Messaging	<p><i>Allowable</i> when health and nutrition information complies with regulations and policies of the:</p> <p><i>Federal Trade Commission</i> http://www.ftc.gov/about-ftc/bureaus-offices/bureau-consumer-protection</p> <p>AND</p> <p><i>U.S. Food and Drug Administration</i> http://www.fda.gov/Food/IngredientsPackagingLabeling/LabelingNutrition/default.htm.</p> <p>Nutrition and health claims must be truthful, not misleading or deceptive, and include adequate disclaimers if appropriate.</p>
Information Technology Systems	<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 non-Federal recipient or subrecipient 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><i>Allowable</i> for website development, mobile apps, etc.</p>
Insurance and Indemnification	<p><i>Allowable</i> as indirect costs for insurance and indemnification.</p>
Lobbying	<p>The recipient should obtain an advance understanding with the SCBGP if it intends to engage in certain activities intended to influence Federal, State or local government entities.</p> <p><i>Unallowable</i> for:</p> <ol style="list-style-type: none"> (1) Attempts to influence the outcomes of any Federal, state, or local election, referendum, initiative, or similar procedure, through in-kind or cash contributions, endorsements, publicity, or similar activity; (2) Establishing, administering, contributing to, or paying the expenses of a political party, campaign, political action committee, or other organization established for the purpose of influencing the outcomes of elections in the United States; (3) Any attempt to influence: <ol style="list-style-type: none"> a) The introduction of Federal or state legislation;

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	<p>b) The enactment or modification of any pending Federal or state legislation through communication with any member or employee of the Congress or state legislature (including efforts to influence state or local officials to engage in similar lobbying activity);</p> <p>c) The enactment or modification of any pending Federal or state legislation by preparing, distributing, or using publicity or propaganda, or by urging members of the general public, or any segment thereof, to contribute to or participate in any mass demonstration, march, rally, fund raising drive, lobbying campaign or letter writing or telephone campaign; or</p> <p>d) Any government official or employee in connection with a decision to sign or veto enrolled legislation;</p> <p>(5) Legislative liaison activities, including attendance at legislative sessions or committee hearings, gathering information regarding legislation, and analyzing the effect of legislation, when such activities are carried on in support of or in knowing preparation for an effort to engage in unallowable lobbying.</p> <p><i>Allowable</i> activities directly related to the performance of a grant include:</p> <p>(1) Technical and factual presentations on topics directly related to the performance of a grant, contract, or other agreement (through hearing testimony, statements, or letters to the Congress or a state legislature, or subdivision, member, or cognizant staff member thereof), in response to a documented request (including a Congressional Record notice requesting testimony or statements for the record at a regularly scheduled hearing) made by the non-Federal entity's member of congress, legislative body or a subdivision, or a cognizant staff member thereof, provided such information is readily obtainable and can be readily put in deliverable form, and further provided that costs under this section for travel, lodging or meals are unallowable unless incurred to offer testimony at a regularly scheduled Congressional hearing pursuant to a written request for such presentation made by the Chairman or Ranking Minority Member of the Committee or Subcommittee conducting such hearings;</p> <p>(2) Any lobbying made unallowable by paragraph (c)(1)(iii) of this section to influence state legislation in order to directly reduce the cost, or to avoid material impairment of the non-Federal entity's authority to perform the grant, contract, or other agreement; or</p> <p>(3) Any activity specifically authorized by statute to be undertaken with funds from the Federal award.</p> <p>(4) Any activity excepted from the definitions of "lobbying" or "influencing legislation" by the Internal Revenue Code provisions that require nonprofit organizations to limit their participation in direct and "grass roots" lobbying activities in order to retain their charitable deduction status and avoid punitive excise taxes, I.R.C. §§501(c)(3), 501(h), 4911(a), including:</p> <p>a) Nonpartisan analysis, study, or research reports;</p> <p>b) Examinations and discussions of broad social, economic, and similar problems; and</p> <p>c) Information provided upon request by a legislator for technical advice and assistance, as defined by I.R.C. §4911(d)(2) and 26 CFR 56.4911-2(c)(1)-(c)(3).</p>
Meals	<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</p>

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	<p>morning.</p> <p><i>Unallowable</i> for meal costs that are duplicated in meeting participant's per diem or subsistence allowances.</p> <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>
Memberships, Subscriptions, and Professional Activity Costs	<p><i>Unallowable</i> for costs of membership in any civic or community organization.</p> <p><i>Allowable</i> for costs of membership in business, technical, and professional organizations.</p>
Organization Costs	<p><i>Allowable</i> with prior approval for organization costs per 2 CFR 200.455.</p> <p><i>Unallowable</i> for costs of investment counsel and staff and similar expenses incurred to enhance income from investments.</p>
Participant Support Costs	<p><i>Allowable</i> for such items as stipends or subsistence allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with approved conferences, training projects, and focus groups.</p> <p>See also Selling and Marketing - Coupons, Incentives or Other Price Discounts.</p>
Political Activities	<p><i>Unallowable</i> for development or participation in political activities in accordance with provisions of the Hatch Act (5 U.S.C. 1501-1508 and 7324-7326).</p>
Pre-Award (Pre-Agreement Costs)	<p><i>Allowable</i>, if such costs are necessary to conduct the project or program, and would be allowable under the grant, if awarded.</p> <p>A recipient may incur pre-award costs 90 calendar days before SCBGP makes the award without prior approval from SCBGP. Expenses more than 90 calendar days pre-award require SCBGP prior approval. All costs incurred before SCBGP makes the award are at the recipient's risk. The incurrence of pre-award costs in anticipation of an award imposes no obligation on SCBGP to award funds for such costs.</p>
Rearrangement and Reconversion Costs	<p><i>Allowable</i> as indirect costs incurred for ordinary and normal rearrangement and alteration of facilities.</p> <p><i>Allowable</i> as direct costs with prior approval for special arrangements and alterations costs incurred specifically for the award.</p>
Salaries and Wages	<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>

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	<p><i>Unallowable</i> for salaries, wages and fringe benefits for project staff that devote time and effort to non-specialty crop specific venues, tradeshow, 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 specialty crops.</p> <ul style="list-style-type: none"> • 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.
Selling and Marketing Costs	<p><i>Allowable</i> 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.</p>
Selling and Marketing Costs – Promotion of an Organization’s Image, Logo, or Brand Name	<p><i>Unallowable</i> for selling and marketing costs designed solely to promote the image of an organization, general logo, or general brand rather than eligible specialty crops.</p> <ul style="list-style-type: none"> • A promotional campaign to increase sales of “XYZ Grown” Watermelon is acceptable while increasing brand awareness of “XYZ Grown” generically is not. • Promoting tomatoes while including an organization’s logo in the promotion is acceptable, while generally promoting an organization’s logo is not. • Promotional items could say “Buy XYZ 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” generically is not.
Selling and Marketing Costs – Promotion of Non-Specialty Crop Activities	<p><i>Unallowable</i> for selling and marketing costs for promotion at non-specialty crop specific venues, tradeshow, events, meetings, programs, conventions, symposia, seminars, etc.</p> <ul style="list-style-type: none"> • 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 are acceptable, while advertising a non-specialty crop specific local food conference is not.
Selling and Marketing Costs – Promotional Items, Gifts, Prizes, etc.	<p><i>Unallowable</i> for promotional items, swag, gifts, prizes, memorabilia, and souvenirs.</p>
Selling and Marketing Costs – Sponsorships	<p><i>Unallowable</i> 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.</p>
Selling and Marketing Costs – Coupons, Incentives or Other Price Discounts	<p><i>Unallowable</i> for costs of coupon/incentive redemptions or price discounts. Costs associated with printing, distribution, or promotion of coupons/tokens or price discounts (i.e., a print advertisement that contains a clip-out coupon) are allowable only if they solely promote the specialty crop rather than promote or benefit a program or single organization.</p> <p>See also Participant Support Costs.</p>
Selling and Marketing Costs – Use of Meeting Rooms, Space, Exhibits for Non-Specialty Crop Activities	<p><i>Unallowable</i> for costs associated with the use of trade shows, meeting rooms, displays, demonstrations, exhibits, and the rental of space for activities that do not solely promote specialty crops.</p> <ul style="list-style-type: none"> • Supporting the participation of raspberry and blueberry producers at a non-specialty crop specific international trade show to promote berries to an international audience

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	<p>is allowable, while renting a booth space for berry producers as well as wheat producers at an international trade show is not allowable.</p> <ul style="list-style-type: none"> • 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 not allowable, while supporting a session on specialty crops at a national conference that is not specific to specialty crops is allowable. • Funding an “XYZ State 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 not allowable.
<p>Selling and Marketing Costs – Cookbooks, Cooking Demonstrations, Recipe Cards, Food Pairings</p>	<p><i>Allowable</i> for costs promoting the specialty crops in processed products (products prepared or created for the purposes of promoting a specialty crop but that require other ingredients are considered a processed product). A processed product is defined as a product that constitutes greater than 50% of the specialty crop by weight, exclusive of added water.</p> <p><i>Unallowable</i> for costs of separate complementary non-specialty crop products. A separate complementary non-specialty crop product means a product closely associated with a specialty crop product, the purchase of one encouraging consumers to buy the other (i.e., cheese and wine).</p>
<p>Supplies and Materials, Including Costs of Computing Devices</p>	<p><i>Allowable</i> 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.</p> <p>A computing device is a supply if the acquisition cost is less than the lesser of the capitalization level established by the recipient or subrecipient 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.</p>
<p>Training</p>	<p><i>Allowable</i> when the training is required to meet the objectives of the project or program.</p>
<p>Travel</p>	<p><i>Allowable</i> when travel costs are limited to those allowed by formal organizational policy; in the case of air travel, the lowest reasonable commercial airfares must be used.</p> <p><i>Allowable</i> with prior approval for government officials per 2 CFR part 200.444.</p> <p>Recipients and subrecipients that do not have formal travel policies and for-profit subrecipients’ allowable travel costs may not exceed those established by the Federal Travel Regulation, issued by GSA, including the maximum per diem and subsistence rates prescribed in those regulations. This information is available at http://www.gsa.gov. If a recipient or subrecipient organization has no formal travel policy, those regulations will be used to determine the amount that may be charged for travel costs.</p> <p>Recipients and subrecipients are strongly encouraged to take advantage of discount fares for airline travel through advance purchase of tickets if travel schedules can be planned in advance.</p> <p>Consideration should be given to the use of alternative technologies such as teleconferencing</p>

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	<p>or videoconferencing if they are available, appropriate for the project, and less costly.</p> <p><i>Unallowable</i> for travel costs for conferences, venues, tradeshow, events, meetings, programs, conventions, symposia, workshops seminars, etc. that include non-specialty crop activities such as farmers' market annual conferences and general marketing tradeshow where these costs cannot be specifically identified and easily and accurately traced to activities that solely enhance the competitiveness of specialty crops.</p> <ul style="list-style-type: none">• 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.