

This document provides clarifications and examples of how to correctly apply [2 Code of Federal Regulations 200.412-200.414](#) to supplies and services in federal grant budgets.

Supplies and services for routine, departmental-wide, or university-wide use are covered by indirect costs. The *CFR* is clear on the sole circumstance that permits supplies or services to be included under direct costs: “[C]an [the charges] be directly assigned to [a federal award] relatively easily with a high degree of accuracy.”

One way to ‘test’ whether the supply or service may be charged as a direct cost is to use the “Harvard University” standard:

1. Is it necessary for the unique scientific/technical tasks of the specific agreement?
2. Is it not already available?
3. Will it be initially utilized almost exclusively for the award objectives?

If you can answer “yes” to all three questions, you will be able to write a strong justification for including the charge as a direct cost.

First, the primary decision maker should be the disciplinary expert. The disciplinary expert knows exactly what supplies and services are needed and which are project-specific versus routine. The disciplinary expert is the Principal Investigator or Project Director. The PI/PD will also have the technical language to justify requesting funds to purchase those supplies and services in the Budget Justification.

Next, the federal program officers and reviewers will approve—or deny—the charges when making the award.

If during the post-award phase, the PI/PD finds he or she did not anticipate the quantity of items or unique items needed to conduct his or her particular project, the PI/PD must follow up with the funding agency to secure prior approval before purchasing the items with award funds.

The examples below are intended as illustration only of the kinds of supplies and services that may be billable as direct costs. The last three entries deal with supplies and services for those university-wide units whose work usually supports federal awards.

1. **Supplies.** Supplies cover a broad range: chemicals and molecular bio reagents; consumable lab supplies; specimens and samples; growth media (bacteria), very modest gift cards for students participating in extensive project assessment activities; graduate students research project expenses, and so on.
2. **Fees for Access to Specialized Services.** Fees typically provide access to high performance computing, cloud services, and chargebacks (technology on other campuses such as specialized microscopes, in labs built with federal money) that are not available at the home institution.
3. **Membership in a professional organization.** If the membership is required in order to present grant-related research at the conference, and the PI neither currently belongs nor would normally purchase such a membership, this may be allowable.

4. **Materials from stock or specialized facilities.** Materials also cover a broad range: raw materials, specialized components, metals, chemicals, plastics, electronic components, drones, fertilizers, solvents, polymers, electronic components, mechanical fasteners, testing equipment, and so on.
5. **Institutional Services Offices, such as Facilities Management or Technology Services.** These offices provide a broad range of supplies and services, each of which may be billable as direct costs under certain circumstances. For example, scientists have secured a major equipment and instrumentation award that has unique installation and electrical needs. The outlets in the room are standard common-use 220V, but the equipment will need 440V industrial use outlets. Converting from 220V to 440V may be billable as direct costs because the conversion is necessary for the equipment to work; the 440V is not already available; and the 440V will be used exclusively to power the federally purchased equipment.
 - a. **Extraordinary utility consumption.** This item is given to reiterate the standards for charging what is typically covered by indirect costs (utilities) as a direct cost. The “extraordinary utility consumption” would have to be directly assigned to the work of the federal award with ease and accuracy; be significantly above the typical general facility utility usage for the awardee; and be used almost exclusively for the federal award (not general facility usage).
6. **Office of Institutional Effectiveness.** OIE work related to federal awards is primarily a question of staff coverage, so please refer to “UI Guidance: Administrative and Clerical Salaries.” The purchasing of software would generally be unallowable because it would have university-wide use (“general use”), and that is covered by indirect costs.
7. **Library: Special or rare materials.** The *CFR* stipulates, “Costs incurred in the purchases of rare books (museum-type books) with no value to Federal awards should not be allocated to [indirect costs].” Purchasing a rare book necessary to conduct research for a particular project would be chargeable to direct costs.

Note: Administration of externally funded projects complies with the policies and procedures of the sponsor, the Foundation, and the University. In the event that one policy is more restrictive, the more restrictive policy applies.

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