New IDEA Directors
Allowable Costs

Definition
"Allowable Costs" refers to items of cost, that in general, are costs that can be funded with federal grant dollars as long as the cost fits within a framework of responsible stewardship of public funds.

What makes a cost allowable?
Necessary
A cost is "necessary" if it meets an important program objective – it must address an existing need (2 C.F.R. §§ 200.403(a), 200.404).

Reasonable
A cost is "reasonable" if, in its nature and amount, it does not exceed that which would be incurred by a prudent person (2 C.F.R. §§ 200.403(a), 200.404).

Allocable
Once the cost has been determined to be allowed…It must be allocable. A cost is allocable to a particular Federal award if the goods or services involved are assignable to that Federal award in accordance with the relative benefits received (2 C.F.R. § 200.40(a)).

Documented
"If it's not documented, it didn't happen." Documentation rules are defined in 2 C.F.R. §§ 200.300 - 200.309. Adequately documented 2 C.F.R. § 200.403 (g).

2 C.F.R. § 200.403 Factors Affecting Allowability of Costs
Except where otherwise authorized by statute, costs must meet the following general criteria in order 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.

Allowable Costs Checklist

- ✓ Is the cost **reasonable** to address a valid need?
- ✓ Is the cost **necessary** for the performance of the grant?
- ✓ Do sound business practices support the expenditure?
- ✓ Does the expense support the **purpose** of the grant?
- ✓ Is the expense in compliance with laws, regulations, and grant terms?
- ✓ Is the cost a fair rate?
- ✓ Does the LEA have the capacity to use the purchase?
- ✓ Will the expenditure have an educational benefit within the grant period of availability?
- ✓ To prove and document allocability, is the amount charged to the grant commensurate with the benefit received?

For costs to be allowed using IDEA funds specifically, they must be for the excess cost (above and beyond) of providing special education and related services.

Excess Cost Guiding Questions

- In the absence of special education needs, would this cost exist?
  - Yes – the cost is not allowed
  - No – the cost may be allowed
- Is this cost also generated by students without disabilities?
  - Yes – the cost is not allowed
  - No – the cost may be allowed
- If it is a child specific service, is the service documented in the student's IEP?
  - Yes – the cost may be allowed
  - No – the cost may not be allowed

Federal Regulatory Guidance

- 2 C.F.R. § 200.403 Factors affecting allowability of costs
- 2 C.F.R. § 200.404 Reasonable costs
- 2 C.F.R. § 200.405 Allocable costs
- 2 C.F.R. § 200.313 Equipment
- 2 C.F.R. § 200.317-326 Procurement Standards

Dates of Importance & Deadlines

- March 2025: FY26 CFA available in ePlan
- May 2025: FY26 CFAs due in ePlan (must be approved by *LEA Fiscal Representative*)
- July 1, 2025: FY26 CFA approved (*TDOE FPO Director Approved*)
- July 1, 2025 – June 30, 2026: FY26 CFA Revisions, if necessary

Available Resources

- Assigned FPO Divisional Coordinator
- Technical Application Guide: FY26 CFA
- FY26 Federal Spending Handbook