

EMPLOYMENT AND TRAINING ADMINISTRATION ADVISORY SYSTEM U.S. DEPARTMENT OF LABOR Washington, D.C. 20210	CLASSIFICATION Allowable Costs
	CORRESPONDENCE SYMBOL OFAM/TMG
	DATE August 9, 2010

ADVISORY: TRAINING AND EMPLOYMENT GUIDANCE LETTER NO. 5-10

TO: STATE WORKFORCE AGENCIES
 STATE WORKFORCE LIAISONS
 STATE WORKFORCE ADMINISTRATORS
 STATE AND LOCAL WORKFORCE INVESTMENT BOARDS
 ALL YOUTHBUILD GRANTEES

FROM: JANE OATES *Jane Oates*
 Assistant Secretary

SUBJECT: Match and Allowable Construction and Other Capital Asset Costs for the YouthBuild Program

1. Purpose. To provide clarification on match requirements and allowable construction costs under the YouthBuild Program.

2. References.

- YouthBuild Transfer Act (PL 109-281 September 2006)
- Workforce Investment Act of 1998 (WIA), as amended (29 USC 2801 et seq.)
- WIA regulations at 20 CFR 667.200
- WIA regulations at 20 CFR 667.260
- Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations, and with Commercial Organizations, Foreign Governments, Organizations under the Jurisdiction of Foreign Governments and International Organizations, 29 CFR Part 95
- Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments, 29 CFR Part 97
- Notice of Availability of Funds and Solicitation for Grant Applications (SGA) for YouthBuild Grants, Federal Register/ Vol. 73, No. 195/ Tuesday, October 7, 2008/ Notice, pages 58653 -58667

3. Background. A main objective of the YouthBuild program is to expand the supply of permanent affordable housing for homeless individuals and low-income families by utilizing the energies and talents of disadvantaged youth while providing youth with training in the construction and rehabilitation of residential, community or public facilities. Although construction costs are not normally permitted in ETA funded grants, and are specifically prohibited in the WIA regulations at 20 CFR 667.260, the nature of the Youthbuild programs

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requires that certain construction costs essential to the mission of the program be allowable. Therefore, this TEGE provides the conditions under which these types of costs will be allowable. Furthermore, YouthBuild grants are required to provide cash and/or in-kind resources equivalent to 25 percent of the grant award amount as matching funds. Funds are considered matching funds if non-grant funds are used to pay for activities allowable under the grant. Questions on what constitutes an allowable match and what are the allowable construction costs that can be charged to the grant and/or counted as allowable match have arisen from the YouthBuild system. This guidance is designed to provide clarification on two separate but connected issues. First, this guidance identifies which construction costs are allowable costs under the YouthBuild program. Second, this guidance identifies which costs are allowable match costs for the YouthBuild program. Note that the allowable construction costs under the grant also will qualify as allowable match costs.

4. Allowable Construction Costs for YouthBuild Activities.

Construction costs are generally not allowable costs to ETA funded grants because these types of costs are defined as capital expenditures as they contribute to the increased value or useful life of a capital asset. However, because the YouthBuild program is designed to provide training to eligible participants in the construction or rehabilitation of affordable housing for homeless individuals and low-income families, the costs of construction related materials and supplies necessary to fulfill the goals of approved YouthBuild projects are allowable. Therefore, the purchase of construction supplies and materials used as part of the direct training for YouthBuild participants that are directly related to the construction or rehabilitation of residential, community, or other public facilities are allowable costs.

Examples of allowable construction costs are the tools used to construct or rehabilitate residential, community, or other public facilities, such as hammers, safety gear, protective clothing; the machinery used to construct or rehabilitate property, loaders, lift trucks, tractors, mixers, operators; and the materials needed to construct or rehabilitate property such as lumber, dry wall and like items.

Additionally, there are other costs that contribute to the development and structuring of the YouthBuild project, such as acquiring the location for the training activity to take place and procuring the goods or services required to secure the location, land, and property that will be used for the training activity. Some of the costs associated with securing the location, land, and property are allowable costs to the grant while others are not. For example, a portion of the purchase costs when the property used for training purposes are allowable; whereas the fees including acquisition fees, inspection, title, and broker fees, are not. When making the distinction, grantees need to consider whether the activity and associated costs are directly related to participant training. If the incurred costs are not directly related to participant training, then they are not allowable costs to the grant.

Unallowable construction costs are those costs of non-training services and deliverables that are not directly related to participant training. For example, property enhancements such as landscaping are not allowable costs to the grant unless performed by participants as part of a training activity. Similarly, the costs associated with plumbing and electrical work are unallowable unless participant training is taking place on those specific activities. Another example would be termite inspection services. Although termite inspection services may be a

non-construction cost that is incurred when constructing or rehabilitating a house for sale, it is not directly related to participant training and is an unallowable cost of the YouthBuild grant program.

Attachment 1 identifies a list of selected items of costs that are allowable, unallowable, or allowable with conditions as they relate to the YouthBuild program construction activities. Please note that the conditions under which some costs are allowable may include getting Grant Officer approval prior to incurring the costs.

5. Allowable Matching Funds under the YouthBuild Program.

Under the Uniform Administrative Requirements, 29 CFR 95.23 and 97.24, matching requirements may be met by costs incurred by the direct grant recipient, subrecipient and/or cost type contractor that could have been paid with grant funds, but were instead paid with non-grant resources. Federal funds may not be used to meet a match requirement unless specifically authorized by the statute. A number of questions have been raised as to whether or not certain costs not chargeable to the grant but incurred as a result of activities used for training participants could be used to fulfill the 25 percent match requirement.

Costs that are not allowable to be charged to the grant cannot be used to fulfill a match requirement. For example, grant funds cannot be used to purchase land although, as described in Section 4 above, a portion of grant funds may be used to purchase a home to be constructed or renovated through training. Therefore, under the requirement that only allowable costs may be used as matching funds, if the cost of the land which the home resides on is paid for with leveraged resources, these costs cannot be used to qualify towards meeting the match requirement. Other examples of such related costs that may be essential to the acquisition of property used for training purposes but that are not chargeable to the grant and therefore, cannot be used as match are appraisal fees, inspection fees, and other acquisition fees.

Examples of allowable YouthBuild costs are the cost of actual construction supplies and materials used in the approved training activities. The YouthBuild program is designed to provide training to eligible participants in the construction or rehabilitation of affordable housing for homeless individuals and low-income families. The costs of such materials for approved YouthBuild projects are allowable and therefore, may be used in fulfilling the match requirement if paid for with non Federal funds.

General examples of allowable match for the YouthBuild program are salaries of construction site managers paid with non grant funds; construction tools, materials, equipment and supplies purchased with non-grant funds used by participants for training activities; supportive services paid with non-grant funds to enable participation in the program; and other allowable activities that contribute to the direct training of eligible participants enrolled in the YouthBuild program. As discussed above, to be allowable as part of match, a cost must be an allowable charge for Federal grant funds. If the cost is not allowable to be paid with grant funds, it is also not acceptable in fulfilling the 25 percent match requirement.

Matching funds must be expended during the grant period of performance and must be reported quarterly, when the costs are incurred, on the ETA 9130 financial form.

6. **Action Requested.** All ETA YouthBuild grantees should distribute this information to all appropriate staff.

7. **Inquiries.** Questions regarding this guidance should be directed to the appropriate ETA regional office.

8. **Attachments.** YouthBuild Selected Items of Costs

YouthBuild Selected Items of Cost

<u>Item</u>	A= Allowable U=Unallowable AC=Allowable with conditions*
Pre-Purchase Phase	
Brokerage Fees	U
Home Appraisal	U
Home Inspection	U
Termite Inspection	U
Title Fee	U
Pre-Construction/Construction/Rehab Phase	
Architectural fees	AC
Building Permits	U
Construction company services (provide the heavy equipment (crawler loaders, bobcats, dozers, mixers, operators, etc.	A
Equipment Rental costs	AC
Property Insurance (Not home owners Insurance)	AC
Construction/Rehab Training Phase	
Appliances	U
Brick/Cement	A
Doors	A
Door Locks	AC
Dry wall	A
Electrical supplies (fuse box, wiring, outlets/covers, etc)	A
Flooring materials	AC
Furnace	A
Heat pump	AC
Hot water tanks	A
Insulation materials	A
Kitchen and bath cabinets	AC
Landscaping	AC
Lighting fixtures	AC
Lumber	A
Nails	A
Paint	AC
Plumbing supplies (tubs, sinks, commodes, faucets, etc)	AC
Plumbing Pipes	A
Roofing materials	A
Tools (hammers, screw drivers, etc)	A
Windows	A
Property Disposition Phase	
House Advertising costs	AC
Legal fees associated with acquisition and disposition	U
Real Estate fees	U

The selected items of costs specifically listed above are strictly for the purpose of implementing an authorized YouthBuild program.

*Some costs may be allowable provided they are part of the YouthBuild training activities, while other costs may be allowable with Grant Officer approval.