

Smithsonian Astrophysical Observatory
Guidelines for Allocating Costs for Tuition and Training to Trust Funds

We, at SAO, are charged with the task of applying principles of allowability, reasonableness and allocability to the costs related to carrying out research at SAO in a consistent manner. The purpose of this document is to assist employees, supervisors, managers and PIs with that challenge. (Note: The information contained herein is in effect as of 08/11/2009 but may be subject to change.)

The element that drives allocation of costs of tuition and training is a matter of which cost objective(s), i.e., contracts, grants, endowments, gifts, and overhead, derive the benefit of employee training. SAO makes the following distinctions:

- Training that is **mandated by the Institution** (e.g., laboratory safety, management training in conflict resolution, etc.) that is considered necessary to the overall operation of the organization,
- Job-mandated training, that is, **training that is required for the performance of an employee's job**,
- **Training for employees that will enhance their job performance**, to the benefit of the contract(s) or grant(s) on which they are work.

See 2CFR 230 Cost Principles for Non-Profit Organizations (formerly OMB Circular A-122), Attachment A, *General Principles*:

4. Allocable costs.

- a. A cost is allocable to a particular cost objective, such as a grant, contract, project, service, or other activity, in accordance with the relative benefits received. A cost is allocable to a Federal award if it is treated consistently with other costs incurred for the same purpose in like circumstances and if it:
 - (1) Is incurred specifically for the award.
 - (2) Benefits both the award and other work and can be distributed in reasonable proportion to the benefits received, or
 - (3) Is necessary to the overall operation of the organization, although a direct relationship to any particular cost objective cannot be shown.

- b. Any cost allocable to a particular award or other cost objective under these principles may not be shifted to other Federal awards to overcome funding deficiencies, or to avoid restrictions imposed by law or by the terms of the award.

Based on the principle above, mandated training is a cost to the trust overhead while training that benefits contracts and grants is a cost to those projects.

Following is the section from 2CFR 230 Cost Principles for Non-Profit Organizations (formerly OMB Circular A-122), Attachment B, *Selected Items of Cost*. Allowability related to employee compensation is highlighted in paragraph b(6).

49. *Training costs.*

- a. Costs of preparation and maintenance of a program of instruction including but not limited to on-the-job, classroom, and apprenticeship training, designed to increase the vocational effectiveness of employees, including training materials, textbooks, salaries or wages of trainees (excluding overtime compensation which might arise therefrom), and (i) salaries of the director of training and staff when the training program is conducted by the organization; or (ii) tuition and fees when the training is in an institution not operated by the organization, are allowable.
- b. Costs of part-time education, at an undergraduate or post-graduate college level, including that provided at the organization's own facilities, are allowable only when the course or degree pursued is relative to the field in which the employee is now working or may reasonably be expected to work, and are limited to:

(1) Training materials.

(2) Textbooks.

(3) Fees charges by the educational institution.

(4) Tuition charged by the educational institution or, in lieu of tuition, instructors' salaries and the related share of indirect costs of the educational institution to the extent that the sum thereof is not in excess of the tuition which would have been paid to the participating educational institution.

(5) Salaries and related costs of instructors who are employees of the organization.

(6) Straight-time compensation of each employee for time spent attending

classes during working hours not in excess of 156 hours per year and only to the extent that circumstances do not permit the operation of classes or attendance at classes after regular working hours; otherwise, such compensation is unallowable.

- c. Costs of tuition, fees, training materials, and textbooks (but not subsistence, salary, or any other emoluments) in connection with full-time education, including that provided at the organization's own facilities, at a post-graduate (but not undergraduate) college level, are allowable only when the course or degree pursued is related to the field in which the employee is now working or may reasonably be expected to work, and only where the costs receive the prior approval of the awarding agency. Such costs are limited to the costs attributable to a total period not to exceed one school year for each employee so trained. In unusual cases the period may be extended.
- d. Costs of attendance of up to 16 weeks per employee per year at specialized programs specifically designed to enhance the effectiveness of executives or managers or to prepare employees for such positions are allowable. Such costs include enrollment fees, training materials, textbooks and related charges, employees' salaries, subsistence, and travel. Costs allowable under this paragraph do not include those for courses that are part of a degree-oriented curriculum, which are allowable only to the extent set forth in subparagraphs b and c.
- e. Maintenance expense, and normal depreciation or fair rental, on facilities owned or leased by the organization for training purposes are allowable to the extent set forth in paragraphs 11, 27, and 50.
- f. Contributions or donations to educational or training institutions, including the donation of facilities or other properties, and scholarships or fellowships, are unallowable.
- g. Training and education costs in excess of those otherwise allowable under subparagraphs b and c may be allowed with prior approval of the awarding agency. To be considered for approval, the organization must demonstrate that such costs are consistently incurred pursuant to an established training and education program, and that the course or degree pursued is relative to the field in which the employee is now working or may reasonably be expected to work.

All requests for tuition reimbursement and training are submitted to Human Resources for review and must contain a justification stating the purpose of the training and how it will benefit the project or the organization.

PLEASE NOTE:

Costs related to training and tuition for individuals who are ***not employees*** of the Smithsonian (e.g., Harvard students), are only allowable with the prior approval of the awarding agency, per 2CFR 230 Cost Principles for Non-Profit Organizations (formerly OMB Circular A-122), Attachment B, *Selected Items of Cost*:

33. Participant support costs. Participant support costs are direct costs for items such as stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with meetings, conferences, symposia, or training projects. These costs are allowable with the prior approval of the awarding agency.

Revision History:

7/11/2011: page 1—second bullet added; page 4 Note added