



## ALLOWABLE COST GUIDE

Assistance Listings Number and Title	84.282A, Expanding Opportunity Through Quality Charter Schools Program (CSP)—Grants to State Entities (State Entity)
Name of Federal Awarding Agency	U.S. Department of Education
Recipient Name	Mississippi First, Inc.
Federal Award Identification Number	S282A220001
Federal Award Date	September 28, 2022
Project Title	Doubling Mississippi’s High-Quality Charter School Sector in Five Years

### INTRODUCTION

#### Purpose

This guide is intended to assist eligible applicants and subgrantees in planning and preparing allowable budgets, budget amendments, and drawdown requests under the Charter Schools Program (CSP)—State Entity grant. The information provided in this cost guide is NOT comprehensive but seeks to provide guidance.

#### Summary of Information

Subgrantees should prepare budgets and drawdown requests with the following principles in mind:

- Costs included in budgets and drawdown requests must be allowable by law and/or Federal regulations. The law governing subgrantees’ use of funds under the CSP program is [ESEA §4303\(h\)](#). Subgrantees are also bound by the guidance of [2 CFR Part 200](#), particularly Subpart E, and [EDGAR](#), particularly 34 CFR Part 75.
- Costs should align with and support achievement of project goals as proposed in the subgrant application.
- Subgrantees must have an approved budget or budget amendment in order to request drawdowns. Purchases made prior to the approved budget or without an approved amendment will not be eligible for reimbursement.
- Subgrantees may not overspend any category of their approved budget by more than 10% of the total subgrant amount. If budget variances approach 10%, Mississippi First may proactively request the subgrantee complete a budget amendment prior to approving further drawdown requests.
- In order to be reimbursable through the subgrant, costs must be adequately documented. Subgrantees may be required to provide additional documents to Mississippi First to substantiate expenditures.
- Costs submitted for reimbursement that are not included in the approved budget or budget amendment may result in a delay in processing or a denial.

#### Allowable Uses of Funds per §4303(h)

Under section 4303(h) of the ESEA, “an eligible applicant receiving a subgrant under this program shall use such funds to support activities described in subsection (b)(1) [i.e., activities related to opening and preparing for the operation of new charter schools or for replicating or expanding high-quality charter schools], which shall include one or more of the following:

- (1) Preparing teachers, school leaders, and specialized instructional support personnel, including through paying costs associated with—
  - (A) Providing professional development; and
  - (B) Hiring and compensating, during the eligible applicant’s planning period specified in the application for subgrant funds, one or more of the following:
    - (i) Teachers.
    - (ii) School leaders.
    - (iii) Specialized instructional support personnel.
- (2) Acquiring supplies, training, equipment (including technology), and educational materials (including developing and acquiring instructional materials)
- (3) Carrying out necessary renovations to ensure that a new school building complies with applicable statutes and regulations, and minor facilities repairs (excluding construction).
- (4) Providing one-time, startup costs associated with providing transportation to students to and from the charter school.
- (5) Carrying out community engagement activities, which may include paying the cost of student and staff recruitment.
- (6) Providing for other appropriate, non-sustained costs related to opening, replicating, or expanding high-quality charter schools when such costs cannot be met from other sources.”

### **Allowable Costs per §200.403 of the Uniform Guidance**

Per §200.403, costs are allowable if they meet the following definition:

“Except where otherwise authorized by statute, costs must meet the following general criteria to be allowable under Federal awards:

- (a) Be **necessary** and **reasonable** for the performance of the Federal award and be **allocable** thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- (c) Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the non-Federal entity.
- (d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
- (f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally financed program in either the current or a prior period. See also §200.306 Cost sharing or matching paragraph (b).
- (g) Be adequately documented. See also §§200.300 Statutory and national policy requirements through 200.309 Period of performance of this part.”

#### Necessary

A cost is **necessary** if it is required to complete the activities within the grant.

#### Reasonable (§200.404)

“A cost is **reasonable** if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when the non-Federal entity is predominantly federally funded. In determining the reasonableness of a given cost, consideration must be given to:

- (a) Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the non-Federal entity or the proper and efficient performance of the Federal award.
- (b) The restraints or requirements imposed by such factors as sound business practices; arm's-length bargaining; Federal, state, local, tribal, and other laws, and regulations; and terms and conditions of the Federal award.
- (c) Market prices for comparable goods or services for the geographic area.
- (d) Whether the individuals acted with prudence in the circumstances considering their responsibilities to the non-Federal entity, its employees, where applicable its students or membership, the public at large, and the Federal Government.
- (e) Whether the non-Federal entity significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the Federal award's cost."

Allocable (§200.405)

"(a) A cost is **allocable** to a particular Federal award or other cost objectives if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received. This standard is met if the cost:

- (1) Is incurred specifically for the award.
- (2) Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods.
- (3) Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principles in this subpart."

**Allowability in Relation to Type of Funds per §4303 and the 2022 Notice of Final Priorities (NFP) for the State Entity Program**

The State Entity program authorizes two types of funds: **planning** funds and **implementation** funds. Subgrantees must differentiate between planning and implementation funds in their budgets as well as their drawdown requests.

**Planning funds** support post-award planning and design of the educational program, providing professional development, and hiring and compensating staff. Planning funds may be spent for no more than 18 months of the subgrantee's grant term (§4303(d)). Please note that the planning period ends after the first 30 days of a school beginning to serve students, assuming that sufficient state or local funds are available. Some activities are exclusively planning activities. Once sufficient state or local funds are available, schools are not allowed to use CSP funds for hiring and compensating staff as these would be considering ongoing operational costs.

**Implementation funds** support activities and expenses necessary to open or expand the school. These include acquiring necessary supplies, training, equipment, and educational materials; carrying out renovations necessary to meet regulations or minor facility repairs; providing one-time, start-up costs associated with providing transportation to students; informing the community about the school; or providing for other appropriate, non-sustained costs that cannot be met from other sources. Ongoing operational costs are unallowable for either planning or implementation funds. Some costs that may recur may be purchased once in the implementation period.

The planning and implementation periods may run concurrently in the pre-opening year, meaning that subgrantees may drawdown planning and implementation funds at the same time. However, no subgrantee can use implementation funds until after the charter school has received a charter from the authorizer and "has a contract, lease, mortgage, or other documentation indicating that it has a facility in which to operate" (NFP (b)(13)). Please refer to the subgrantee drawdown procedures or the fiscal policies document for more information about how to gain approval to request implementation funds.

## **Additional Cost Resources**

In addition to the law and Federal regulations, the U.S. Department of Education has also published Charter Schools Program (CSP) [Nonregulatory Guidance \(2014\)](#) that may be helpful to subgrantees. Should this guidance be updated, Mississippi First will provide the updated information.

## **Direct Costs and Indirect Costs (§75.560 and §§200.412-415)**

**Direct costs** directly benefit specific programs in accordance with benefits received. They can be identified specifically with a particular cost objective of a grant and can be charged to a specific federal award. Examples include salaries and wages of program staff, equipment, supplies, and travel expenses.

**Indirect costs** generally benefit more than one program or project. They are not easily identified with a particular grant project, function, activity, or benefit received, but they are necessary. Examples of indirect costs include administrative salaries, accounting and human resources costs, and utilities. Once a cost is identified as an indirect cost, it must always be identified as indirect.

A subgrantee must be approved to request indirect costs and must have this approval noted in their subgrant agreement before they may draw down such costs. Please refer to the subgrantee drawdown procedures or the fiscal policies document for more information about how to gain approval to request indirect costs.

## **Procurement**

Charter schools in Mississippi are exempt from state purchasing law, but they must still abide by Federal procurement regulations, and Mississippi First must monitor subgrantees to ensure appropriate implementation. Subgrantees should read 2 CFR 200.318-320 carefully to understand what a Federally compliant procurement policy and process must include. Mississippi First will ask subgrantees for a copy of their procurement policy as part of monitoring; evidence of procurement must be provided for applicable expenses during the drawdown process. Please note that micro-purchases must still be substantiated as reasonable and necessary, even if multiple quotes or bids are not required. Refer to the subgrantee drawdown procedures or the fiscal policies document for more information about complying with procurement regulations.

### Sole-source contracts

While not the norm, subgrantees may find the need to issue a sole-source contract. For example, a school in a rural area may find that only a single bus vendor is available or willing to bid on a contract. Most goods and services, however, will be available from multiple sources at comparable prices and quality, including professional development. Mississippi First will carefully scrutinize any documentation submitted to substantiate the need for a sole-source contract, so subgrantees should be prepared to show that the contract meets one of the circumstances outlined in §200.320(c) for noncompetitive procurement.

## **Approved Budget and Budget Amendments**

Subgrantees must have an approved budget or budget amendment in order to request drawdowns. Purchases made prior to the approved budget or without an approved amendment will not be eligible for reimbursement. Budget finalization is a key step in receiving approval to begin the drawdown process. Subgrantees should track their spending in accordance with their budget to be aware of when they are reaching budget limits in any category or overall. Per Federal regulations, subgrantees may not overspend any category of their approved budget by more than 10% of the total subgrant amount (§200.308(f)). If budget variances approach 10%, Mississippi First may request the subgrantee complete a budget amendment prior to approving further drawdown requests. Subgrantees should be proactive in requesting budget amendments should needs change resulting in an expected large variance so as to not delay the drawdown process.

## GUIDANCE ON ALLOWABLE COSTS

Below, we provide guidance on allowable costs in each budget category. Please note that this guidance is not intended to be exhaustive. Subgrantees should ask for assistance if they are unsure how a cost should be categorized or whether it is allowable.

### PERSONNEL

<b>Definition</b>	Personnel includes <u>salary and wages only</u> . Allocable personnel should be limited to staff necessary for school launch per §4303(h), especially 1) teachers, 2) school leaders, and 3) specialized instructional support personnel (e.g., founding academic dean, special education director). <i>See guidance for allocability of other personnel.</i>
<b>Type of funds</b>	Planning ONLY
<b>Budget narrative guidance</b>	<u>Provide calculations</u> that include the following: <ul style="list-style-type: none"> <li>• the position,</li> <li>• the base salary per year (or hourly or weekly wage),</li> <li>• the percentage of time dedicated to grant-aligned activities, and</li> <li>• the actual amount paid for by CSP.</li> </ul>
<b>Drawdown documentation</b>	<u>Payroll report</u> or other confirmation of payment <i>Be sure to keep timesheets or other documentation substantiating time paid for with federal funds.</i>

### Specific Guidance

#### Planning period duration

The planning period is from the start date of the subgrant to the first day of school or as soon as state or local funds are available to cover personnel costs, provided that this period is no more than 18 months. Because planning and implementation periods may overlap, a school may continue to pay personnel costs once implementation has started; implementation may begin as soon as a school has a charter and a facility agreement (see NFP b(13)).

#### Non-instructional personnel

Section 4303(h)(1)(B) of the ESEA specifically names the cost of compensating teachers, school leaders, and “specialized instructional support personnel” as allocable costs. However, the law also states that funds may be used to “provid[e] for other appropriate, non-sustained costs related to the activities described in subsection (b)(1) [i.e., activities related to opening and preparing for the operation of new charter schools or for replicating or expanding high-quality charter schools] when such costs cannot be met from other sources” (§4303(h)(6)). We believe that this provision allows schools to pay the salary of non-instructional personnel necessary for a successful school launch, such as a director of operations, chief financial officer, or student recruitment manager. Non-instructional staff hired and compensated well in advance of school opening must be critical to launch.

#### Considerations for personnel costs

Personnel costs can rapidly escalate and reduce the ability of a subgrantee to buy necessary equipment and supplies before school begins. Historically, Mississippi subgrantees have paid only the school leader throughout the entire planning year and added other staff a few months before school launch to ensure there will be enough funding for anticipated school launch needs.

## FRINGE

<b>Definition</b>	Fringe includes <u>health insurance, employer taxes, retirement, and other benefit costs paid for all employees per §200.431(a)</u> . Allocable fringe should be limited to staff necessary for school launch per §4303(h), especially 1) teachers, 2) school leaders, and 3) specialized instructional support personnel (e.g., founding academic dean, special education director). <i>See guidance for allocability of other personnel.</i>
<b>Type of funds</b>	Planning ONLY
<b>Budget narrative guidance</b>	<u>Provide calculations</u> that include the following: <ul style="list-style-type: none"><li>• how fringe benefits are derived (the estimate cost such as a percentage of salary or the actual cost per benefit),</li><li>• the benefits provided, and</li><li>• the actual amount per position paid for by CSP.</li></ul>
<b>Drawdown documentation</b>	<u>Payroll report</u> or other confirmation of payment <i>Be sure to keep timesheets or other documentation substantiating time paid for with federal funds.</i>

### Specific Guidance

#### Planning period duration

The planning period is from the start date of the subgrant to the first day of school or as soon as state or local funds are available to cover personnel costs, provided that this period is no more than 18 months. Because planning and implementation periods may overlap, a school may continue to pay personnel costs once implementation has started; implementation may begin as soon as a school has a charter and a facility agreement (see NFP b(13)).

#### Alignment between personnel and fringe

Typically, budgets should show alignment of positions listed in the personnel and fringe categories. If there is no alignment, schools should explain their rationale within the budget narrative.

#### Non-instructional personnel

Section 4303(h)(1)(B) of the ESEA specifically names the cost of compensating teachers, school leaders, and “specialized instructional support personnel” as allocable costs. However, the law also states that funds may be used to “provid[e] for other appropriate, non-sustained costs related to the activities described in subsection (b)(1) [i.e., activities related to opening and preparing for the operation of new charter schools or for replicating or expanding high-quality charter schools] when such costs cannot be met from other sources” (§4303(h)(6)). We believe that this provision allows schools to pay the fringe of non-instructional personnel necessary for a successful school launch, such as a director of operations, chief financial officer, or student recruitment manager. Non-instructional staff hired and compensated well in advance of school opening must be critical to launch.

#### Considerations for fringe costs

Personnel and associated fringe costs can rapidly escalate and reduce the ability of a subgrantee to buy necessary equipment and supplies before school begins. Historically, Mississippi subgrantees have paid only the school leader throughout the entire planning year and added other staff a few months before school launch to ensure there will be enough funding for anticipated school launch needs.

## TRAVEL

<b>Definition</b>	Travel includes costs such as <u>mileage, airfare, ground transportation, hotel, meals and incidentals, and per diem</u> for employees on official business. Example costs may include, but not be limited to, travel to attend conferences and training workshops for professional development or site visits to other schools.
<b>Type of funds</b>	Planning or implementation ( <i>see guidance below</i> )
<b>Budget narrative guidance</b>	<u>Provide calculations</u> that include the following: <ul style="list-style-type: none"><li>• destination and reason for travel;</li><li>• persons traveling;</li><li>• mode and cost of transportation (e.g., mileage rate and miles, airfare, any ground transportation);</li><li>• number of persons needing overnight accommodation, number of nights, and the nightly rate; and</li><li>• per diem and/or meals and incidentals rate.</li></ul>
<b>Drawdown documentation</b>	Original receipts; if mileage is paid, calculation of miles listing starting point and destination; copy of travel policy/documentation of compliance, as applicable

### Specific Guidance

#### Using planning funds

Planning funds may be used for travel related to the design or refinement of the school's instructional model or for professional development and training of key personnel. Travel to professional development or training for teachers immediately prior to school opening or during school is likely to be an implementation expense. However, please note the prohibition on recurring costs below.

#### Necessary for program

Allowability of an item depends on it being necessary for the opening of the school. Subgrantees should be careful to explain in the budget narrative why budgeted travel is necessary to the instructional model or opening of the school more generally.

#### Non-recurring costs only

Travel costs must not recur. This means a school may not budget for the same people to attend the same conference or training annually unless they can substantiate that the content is different and necessary to meet grant goals.

#### Reasonableness of travel costs

Schools should have an adopted travel policy complying with §200.475 and expenses should be paid in accordance with this policy. Travel costs must be reasonable and charged on an actual basis, per diem or mileage basis, or both.

#### One-time, start-up cost of transportation

The allowable one-time, start-up cost for transportation is likely to be a contractual cost (vendor contract) or an equipment cost (purchase of a bus). Schools should not budget student transportation costs in this category.

## EQUIPMENT

<b>Definition</b>	Equipment means <u>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 school for financial statement purposes, or \$5,000</u> (e.g., if the school's capitalization threshold is \$3,000, then any item costing more than \$3,000 would be considered equipment). If a school has a capitalization policy that also includes a bulk purchase threshold, any items purchased in bulk that exceed that threshold should be listed as equipment.
<b>Type of funds</b>	Planning or implementation ( <i>see guidance below</i> )
<b>Budget narrative guidance</b>	<u>Name and describe</u> the following: <ul style="list-style-type: none"><li>• the item,</li><li>• its justification (expected use and reason it is necessary),</li><li>• the per-unit cost,</li><li>• the total number of items to be purchased, and</li><li>• the total cost.</li></ul> <i>Be sure to include the school's capitalization threshold if it is lower than \$5,000 or if there is a relevant bulk purchasing threshold.</i>
<b>Drawdown documentation</b>	Invoices marked "paid" and/or original receipts; procurement documentation if the purchase is greater than the school's micro-purchase threshold

### Specific Guidance

#### Using planning funds

Although planning funds may be used to purchase equipment if an item is needed by the founding team, it is unlikely that many purchases would qualify. Computers purchased during the planning period for use by the founding team may be considered equipment if they exceed the capitalization threshold; however, these will most likely be considered supplies as the per-unit cost of these devices is likely to be lower than capitalization, and the founding team is likely to be small enough that the items would not exceed any bulk purchasing threshold. Because most equipment will not be needed until immediately prior to school launch, equipment is usually an implementation expense.

#### Necessary for program

Allowability of an item depends on it being necessary for the opening of the school. Subgrantees should be careful to explain in the budget narrative why each budgeted item is necessary to the instructional model or opening of the school more generally.

#### Reasonable quantities

Purchases may not exceed reasonable quantities for the proposed student population. This means that schools should not prepurchase items for grades that the school has not expanded to yet—i.e., a 4-8 school opening with grades 4 and 5 should not purchase desks for grades 4-8 in the first year. Such purchases would be considered stockpiling, which is not allowable.

#### Leases, licenses, or subscriptions

Equipment acquired through a lease, license, or subscription should be budgeted in the contractual category. This would include software or online instructional materials licenses or subscriptions, regardless of cost, as well as leases for tangible items such as copiers or buses. Please note that CSP cannot pay monthly service fees after the planning period, even if the equipment is permanently purchased, or renewals of annual leases, licenses, or subscriptions. Please see the contractual category for more information about the circumstances under which CSP can pay initial invoices for annual or monthly costs.



## Procurement

Charter schools in Mississippi are exempt from state purchasing law, but they must still abide by Federal procurement regulations, and Mississippi First must monitor subgrantees to ensure appropriate implementation. Subgrantees should read 2 CFR 200.318-320 carefully to understand what a Federally compliant procurement policy and process must include.

## Relocatable classrooms

Relocatable classrooms, also called portable classrooms or “portables,” purchased by the school are an allowable cost. (Leases for these items fall under the provision above for leases, licenses, or subscriptions.) Modular classrooms which are permanently affixed to a site are real property and therefore not allowable (34 CFR 75.533). Subgrantees should be aware of [regulations for relocatable classrooms](#) promulgated by the Mississippi Department of Education, which include a definition of “relocatable.” As these regulations would be considered health and safety, charter schools must abide by them per Miss. Code Ann. § 37-28-45(1). Please note that if the planned location is not already prepared to accommodate relocatable classrooms—i.e., if the site is not graded, the utility hookups not installed, etc.—the work to prepare the site is considered a capital improvement, which is not allowable, regardless of whether the subgrantee owns or plans to lease the site. Consequently, Mississippi First will require subgrantees to show how it will pay for such work necessary to prepare the site for the relocatable classroom prior to approving the expense, in addition to requiring documentation that the relocatable classroom has been approved by the Mississippi Department of Education.

## Example expenditures

Below, we provide a non-exhaustive list of the most common CSP equipment expenditures. Under the Federal definition of equipment, several of these example items might not qualify unless part of a bulk purchase at a school with a bulk purchasing threshold.

Example Expenditures	
<b>Classroom technology</b>	Smartboards, laptops, desktops, tablets, projectors, document cameras, audio equipment, etc.
<b>Classroom furniture</b>	Desks, chairs, tables, bookshelves, screens, etc.
<b>Administrative technology</b>	Laptops, desktops, tablets, photocopiers, servers, wireless access points or other equipment necessary to support a wireless network, printers, etc.
<b>Administrative furniture</b>	Desks, chairs, tables, bookshelves, etc.
<b>School library equipment or technology</b>	Laptops, desktops, tablets, multi-media center equipment, charging carts, etc.
<b>Cafeteria furniture</b>	REMOVABLE tables, chairs, etc.
<b>Cafeteria equipment</b>	REMOVABLE ovens, microwaves, refrigerators, etc.
<b>Other equipment</b>	Science lab items, musical instruments, physical education equipment, etc.
<b>Playground equipment</b>	REMOVABLE playground equipment
<b>Relocatable structures</b>	Relocatable classrooms meeting MDE regulations
<b>Vehicles</b>	School bus

## SUPPLIES

<b>Definition</b>	Supplies include all tangible personal property other than those described in the definition of Equipment. <u>An item is a supply if the acquisition cost of an item is less than the lesser of the capitalization level established by the school for financial statement purposes, or \$5,000.</u>
<b>Type of funds</b>	Planning or implementation ( <i>see guidance below</i> )
<b>Budget narrative information</b>	<u>Name and describe the following:</u> <ul style="list-style-type: none"><li>• the item,</li><li>• its justification (expected use and reason it is necessary),</li><li>• the per-unit cost,</li><li>• the total number of items to be purchased, and</li><li>• the total cost.</li></ul>
<b>Drawdown documentation</b>	Invoices marked “paid” and/or original receipts; copies or images of marketing materials

### Specific Guidance

#### Using planning funds

Planning funds may be used to purchase supplies if those supplies are necessary for the work of the founding team (e.g., general office supplies). Because most supplies will not be needed until immediately prior to school launch, supplies are often an implementation expense.

#### Necessary for program

Allowability of an item depends on it being necessary for the opening of the school. Subgrantees should be careful to explain in the budget narrative why each budgeted item is necessary to the instructional model or opening of the school more generally.

#### Reasonable quantities

Purchases may not exceed reasonable quantities for the proposed student population. This means that schools should not prepurchase items for grades that the school has not expanded to yet—i.e., a 4-8 school opening with grades 4 and 5 should not purchase textbooks for grades 4-8 in the first year. Such purchases would be considered stockpiling, which is not allowable.

#### Leases, licenses, or subscriptions

Supplies acquired through a lease, license, or subscription should be budgeted in the contractual category. Examples include software or online instructional materials licenses or subscriptions, regardless of cost, as well as leases for tangible items such as modems. Please note that CSP cannot pay monthly service fees after the planning period, even if the item being serviced is purchased, or renewals of annual leases, licenses, or subscriptions. Please see the contractual category for more information about the circumstances under which CSP can pay initial invoices for annual or monthly costs.

#### Conference registration and training fees

Subgrantees may pay the cost of registration for conferences that provide professional development necessary for school launch. Conference registration costs must not recur. This means a school may not budget for the same people to attend the same conference or training annually unless they can substantiate that the content is different and necessary to meet grant goals.

#### General office supplies

Subgrantees may provide an overall estimate for general office supplies with a list of expected items rather than providing exact costs for each of these items (e.g., total estimate cost versus the exact number and cost of ink pens, etc.).

### Instructional consumables

Subgrantees may purchase an initial year of consumables, such as workbooks for a curriculum, to prepare for the launch of each new grade. For example, a school launching with grades K-1 and expanding to a new grade each successive year may buy workbooks for grades K-1 in the first year and buy consumable workbooks for grade 2 in the second year but not repurchase those for grades K-1.

### Marketing or outreach supplies

Items that purely promote the school—i.e., “swag” items such as branded cups, pencils, pads, signs, etc.; memorabilia; models; gifts; and souvenirs—are not allowable. All marketing or outreach supplies must facilitate access and enrollment to the school. For example, a school sign with the name and the logo is not allowable but a banner with the school’s name and logo directing parents to the school and providing enrollment information is allowable. Mississippi First may ask to see copies of any marketing materials to ensure that they are allowable. Please see further examples of unallowable costs on page 14. Marketing supplies should be purchased in quantities that can be fully distributed during the subgrant term.

### Example expenditures

Below, we provide a non-exhaustive list of the most common CSP supply expenditures. Under the Federal definition of supplies, several of these example items might become equipment depending on the per-unit price or if purchased in bulk in a school with a bulk purchasing threshold.

Example Expenditures	
Classroom materials	Instructional supplies, manipulatives, bulletin boards, etc.
Conference fees	Non-recurring registration or training fees for professional development
Dues or membership fees	First year dues or membership fees to professional organizations whose primary purpose is NOT lobbying
Library books	Physical copies of books; permanently purchased e-books ( <i>see contractual for license- or subscription-based e-books</i> ); book scanner or labeling supplies
Instructional consumables	One year’s worth of workbooks for each successive grade; one year’s worth of art supplies, science lab items, other consumable instructional items in the initial year ONLY
Marketing materials	Displays and exhibits to promote enrollment or hiring ONLY; general displays or exhibits are not allowable. <i>See also printing.</i>
Non-capitalized cafeteria furniture or equipment	Items necessary to the opening of school that have a useful life more than 12 months but whose cost is below the capitalization threshold and/or not part of a bulk purchase—REMOVABLE oven, microwave, refrigerator, food warmer, etc.
Non-capitalized classroom or administrative technology, furniture, or equipment	Items necessary to the opening of school that have a useful life more than 12 months but whose cost is below the capitalization threshold and/or not part of a bulk purchase—e.g., a laptop, a printer, a reception desk, a rug, nurse bed, medicine cabinet, etc.
Office supplies	General office supplies (paper, pens, ink, stapler, staples, etc.)
Permits or licenses	Fees associated with applying for government permits or licenses required for opening and operating the school in accordance with state or local law or regulations; renewals are not allowed
Postage	Stamps or other shipping costs
Printing	Marketing (e.g., enrollment brochures and flyers, mailings to parents, banners and signs advertising enrollment, etc.); initial purchase of school forms; professional development or instructional materials
Textbooks	Physical copies of books for each grade/course when first offered; permanently purchased e-books ( <i>see contractual for license- or subscription-based e-books</i> )

## CONTRACTUAL

<b>Definition</b>	Costs associated with a contract, defined as <u>a legal instrument by which a subgrantee purchases property or services needed to carry out the project or program</u> under a Federal award.
<b>Type of funds</b>	Planning or implementation ( <i>see guidance below</i> )
<b>Budget narrative information</b>	Name and describe the following: <ul style="list-style-type: none"><li>• the contractor/service,</li><li>• the need,</li><li>• how the cost is estimated (hourly, flat fee, deliverable, etc.).</li></ul>
<b>Drawdown documentation</b>	Copy of the contract and invoices marked “paid” pursuant to contract; invoices should provide a description of work completed as well as the dates/hours worked; evidence of procurement, as applicable

### Specific Guidance

#### Using planning funds

Subgrantees may use planning funds for contractual services necessary prior to school launch. Planning expenses may include recruiters to support hiring personnel, a lawyer to negotiate a lease agreement, professional development consultants to train teachers, or future employees working on part-time contracts to refine the school design.

#### Necessary for program

Allowability of an item depends on it being necessary for the opening of the school. Subgrantees should be careful to explain in the budget narrative why each budgeted contract is necessary to the instructional model or opening of the school more generally.

#### Allowability of insurance

Subgrantees should ensure the organization has all the types of insurance required by the authorizer. Schools are permitted to prepay one year’s worth of insurance during the pre-opening year. Renewals are not allowed.

#### Allowability of professional services (legal, accounting, etc.)

Schools may pay for professional services such as legal or accounting services during the planning or implementation period in the pre-opening year. Subgrantees may pay for the cost of an audit once; an audit is required every year of operation for a charter school in Mississippi, even if the school does not meet the single audit threshold for Federal purposes.

#### Installation of technology or wired or wireless systems

Subgrantees may pay the cost of installation for technology, including adding wired or wireless systems to the school, provided that such costs do not increase the value of the facility—i.e., constitute a capital improvement or expenditure—or are made to bring the facility up to code or authorizer expectations.

#### Leases, licenses, or subscriptions

Equipment or supplies acquired through a lease, license, or subscription should be budgeted in the contractual category. Examples include software or online instructional materials licenses or subscriptions, regardless of cost, as well as leases for tangible items such as buses, copiers, or modems. Please note that CSP cannot pay monthly service fees after the planning period, even if the item being serviced is purchased, or renewals of annual leases, licenses, or subscriptions. Specific items that may have a monthly fee and are allowable in the pre-opening period include rent and utilities (see below).

### Professional development

Costs associated with hiring professional development consultants and trainers are allowable as planning or implementation costs, depending on the service and the participants. However, subgrantees must still justify that the training is necessary and the cost is reasonable. Mississippi First may require documentation of the agenda, topics covered, attendance, etc.

### Recruitment services

Recruitment services are allowable if they are for the purpose of recruiting staff or students. Such contracts may include contracts with recruiters, search firms, placement agencies, family engagement specialists, etc.

### Rent and utilities

Subgrantees may pay the cost of a deposit and monthly bills for rent and utilities during the pre-opening period. Once school opens, these expenses become recurring operating costs and are no longer allowable. Subgrantees must have a signed lease agreement in order to pay these costs and should ensure the start date of the lease in relation to the opening of the school is reasonable. If renovations or repairs are necessary, a school may sign an earlier lease.

### One-time, startup transportation cost

Subgrantees may pay for “one-time, startup costs associated with providing transportation to students to and from the charter school” (§4303(h)(4)). This may include the initial invoice for a contract with a transportation firm providing bus service. Payment of bus drivers or the purchase of a bus should be budgeted in the personnel or equipment categories, respectively.

### Renovations and minor facilities repairs

Subgrantees may pay for the cost of “carrying out necessary renovations to ensure that a new school building complies with applicable statutes and regulations, and minor facilities repairs (excluding construction)” (§4303(h)(3)). In general, any services requiring an architect or engineer, including structural alterations to previously constructed buildings, are considered construction or capital improvements and are not allowable. For example, a school may use CSP funds to renovate a bathroom to make it accessible or appropriate for students, including students with disabilities, but may not add a new bathroom where one does not exist unless required by building codes or authorizer/state department of education regulations. Cleaning and painting a facility are considered an allowable cost if the work is performed to ready the facility for school launch.

### Website development and communications/marketing

Subgrantees may pay for the cost of developing the initial school website in order to facilitate student and staff recruitment. Communications/marketing contracts for the purpose of building awareness of the school and the opportunity to enroll or be hired are also allowable. Elements of contracts that are purely promotional in nature—i.e., developing a logo, branding guide, or other branding elements—are not allowable. Please note that websites are often capitalized after development; the contract itself is not equipment, however, and should not be included in the equipment line item.

### Procurement

Charter schools in Mississippi are exempt from state purchasing law, but they must still abide by Federal procurement regulations, and Mississippi First must monitor subgrantees to ensure appropriate implementation. Subgrantees should read 2 CFR 200.318-320 carefully to understand what a Federally compliant procurement policy and process must include. Many contracts will require proof of procurement due to their likely cost.

## **CROSS-CUTTING ISSUES**

Some activities may have budgetary implications across multiple categories. Below, we provide guidance for activities which may present cross-cutting issues.

### Conferences and meetings

In 2014, the US Department of Education (ED) circulated a [memo](#) and an [FAQ](#) pertaining to the allowability of hosting conferences and meetings or attending conferences and meetings using Federal grant funds from the department. Although subgrantees are unlikely to host conferences, they are likely to host professional development meetings or trainings for teachers or to wish to send personnel to conferences or trainings. These costs may span multiple budget categories, including travel, supplies, and contractual. Subgrantees should take special note of ED's guidance as to when it is appropriate to use Federal funds for such activities while further remembering the CSP restriction on recurring costs.

Additionally, much of ED's conference and meetings guidance concerns considerations for the allowability of paying for food at conferences and meetings hosted by the subgrantee. Due to this guidance, it is highly unlikely that subgrantees will be able to justify paying for food out of CSP funds at conferences or meetings, including professional development meetings and recruitment events. Please read the guidance carefully as Mississippi First is unlikely to approve any requests for reimbursement of food or beverages.

### Outreach, community engagement, and recruitment

The cost of recruiting students and staff for the school is specifically named as allowable in §4303(h). However, every cost associated with a recruitment activity may not be allowable. Decorative or promotional items or entertainment costs are not allowable, even in the context of a recruitment event. Allowable costs may include printing of signs, posters, banners, or brochures advertising enrollment or hiring; registration for a display booth or event at which recruitment will take place; or the cost of nonpromotional pens and other office supplies to create a display or support the recruitment event. The cost of displays, demonstrations, and exhibits related to other activities of the subgrantee (i.e., not for the purpose of student or staff recruitment) are specifically prohibited by §200.421(e).

### **UNALLOWABLE COSTS**

Below, we provide guidance on costs that are always or generally unallowable per 2 CFR 200. Please note that this guidance is not intended to be exhaustive. Subgrantees should ask for assistance if they are unsure whether a cost is allowable.

General Category	Unallowable Costs within CSP Grant Program
Alcohol	Alcohol is always prohibited per §200.423.
Apparel	Apparel is not allowable because it is not necessary to the goals of CSP and can be considered a promotional item. Apparel would include student uniforms; athletic and extracurricular uniforms and costumes; and staff uniforms, hats, or other clothing.
Bad debts	Bad debts, including losses (whether actual or estimated) arising from uncollectible accounts and other claims, related collection costs, and related legal costs are specifically prohibited per §200.426.
Capital improvements/ expenditures	Per §200.439, expenditures to improve land, buildings, or equipment which materially increase their value or useful life are unallowable, unless an improvement is required to meet state or local building codes or statutes. This includes such expenditures as permanent structural improvement or restoration of some aspect of a property, room additions, fencing, ground cover, permanent shade equipment, landscaping, carpeting, roofing, wall repair, electrical wiring/rewiring, etc.
Construction	Construction of a new facility; construction on an existing facility; renovations, refurbishments, and restoration that are NOT required to make the building meet state or local codes or statutes; activities for which an architect and/or engineer must be utilized are specifically prohibited per §75.533.
Decorations	Items that are purely decorative in nature, even if purchased to support a recruitment event or display, are not allowable as they are not necessary to the goals of CSP.
Entertainment costs	Costs of entertainment, including amusement, diversion, and social activities and any associated costs are unallowable per §200.438. Please refer to guidance above about recruitment events.

General Category	Unallowable Costs within CSP Grant Program
Fines, penalties, damages, or other settlements	Costs resulting from violations of, alleged violations of, or failure to comply with laws and regulations are unallowable per §200.441.
Food	Food is almost never allowable under CSP; please read the <a href="#">FAQ</a> on conferences and meetings disseminated by the US Department of Education.
Food preparation supplies	Food preparation supplies such as trays, pots, pans, cutlery, disposable gloves, etc., are generally not allowable as they constitute ongoing operating costs. The initial cost of a contract with a vendor to provide food service may be allowable in the pre-opening period as a one-time, startup cost.
Fundraising or contributions/donations	Expenses associated with fundraising activities are not allowable per §200.442 nor are contributions or donations per §200.434.
Incentives	Although recruitment of staff and students is an allowable cost, incentives for either students or staff are not allowable because they are not necessary to the goals of CSP; incentives could also be viewed as gifts which are specifically prohibited by §200.421(e)(3). Incentives may include gift certificates, food, beverages, alcohol, awards, memorabilia, and souvenirs.
Janitorial	Janitorial supplies such as tissue, trash bags, soap, cleaning materials, etc., or janitorial services are generally not allowable as they are not necessary to the goals of CSP and constitute ongoing operating costs. However, supplies and contracts for janitorial services to prepare the building for the start of school and/or comply with building codes or statutes or authorizer expectations may be allowable during the period immediately before school launch.
Lobbying	Lobbying or related expenses are prohibited by §200.450.
Promotional items	Promotional materials (often imprinted)—e.g., pencils, pens, balloons, and notepads—and memorabilia, including models, gifts, and souvenirs, are unallowable per §200.421(e)(3).
Real property	The purchase of land, including land improvements, structures, and appurtenances thereto, excluding moveable machinery and equipment is prohibited by §75.533.
Recurring expenses	Following the planning period, CSP funds may not pay for recurring costs—e.g., rent/leases after the first day of school; ongoing accounting, auditing, and legal fees not directly related to organizational start-up and planning; operating expenses and utilities, equipment leases, monthly and annual contracts; recurrent/repeated professional development and training; software license renewals; or fees such as monthly insurance and payroll services, management company fees, service contracts, etc.
Student activities	Field trips; extracurricular activities and programs, athletic (team/afterschool) equipment; student membership fees or student conference fees are unallowable per §200.469.