

Cost Category Descriptions

This attachment is organized as follows:

- A. [Functional Cost Categories](#)
- B. [Object of Expense Cost Categories](#)

AEL entities must use functional and object of expense (OOE) cost categories to report monthly expenditures, as follows:

- English Literacy and Civics (ELC) Grantees, TCALL, and Project GREAT Centers must report expenditures in two functional cost categories—Administration and Program Costs—and then by OOE cost categories.
- Adult Education and Literacy (AEL) Fiscal Agents must report expenditures in four functional cost categories—Administration, Program Costs, Corrections Institutions, and Professional Development—and then by OOE cost categories.

Note: For AEL Fiscal Agents, a separate grouping of cost categories will be established for each fund source in the grant contract. Each grouping will be identified by a prefix that corresponds to a particular fund source, as follows:

- TAN—Temporary Assistance for Needy Families (TANF) funds (including TANF Maintenance of Effort funds)
- AEL—Federal Adult Education and Family Literacy Act (AEFLA) funds authorized under Title II of the Workforce Investment Act
- GR—state General Revenue that is provided as match for AEL funds

The total of the expenditures that AEL Fiscal Agents report in the functional categories for a particular fund source will equal the total expenditures in the corresponding OOE cost categories for that fund source.

A. Functional Cost Categories

Administration

Direct and indirect costs that are subject to the administrative cost limit of a particular grant award contract (grant contract) or fund source, as defined by the applicable federal law or regulation, grant contract, or this AEL Letter.

Program Costs

Nonadministrative costs of the program. For AEL funds, include in this category only the nonadministrative costs that are not otherwise reported in the “Corrections Institutions” and “Professional Development” categories, described below.

Corrections Institutions

Costs of educational programs for criminal offenders in correctional institutions and for other institutionalized individuals, as described in AEFLA §225, including academic programs for:

- (1) basic education;
- (2) special education programs;
- (3) English literacy programs; and
- (4) secondary school credit programs.

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Professional Development

Costs for the establishment or operation of professional development programs to improve the quality of instruction provided pursuant to local activities required under AEFLA §231(b), including instruction incorporating phonemic awareness, systematic phonics, fluency, and reading comprehension, and instruction provided by volunteers. (AEFLA §223(a)(1))

B. Object of Expense Cost Categories

Payroll Costs

Administrative and nonadministrative personnel costs (excluding personnel costs that are recovered from the grant contract through an indirect cost rate). Examples of costs included in this category are:

- academic/instructional staff (e.g., teachers, educational aides, tutors);
- program management and administration staff (e.g., directors, coordinators, facilitators, supervisors, and secretarial and support staff including data entry, accounting/bookkeeping, and evaluation staff and specialists);
- other auxiliary employee positions (e.g., counselors, social workers, and community liaisons/parent coordinators);
- Education Service Center (ESC) staff (when the ESC is the grantee);
- other employee positions; and
- substitute pay, extra-duty pay, and employee benefits (institutions of higher education may also include tuition remission).

Professional and Contracted Services

Administrative and nonadministrative professional and contractual costs (excluding professional and contractual costs that are recovered from the grant contract through an indirect cost rate). Examples of costs included in this category are:

- rental or lease of buildings, space in buildings, or land (if approved);
- contracted publication and printing costs (specific approval is required for nonprofit organizations);
- ESC charges as per approved cost allocation plan, such as internal service fund (when ESC is the grantee), including:
 - salaries/benefits;
 - networking (local area network);
 - computer/office equipment lease;
 - building use;
 - copier/duplication services;
 - telephone;
 - administrative; and
 - other;
- other professional services;
- other contracted services; and
- subgrants.

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Supplies and Materials

Administrative and nonadministrative supplies and materials (excluding supply and material costs that are recovered from the grant contract through an indirect cost rate). Examples of costs to include in this cost category are:

- ESC charges as per approved cost allocation plan, such as internal service fund (when ESC is the grantee), including:
 - print shop fees;
 - postage;
 - copy paper;
 - technology-related supplies; and
 - other;
- technology hardware—not capitalized;
- technology software—not capitalized; and
- supplies and materials associated with the advisory council or committee.

Other Operating Expenses

Other operating costs (excluding any that are recovered from the grant contract through an indirect cost rate). Examples of costs to include in this cost category are:

- ESC charges as per approved cost allocation plan, such as internal service fund (when ESC is the grantee), including:
 - ESC-owned vehicle usage;
 - insurance; and
 - other;
- out-of-state travel for employees (including registration fees);
- travel costs for students (including registration fees; does not include field trips) (specific approval is required for nonprofit organizations);
- stipends for nonemployees (specific approval required for nonprofit organizations);
- travel costs for nonemployees (including registration fees; does not include field trips);
- travel costs for executive directors, superintendents, or board members, including registration fees;
- actual losses that could have been covered by permissible insurance;
- indemnification compensation for loss or damage;
- membership dues in civic or community organizations (not allowable for university applicants);
- publication and printing costs, if reimbursed (specific approval required for nonprofit organizations); and
- other operating costs that do not require specific approval.

Capital Outlay

Administrative and nonadministrative capital outlay costs (excluding capital outlay costs that are recovered from the grant contract through an indirect cost rate). Examples of costs to include in this cost category are:

- library books and media (capitalized and controlled by library);
- technology hardware, capitalized;
- technology software, capitalized;
- equipment, furniture, or vehicles; and

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- capital expenditures for improvements to land, buildings, or equipment that materially increase their value or useful life.

Indirect Costs

Costs that are recovered from the grant contract through an indirect cost rate.