

Allowable and Unallowable DBII Expenses

WHAT IS ELIGIBLE FOR REIMBURSEMENT?

The DBII has reviewed the AMS/USDA guidelines around allowable and unallowable costs for reimbursement. Here we provide a brief summary of some of those guidelines.

Further examples of allowable and unallowable costs are provided at the end of this document, along with a link to AMS official list of allowed and unallowed costs.

Please contact your state coordinator if you have questions regarding allowable/unallowable costs.

WHAT ARE ALLOWABLE REIMBURSEMENTS?*

Per the USDA, the purpose of the project in the application is to develop/implement a business-related initiative that has a dairy focus. For example:

- A dairy farmer who is seeking to diversify and wants to develop a yogurt-type product would be eligible.
- A dairy farmer who wants to diversify by building a wedding barn would not be eligible.
- A dairy farmer who wants to diversify by selling freezer beef would not be eligible.

Eligible uses of the reimbursement grants with a dairy-focused initiative include, but are not limited to:

- Value-added product development;
- Specialty equipment needed to complete the applicant's project - examples:
 - The purchase of a cheese vat is allowed under technical activities.*
 - The purchase of an office computer is not allowed.*
 - The purchase of livestock is not allowed.*
- Business consultants whose areas of expertise contribute to the dairy-related initiative objectives;
 - Hiring a consultant to conduct a feasibility study is allowed.*
 - Paying legal fees to a lawyer to represent you or the business as a defendant or plaintiff is not allowed.*
 - Hiring a lawyer as a consultant to create an LLC. or Inc. is allowed under business consultants.*
- Marketing Costs - examples:
 - The promotion of ABC Cheese Company LLC is not allowed.*
 - The promotion of a smoked cheddar cheese made by ABC Cheese Company LLC is allowed.*
- The development of e-commerce website platforms;
- Feasibility studies and business plan development

***NOTE:** Expenses that are difficult to document (e.g., wages, travel, etc.) are discouraged as a reimbursable cost. They should be included in your business plan and budgeting process. We recommend asking for reimbursement grant funds for expenditures that are easy to document with paid receipts, etc.

Modified from Center for Dairy Research, University of Wisconsin, 2021



WHAT ARE UNALLOWABLE REIMBURSEMENTS?*

Ineligible uses of grant funds include, but are not limited to the following:

- Those marketing and equipment exceptions noted at the end of this document;
- Real estate purchases;
- Repayment of existing loans or mortgages;
- Rent or contract payments for time periods extending beyond the 12-month period allowed for eligible projects;
- Legal fees;
- Lobbying, fundraising or other political activities;
- The use of these funds to support existing dairy farm operations (e.g., herd management software, precision dairy technologies, land improvement (fences, seed, etc.), or upgrades of existing dairy farm or plant facilities.

***NOTE:** Further guidance for allowable and unallowable reimbursements is to be found at the end of this document. It is recommended that you review these details before completing your application to ensure you are in compliance with AMS/USDA regulations.

APPENDIX: USDA-AMS - ALLOWABLE AND UNALLOWABLE COSTS

The following summarizes some of USDA-AMS allowable and unallowable costs. The categories listed below were selected based on the most popular grant requests during the previous cycle.

Final decisions regarding eligibility will be based on the AMS published list of allowable/unallowable costs found in the link below.

<https://www.ams.usda.gov/sites/default/files/media/AMSGrantsTermsandConditions.pdf>

BUILDING AND LAND - CONSTRUCTION

Unallowable for the acquisition of buildings, facilities, or land or to make additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations or alterations of an existing building or facility (including site grading and improvement, and architecture fees). This also includes construction and construction-related materials,

Allowable for rental costs of land and building space. However, lease agreements to own (i.e., lease-to-own or rent-to-own) are not allowable. The lease or rental agreement must terminate at the end of the grant cycle.

CONSULTANT COSTS/PROFESSIONAL SERVICES

Allowable subject to limitations below. Contractual/consultant costs are expenses associated with purchasing goods and/or procuring services performed by an individual or organization other than the recipient in the form of a procurement relationship.

Allowable for contractor/consultant employee rates that do not exceed the salary of a GS-15 step 10 Federal employee in the area. This does not include fringe benefits, travel, indirect costs, or other expenses.

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EQUIPMENT

Unallowable for acquisition costs of general-purpose equipment or lease agreements to own (i.e., lease-to-own or rent-to-own).

Allowable for rental costs of general-purpose equipment. Vehicles may be leased, but not purchased. The lease or rental agreement must terminate at the end of the grant cycle.

Allowable for acquisition costs and rental costs of special purpose equipment provided specific criteria are met: See Link for details. Acquisition costs may include installation costs. However, installation costs (electricity, piping, water, etc.) are not eligible on their own.

DEFINITIONS

General Purpose Equipment means equipment that is not limited to technical activities. Examples include office equipment and furnishings, modular offices, telephone networks, information technology equipment and systems, air conditioning equipment, reproduction and printing equipment, and motor vehicles.

Special Purpose Equipment is equipment used only for research, scientific, or technical activities (i.e. can only be used for creation of a processed dairy product).

SALARIES AND WAGES

Allowable as part of employee compensation for personnel services in proportion to the amount of time or effort an employee devotes to the grant-supported project or program during the period of performance under the Federal award, including salaries, wages, and fringe benefits. Such costs must be incurred under formally established policies of the organization, be consistently applied, be reasonable for the services rendered, and be supported with adequate documentation.

Unallowable for salaries, wages and fringe benefits for project staff who devote time and effort to activities that do not meet the legislated purpose of the grant program.

SALES AND MARKETING COSTS

Unallowable for costs designed solely to promote the image of an organization, general logo, or general brand.

Unallowable for costs for promotion of specific venues, tradeshow, events, meetings, programs, conventions, symposia, seminars, etc. that do not align with the legislated purpose of the grant program.

Unallowable for promotional items, swag, gifts, prizes, memorabilia, and souvenirs.

Allowable with conditions for projects funded under “Farmers Market and Local Food Promotion Program” (FMLFPP) for marketing activities directly related to the funded project. Promotional items include point-of-sale materials, promotional kits, signs or streamers, automobile stickers, table tents and place mats.

Allowable for costs designed to promote products that align with the purpose of the grant program.

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What would count as a new process for my operation?

New processes might include adding alternative sizes of products, or adding additional product types to the line of products you currently sell. Adding a separator or in-line pasteurizer to your facility, or HTST or UHT instead of vat pasteurization would also count.

What projects are eligible?

Eligible projects involve: (a) modernization, specialization, and grazing transitions on dairy farms, (b) value chain and commodity innovation and facility and process updates for dairy processors, or (c) dairy product development, packaging, and marketing.

What projects are ineligible?

Projects that are ineligible involve: (a) real estate purchases, (b) repayment of loans or mortgages, (c) rent or contract payments for time periods extending beyond the 12-month period allowed for eligible projects, (d) legal fees, or (e) lobbying, fundraising, or other political activities.

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