



Cost Principles

All federal financial awards (grants and cooperative agreements) must adhere to a set of rules outlined in 2 CFR, Chapter 2, PART 200—Uniform Administrative Requirements, Cost Principles, and Audit Requirements For Federal Awards. Subpart E of this regulation details the Cost Principles, or general rules of what federal funds are allowed to be spent on. Please review this regulation during the award period to ensure that all of your costs are allowable.

What is an allowable cost?

Allowable costs are one which are not prohibited by federal law or by the program. Allowable costs must also be approved through your award or by your Federal Program Officer and/or the Grants Specialist prior to expending federal grant funds on particular costs. NOAA and reviewers pay close attention to budget costs to ensure that the project is within the range as proposed and can be successfully completed with the amount of funds being requested. *2 CFR, Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is the regulation that contains information on what is an allowable costs. The section *Subpart E – Cost Principles* is a great resource to understand if your item is allowable. This section can be found online by searching “Title 2 CFR Part 200” in a search engine, or at [this web address](#).

What happens if a cost is unallowable?

Using grant funds on an item that is unallowable without written prior approval from the federal agency is very problematic and you will have to refund the amount to the federal government. The federal government takes this very seriously and grant recipients have had to repay large amount of funds. The recipient is required to maintain documentations outlining their expenses and is responsible to ensure that the cost of all items are allowable.

What does written prior approval mean?

All costs outlined specifically in your approved project proposal are approved. This is important when writing your grant application to correctly define and explain what items you will purchase. If an item requires prior approval, and it is not specified in your grant application, submit the “*Award Action Request*” termed, “*Inclusion of cost that require prior approval based on cost principles*” in Grants Online.

What is Allocable?

All costs must also *Allocable*. Allocable ensures that each federal project only is charged for the portion of a person or equipment/supply that will be directly used for that project. Simply put, for example, a staff person who is working on five different projects should be charging their time between those five different projects, based on the percentage of time that is spent on each project. If a staff is working solely on one project, their full salary may be charged to that grant.

More Information on Cost Principles

Grants Online Help Page
[Prior Approval Based on Cost Principles](#)

2 CFR, Chapter 2, PART 200—Uniform Administrative Requirements, Cost Principles, and Audit Requirements For Federal Awards
[Section subpart E – Cost Principles](#)