

EMPLOYMENT AND TRAINING ADMINISTRATION ADVISORY SYSTEM U.S. DEPARTMENT OF LABOR Washington, D.C. 20210	CLASSIFICATION Allowable Costs
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ADVISORY: TRAINING AND EMPLOYMENT GUIDANCE LETTER NO. 5-10, Change 1

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

FROM: ROSEMARY LAHASKY /s/
Deputy Assistant Secretary

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

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

2. References.

- Workforce Innovation and Opportunity Act (WIOA), Pub. L. 113-128 (<https://www.gpo.gov/fdsys/pkg/PLAW-113publ128/pdf/PLAW-113publ128.pdf>);
- WIOA regulations at 20 CFR 688.530 and 20 CFR 688.550 (<https://www.gpo.gov/fdsys/pkg/FR-2016-08-19/pdf/2016-15975.pdf>); and
- 2 CFR 200 and 2 CFR 2900, *Uniform Administrative Requirements Cost Principles, and Audit Requirements for Federal Awards* (<https://www.gpo.gov/fdsys/granule/CFR-2014-title2-vol1/CFR-2014-title2-vol1-part200/content-detail.html> and <https://www.gpo.gov/fdsys/granule/CFR-2016-title2-vol1/CFR-2016-title2-vol1-part2900>)

3. Background. An objective of the YouthBuild program is to expand the supply of permanent affordable housing for homeless individuals and low-income families while providing youth with training in the construction and rehabilitation of residential, community, or public facilities. Although construction costs are not normally permitted in Employment and Training Administration (ETA)-funded grants, and are specifically prohibited in the WIOA regulations at 20 CFR 683.235, the nature of the YouthBuild programs requires that certain construction costs essential to the mission of the program be allowable. Therefore, this TEGl provides the conditions under which these types of costs will be allowable.

Furthermore, YouthBuild grants are required to provide cash or in-kind resources equivalent to 25 percent of the grant award amount as matching funds. Funds are considered matching

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funds only if the non-grant matching funds are used to pay for activities allowable under the grant. YouthBuild grantees have asked questions on what constitutes an allowable match, and the allowable construction costs that can be charged to the grant and counted as allowable match. This guidance provides clarification on these questions. Note that the allowable construction costs under the grant are those costs that also can qualify as allowable match costs, though the same cost cannot be attributed to both the grant funding and match.

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 are necessary to fulfill the goals of approved YouthBuild projects. The necessity of these costs to the program makes them 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, and protective clothing; the machinery used to construct or rehabilitate property, loaders, lift trucks, tractors, and mixers; and the materials needed to construct or rehabilitate property such as lumber, dry wall, and like items.

Some of the costs associated with securing the location, land, and property are allowable costs to the grant while others are not. The purchase cost of buildings used solely for training purposes is allowable. For buildings used for training and other purposes, the allowable amount is determined based on the proportionate share of the purchase cost related to direct training. However, acquisition, inspection, title, and broker fees are not allowable costs. Architectural fees, or a proportionate share thereof, are allowable when such fees can be related to items such as architectural plans or blueprints on which participants will be trained. When making the distinction between allowable and unallowable costs, 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.

As prescribed in Department of Labor exceptions at 2 CFR 2900.8, match is reported in the grant recipient's accounting system when expended. This includes in-kind contributions that must be spent or used for training of a participant or for a YouthBuild activity before it can be accounted for as match. 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.

The attachment to this TEGl identifies a list of selected cost items 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 2 CFR 200.306, matching requirements may be met by costs incurred by the direct grant recipient, subrecipient, 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 charges to the grant cannot be used to fulfill a match requirement. Like Federal costs, match must meet all seven factors for allowable grant costs under 2 CFR 200.403(a-g). For example, grant funds cannot be used to purchase land. As described in Section 4 above, a portion of grant funds may be used to purchase a building to be renovated through training, but only the portion of the building directly related to training. Therefore, under the requirement that only allowable costs may be used as matching funds, the cost of the land on which the home resides cannot be used to qualify towards meeting the match requirement. Other related costs that may be essential to the acquisition of a 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 match for the YouthBuild program are the cost of construction supplies and materials used in the approved training activities. The costs of such materials for approved YouthBuild projects are allowable and therefore, may fulfill the match requirement if paid with non-Federal funds.

Other 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 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. Match - Use of ETA Funds and Other Federal Funds. For ETA programs, 2 CFR 200.306(b) states that for all Federal awards, all matching funds must be accepted as part

of the award recipient's matching funds when the funds meet all of the criteria listed at 2 CFR 200.306(b)(1-7). The criterion at (b)(5) states that matching funds cannot be funds paid by the Federal government under another Federal award, except for where the Federal statute authorizing the program "specifically provides" that the program's funds can be applied to matching requirements of other Federal programs. WIOA, YouthBuild's authorizing statute, does not provide for YouthBuild funds to be applied to matching requirements of other Federal programs. For these programs which are not administered through ETA, it is the responsibility of the grant recipient to consult with that Federal agency and obtain the necessary documentation to support the recipient's use of funds towards meeting a match requirement for the YouthBuild program. ETA is unable to provide guidance or technical assistance on other Federal agencies' programs or the use of their funds.

YouthBuild grantees may also have Corporation for National and Community Service (CNCS) AmeriCorps grants. AmeriCorps grants have a match requirement. Even though CNCS' authorizing statute states that CNCS programs may provide for their match "through . . . other Federal sources," ETA's YouthBuild grantees cannot use ETA grant funds as match for the CNCS matching requirements. This is because 2 CFR 200.306(b)(5) only allows for Federal funds to be used as match where the "Federal statute authorizing a program specifically provides that Federal funds made available for such program can be applied to matching or cost sharing requirements of other Federal programs." Because YouthBuild's Federal statute does not make such a provision for YouthBuild funds, the exception to the rule against using Federal program funds as match for another Federal program provided in 2 CFR 200.306(b)(5) does not apply. Please refer to the YouthBuild program's statute, regulations, and grant agreement for further information.

7. **Action Requested.** All ETA YouthBuild grantees should distribute this information to all appropriate staff.
8. **Inquiries.** Questions regarding this guidance should be directed to the appropriate ETA regional office.
9. **Attachments.** YouthBuild Selected Cost Items