Allowable and Unallowable Expenses Guidelines

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California Library Literacy Services Law

The California Library Literacy Services (CLLS) Program is subject to Chapter 4.6. California Library Literacy and English Acquisition Service Program (California Education Code Title 1, Division 1, Part 11, Chapter 4.6, Section 18880-18883). Section 18883 states:

> "A local library shall ensure that funds received pursuant to this chapter are exclusively used for expenses resulting from providing English language and literacy services and shall ensure that at least 90 percent of the funds received for the program are expended on direct services and related materials."

Allowable Expense Categories and Associated Expenses

CLLS award funds and local matching funds may only be used for expenses that enable the CLLS program to provide direct literacy services to adult learners and their families (if a program is funded for CLLS Family Literacy Services). **All costs must be allowable, necessary, and reasonable for the accomplishment of project goals.** As stated above in the "California Library Literacy Services Law" section, "at least 90 percent of the funds received for the program are expended on direct services and related materials." Up to 10% of both CLLS award funds and local matching funds may be allocated to indirect costs. More information about indirect costs can be found in the "Indirect" section below.

Salaries, Wages, and Benefits

Salaries, wages, and benefits costs include the fully burdened salaries and benefits for all literacy services staff and other staff for their proportional time spent directly supporting CLLS literacy programs. Staff are employed by the library, city, county, or district.

Consultant Fees

Consultant fees include the costs related to acquiring the services of a consultant for a specific activity. Typically, consultants are specialists in a specific area and provide advice related to their area of expertise. Consultant fees may include a consultant's fees, travel, accommodation, and support services provided directly by the consultant. See the "Services" category below for more information on capturing non-consultation services, such as contract staff and performers.

Travel

Travel includes costs for in-state travel expenses incurred by personnel performing services for the literacy program. Travel to in-state network meetings and professional development opportunities relating to Adult Literacy, Family Literacy, or English as a Second Language Services is allowable. Costs may include airfare and ground transportation. Libraries must follow the state rates for hotel and meal expenses. Libraries should demonstrate an effort to adhere to hotel state rates and keep records of any travel funds spent that exceed state rates. Additionally, hotel- or meal-related travel expenses that exceed the allowable state rate may be paid for with local funds and considered part of the jurisdiction's local match. See the California Department of Human Resources "Travel Reimbursements" webpage for current rates. CLLS policy does not allow using CLLS funds for out-of-state travel. See the "Unallowable Expenses" section below for more information. If you have any questions, contact your state grant team.

Supplies & Materials

Supplies & Materials costs include supplies for programming, materials for circulation, materials to provide to the community, materials to use in the library, and materials to use in other spaces where library literacy services are provided. Costs may include:

- **Circulation materials:** Acquisitions included in the library's general collection to support CLLS adult learners.
- **Materials to provide to the community and for internal use:** Materials to develop a literacy program's collection for adult learner and tutor use or books, booklets, workbooks, videos, and other materials given to literacy program participants to keep or consume. Materials include:
    - Materials for new readers' instruction
    - Materials about literacy for public awareness
    - Additions to children's materials to be utilized for Family Literacy programming
    - Non-print literacy materials
- **Program Supplies and Materials:** Items to support literacy programming, such as session or class non-consumable learning materials, and materials to promote at-home learning for adult learners, such as Family Literacy at-home learning kits for enrolled adult learner families. May also include professional development materials for literacy staff and volunteers, staff training costs for materials (if training is conducted internally), program informational materials (brochures, flyers, business cards, etc. if printed in-house by the library or literacy staff), postage, bookshelves used only for literacy materials, and other internal program supplies expenses.
- **Office supplies**: Paper, pencils, staples, etc.
- **Printing**: Costs for duplicating, photocopying, and printing directly completed by literacy staff. Costs for a third-party printing service should be included in Services. See "Services" below for more information.
- **Food and Beverages**: Food and beverage purchases are allowable for Family Literacy programming when necessary to encourage or enable full family participation. Also see the "Training" list item below under "Services" for more information about food and

beverage costs. Other food costs, such as for celebrations, volunteer recognition events, and social events, are unallowable.

- **Small Equipment:** Tablets, computers, hot spot devices, and other small equipment purchases that are not part of the annual operating budget. All equipment items, regardless of physical size, with a purchase price of $4,999 or less per individual item would fall into this category.

Equipment

Equipment costs include long-term, depreciable items that cost $5,000 or more per unit and are not part of the annual operating budget. Equipment purchases that cost $5,000 or more per unit must be approved by the California State Library. Contact your state grant team for more information.

Services

Services includes costs for individuals contracted to manage and/or implement CLLS programs and activities. Services costs may also include but are not limited to limited-term literacy staff, instructors, printing, design services, trainers, presenters, subscriptions, licenses, and production and support of project-specific media and marketing. Costs are considered "services" when a company or third party provides the service. Costs may include:

- **Contract Staff:** Limited-term literacy staff employed under personal service contracts to directly support CLLS literacy programs.
- **Communications:** Telephone, fax, hotspot data service plans, and other communication expenses are allowable if these costs can be itemized. If the costs are estimated and fall under general cost recovery, they should be included in Indirect. More information about indirect costs can be found in the "Indirect" section below.
- **Background Checks:** Background checks for literacy volunteers are allowable.
- **Childcare:** Providing childcare that directly enables adult learners to participate in a Family Literacy program is allowable (if a program is funded for CLLS Family Literacy Services).
- **Databases:** Subscriptions to databases that support the CLLS program are allowable.
- **Memberships, Subscriptions, and Professional Activities**: Grant recipient's memberships in literacy-related professional organizations are allowable.
- **Enrichment and educational presentations and guest speakers:** Enrichment and educational presentations related to literacy services and guest speakers or trainers are allowable.
- **Training:** Training related to CLLS and provided for literacy staff, volunteer, and adult learner development is allowable, including the costs of speaker or trainer fees and

conference registration and fees. Funds may be spent on working lunches or refreshments where a training is four or more hours in length. However, a social lunch or refreshments offered during non-work time or break during a longer training event is not an allowable CLLS cost.

- **Promotion:** Costs to promote literacy services, such as advertising through the local newspaper, radio, television, DMV, bus station, or other similar areas where potential adult learners or volunteers may frequent, is allowable.

Indirect

Indirect costs or fiscal agent fees charged to the literacy program for payroll processing, accounting, facility space, utilities, furniture (specifically for literacy program use), literacy space modification (such as tinting glass or soundproofing in literacy-specific program areas as long as these modifications do not make permanent changes to building itself), or other similar costs are allowable.

The amount budgeted may not exceed 10% of the subtotal for each budget column for your CLLS award(s) and local match(es). We understand the grantee agency often provides additional support for the literacy program in terms of space, utilities, materials, supplies, printing, communications, etc. These costs may be included in indirect, but the total may not exceed 10% of direct services expenses in the categories above. Indirect costs do not need to be itemized.

Unallowable Expenses

The following costs have been determined to be unallowable for CLLS funds. Local funds may be used to pay for these costs. However, these expenses cannot be reported as part of the library's local match.

- Advertising and Public Relations: Costs of advertising and public relations at trade shows, conventions, meetings, or other similar events, including displays, demonstrations, exhibits, meeting rooms, hospitality suites, and special facilities used in conjunction with shows and special events; and salaries of employees engaged in setting up and displaying exhibits, making demonstrations, and providing briefings are unallowable.
- Building, Construction, Modifications, and Renovation Costs: General library building, construction, modifications, or renovation costs, including costs that would require permanent changes to the building, such as lighting in a literacy area or permanent changes in literacy-specific areas, are unallowable.
- Contributions, Donations, Honorariums, and Stipends: Contributions and donations, including cash, property, and services, that use grant funds and are made by grant recipients to others, regardless of the recipient, are unallowable.

- Entertainment: Costs of entertainment, including amusement, diversion, and social activities, and any costs directly associated with those, such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities, are unallowable.
- Food and Beverages: Costs of alcoholic beverages are unallowable. Food and beverage purchase for volunteer recognition events and social activities are unallowable. We encourage library literacy programs, where possible, to work with community partners to obtain donations of food and beverages to support their literacy programs.
- Fundraising: Costs of organized fundraising, including financial campaigns, solicitation of gifts and bequests, and similar expenses incurred to raise capital or to obtain contributions, are unallowable.
- Furniture: General library furniture is unallowable.
- Lobbying: The cost of certain influencing activities associated with obtaining grants, contracts, cooperative agreements, or loans, is unallowable. Costs of membership in organizations substantially engaged in lobbying are unallowable.
- Unfunded Pension Liability: Unfunded pension liability is unallowable.
- Premiums, Prizes, Incentives, and Souvenirs: Costs of promotional items and memorabilia, including models, gifts, and souvenirs, are unallowable.
- Travel: Out-of-state travel costs are unallowable. Local funds may be used for this purpose, but these expenses cannot be reported as part of a library's local matching costs.
- Direct Payments to Volunteers or Adult Learners: Payments in the form of cash, check, gift cards, prepaid credit cards, or other similar payment methods meant to directly reimburse volunteers or adult learners are unallowable.
- Giveaways: Items such as fidget toys, pens, pencils, book bags, or other items that are specifically purchased to giveaway as promotional items and are not connected to CLLS-specific programming are unallowable.
- Peripheral Employee Costs: Costs including parking, health care stipends, or other peripheral costs of employment that are not included in an employee's formal benefits package are unallowable.
- Service and Warranty Contracts: Multi-year costs for service and warranty contracts, such as those for technology equipment, are unallowable. Service and warranty costs on literacy-specific items that fall within the fiscal year being funded may be considered indirect.

Local Match Guidelines

Only costs that directly support CLLS programs and activities, specifically those that support the direct learning experiences of CLLS enrolled adult learners, can be counted as part of a program’s local matching costs for any CLLS program (Adult Literacy, Family Literacy, or English as a Second Language). Local matching costs must follow the CLLS allowable and unallowable expenses guidelines outlined in this document.

Encumbrances

CLLS programs are encouraged to expend CLLS funds by June 30 of the fiscal year in which the funds are awarded. However, CLLS funds may be encumbered by May 31 of the fiscal year to be spent between July 1 and the final report submission date.

Encumbered funds are funds that have been deposited in the grantee's accounting system and for which a budget has been provided to and approved by the State Library. To encumber funds, libraries must have an approved budget on file. Spending during the encumbrance period must follow the approved budget on file.

Interest on Grant Funds

Recipients are encouraged to deposit grant funds in interest-bearing accounts wherever possible with the understanding that the interest will be used for library literacy purposes. Interest income need not be reported on financial reports.