

APPENDIX C - Budget Narrative Guidance

All costs must comply with the cost principles of 2 CFR Part 200, [Subpart E – Cost Principles](#). All costs (both Federal and any required non-Federal cost-sharing/match) that are part of an award must be:

- allowable ([2 CFR 200.403](#)),
- allocable to the agreement ([2 CFR 200.405](#)), and
- reasonable in amount ([2 CFR 200.404](#)).

A thorough budget narrative will aid the administrative review and processing of a recommended award. Amounts included in a budget and budget narrative are estimates; in the event of an award, payments will be based on actual expenditures. The following is guidance for your use in preparing a thorough budget narrative. The guidance follows the order of the budget items.

COST-SHARING/MATCHING: If required, you must provide the information below for the Federal portion of costs and *separately* provide the information below with the same level of detail for the cost-sharing/matching portion, as applicable, as part of the budget narrative.

PERSONNEL – Only include employees of applicant organization

This category includes salaries and wages of personnel of the applicant organization (i.e., employees) that will be working directly on the project. For each individual, identify their role and describe their contributions to the project. Also include their annual salary, percent of effort, and the period of time they will contribute to the project along with the associated funds requested for support. The following format is an appropriate way to provide the information.

Mr. Jones – Project Director. Accountable for assuring that all project activities are carried out in a timely, cost-efficient and responsible manner. He will provide oversight of daily activities and lead and direct the project toward accomplishment of the objectives of the project. He is responsible for the submission of the required reports.

Salary	% effort	Project Duration	Funds Requested
\$50,000	25%	12 months	\$12,500

FRINGE BENEFITS – Only related to salaries identified under Personnel

Fringe benefits include, but are not limited to, the costs of leave (e.g., vacation, family-related, sick or military), employee insurance, pensions, and unemployment benefit plans. Also, see [2 CFR 200.431](#), Compensation-Fringe Benefits. Provide information about how fringe benefits are determined along with the amount requested.

For instance:	Amt. Requested
Fringe benefits - 25% of salaries and wages (\$12,500 @ 25%).	\$3,125

TRAVEL

Refer to your organization's travel policy for guidance on how to arrange travel. If your organization lacks a policy, it is expected that you follow the U.S. federal government policy, see <http://www.gsa.gov/federaltravelregulation>.

For the budget narrative, identify the total funds requested for travel. Provide as much detail as possible including purpose, destination, dates of travel, and number of individuals for each trip. If the dates of travel are not known, specify estimated length of trip. Identify what will be followed (e.g., organizational travel policies or government per diem rates). The following are a few examples of how to provide the information.

- 2 people - travel to Washington D.C. once per year for a two-day meeting [identify purpose of meeting].
 - Airfare \$800 x 2 for airfare = \$1,600
 - Airport parking = \$64
 - Hotel for 3 nights x 2 @ \$200 = \$1,200
 - Meals for 2 days x 2 = \$24;
 - Rental car for 3 days @ \$110/day = \$330
 - Total for trip: \$3,439
- Local travel for project manager is calculated at .50 per mile throughout primary service area x 326 miles/month x 12 months = \$1,956.

EQUIPMENT

Equipment is defined as an item of property that has an acquisition cost of \$5,000 or more (unless the organization has established lower levels) and an expected service life of more than one year. List each item of equipment along with the applicable cost. Include justification of its need in accomplishing the goals of the project.

Example: To complete objectives #1 and #2, Refrigerated Trailer is required. XYZ Refrigerated Trailer, Model #123, at \$5,555

These costs should only include the costs to purchase new equipment. The cost of renting or leasing equipment is not to be included in this category but instead, include under the Contractual category. If equipment is costly, include a lease vs purchase comparison in the budget narrative in support of route chosen.

SUPPLIES

Supplies is defined in [2 CFR 200.1](#) as all tangible personal property other than those described in [2 CFR 200.1](#) Equipment. A computing device is a supply if the acquisition cost is less than the lesser of the capitalization level established by the non-Federal entity for financial statement purposes or \$5,000, regardless of the length of its useful life. Suggest also viewing [2 CFR 200.453](#), Materials and Supplies Costs, Including Costs of Computing Devices, regarding the allowability of costs.

Indicate general categories of expendable supplies including an amount for each category. Caution: If a category is viewed as too general or the associated amount is too high, further itemization may be requested. Therefore, use good judgement in determining the level of detail to provide.

Example: General office supplies \$50/mo. x 12 mo. =	\$600
Postage \$37/mo. x 8 mo. =	\$296
Laptop Computer 1 x \$900 =	\$900
Printer 1 x \$300 =	\$300
Projector 1 x \$900 =	\$900
Copies 8000 copies x .10/copy =	\$800

CONTRACTUAL

This category includes consultants, subcontracts, etc.

Consultants -- List the total costs for all consultant services. Identify each consultant, the services he/she will perform, total number of days, rate of pay, travel costs, per diem, and total estimated costs.

Contract -- A contract is defined in [2 CFR 200.1](#) as a legal instrument by which a non-Federal entity purchases property or services needed to carry out the project or program under a Federal award. The term as used in this part does not include a legal instrument, even if the non-Federal entity considers it a contract, when the substance of the transaction meets the definition of a Federal award or subaward (see §200.1 Subaward).

Explain the need for each agreement and how their use will support the purpose and goals of the project. For each contract, describe the associated activities, scope of work or services to be provided and how the costs were estimated. If budgeting for a procurement action, document if a solicitation process has occurred or if the contract will be a sole source.

Example:

- ABC Company: Training \$250/individual x 3 staff 5 days = \$ 750
- Amy White to provide Technical Assistant Services
 - 1FTE @ \$25,000 + 20% Fringe Benefits of \$5,000 = \$30,000
 - Travel at 2,000 miles @ .50 per mile = \$ 1,000
 - Training course \$ 175

Supplies @ \$42.50 x 12 months =	\$ 510
Telephone @ \$40 x 12 months =	<u>\$ 480</u>
	\$32,165

- John Doe, Consultant \$40 per hour x 220 hours for 12 month period = \$ 8,800
- To Be Announced Outreach Coordinator Annual salary \$30,000 x 10% level of effort/12 months = \$ 3,000

CONSTRUCTION

Construction efforts are to be included under this category with the same level of detail as described under the “Other” category below.

OTHER

Costs not fitting under one of the other categories are to be included under this category. The level of detail is to be commensurate with other categories. Subawards should be included in this category. Per [2 CFR 200.1](#), a subaward is an award provided by a pass-through entity to a subrecipient for the subrecipient to carry out part of a Federal award received by the pass-through entity. It does not include payments to a contractor or payments to an individual that is a beneficiary of a Federal program. A subaward may be provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract.

Example: Outreach Workshop

Rental of facilities (\$750/2 days)	\$1,500
Information technology services	\$ 400
Training packets (approx. 125/\$40 each)	<u>\$5,000</u>
Total	\$6,900

Note: Percentage for contingencies is not an allowable cost.

INDIRECT

[2 CFR 200.1](#) defines *Indirect (F&A) costs* as those costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect (F&A) costs. Indirect (F&A) cost pools must be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived.

This cost category guidance includes several components:

- Calculation (This is to be included as part of the budget narrative)
- Indirect Cost Rates
 - Negotiated Rate
 - 10% De Minimis Rate
- Limitation (i.e., indirect cost cap)

- Unrecovered Indirect Costs for Cost-sharing/Match
- Voluntarily Reduce/Waive

Calculation.

If indirect costs are requested as part of the proposed budget, you must provide details used in determining the indirect costs requested. For instance, provide the calculation specifying the amounts used in applying the base (the base specified in the applicable rate agreement) by the applicable rate (see indirect cost rate info below as well as Limitation section). The calculation can be displayed in different formats but must capture the components (i.e., amounts used in applying the base and the applicable rate).

EXAMPLE 1: For purposes of this example, the recipient uses the 10% de minimis indirect cost rate (10% of Modified Total Direct Cost (MTDC)). MTDC means all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first \$25,000 of each subaward. MTDC excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each subaward in excess of \$25,000.

	<u>Budget</u>	<u>Indirect Eligible Amounts</u>
Salaries and wages	\$50,000	\$50,000
Materials and supplies	3,000	3,000
Equipment	5,500	-0-
Subaward	30,000	<u>25,000</u>
		\$78,000 x 10% = \$7,800 Indirect Costs

EXAMPLE 2: For purposes of this example, the recipient has a Negotiated Indirect Cost Rate Agreement (NICRA) of 20% with a base of salaries and fringe benefits.

	<u>Budget</u>	<u>Indirect Eligible Amounts</u>
Salaries and wages	\$50,000	\$50,000
Fringe Benefits	10,000	10,000
Materials and supplies	3,000	-0-
Equipment	5,500	-0-
Subaward	30,000	<u>-0-</u>
		\$60,000 x 20% = \$12,000 Indirect Costs

Indirect costs may only be recovered if the non-Federal entity has one of the following indirect cost rates.

1. **Negotiated Rate:** If the organization has a *current* NICRA established with the cognizant Federal agency (the agency that provides the most funds to the organization), then

provide a copy of the NICRA; expired rates are not acceptable. If unable to obtain a current negotiated rate from the cognizant agency, you are permitted to opt to use the 10% de minimis cost rate (you may only be reimbursed for allowable direct cost). Violation of cost accounting principles is not permitted when re-budgeting or charging costs to awards. Rather, costs must be consistently charged as either indirect or direct costs. Along with a copy of the NICRA, include the rate and base as part of the budget narrative.

Example: Rate 24.87% of MTDC - 24.87% applied to the following items: \$97,300 of Personnel, \$23,352 of Fringe, \$110,000 of other, and the first \$25,000 of three (3) subawards = \$76,015.65 indirect costs

- 2. 10% De Minimis Cost Rate:** In accordance with [2 CFR 200.414\(f\)](#), any non-Federal entities, unless excepted, may elect to forgo calculation of an indirect cost rate and request a 10% de minimis indirect cost rate. The 10% de minimis rate is applied to modified total direct costs (MTDC). For this purpose, MTDC means total direct costs related to the award, such as direct labor, fringe benefits, materials and supplies, publications, consultant services and travel costs. MTDC excludes the following costs: equipment, capital expenditures, participant support costs and the portion of each subaward and subcontract in excess of \$25,000. Violation of cost accounting principles is not permitted when charging costs to awards. Rather, costs must be consistently charged as either indirect or direct costs.

If the 10% de minimis option is chosen, it must be used consistently for all Federal awards until such time you choose to negotiate for a rate, which you may apply to do at any time. If the organization previously opted for the de minimis rate, a copy of the rate agreement must be provided. If the organization is currently electing the de minimis rate, use an indirect cost rate of no more than 10% of MTDC when preparing the budget. If selected for award, a de minimis rate agreement will be executed along with the award, as appropriate.

Example: Rate 10% of MTDC – 10% applied to the following items: \$45,000 of Personnel, \$10,800 of Fringe, and \$59,000 of Other = \$11,480 indirect costs

Limitation: Some programs may not allow the recovery of indirect costs. In such instances, the limitation flows down to subcontractors. Refer to the applicable notice of funding opportunity to determine if indirect costs are unallowable.

USDA appropriation acts limit indirect costs to 10 percent for cooperative and contribution agreements with nonprofit entities; for purposes of this limitation “nonprofit entities” includes institutions of higher education. For agreements subject to this limitation first apply the 10 percent indirect cost rate to the agreement’s total direct costs; this is shown on line 6.i of the SF424A. Then calculate indirect costs using the rate and the direct cost application base specified in the recipient’s NICRA. Use whichever rate results in the lower amount.

If the organization has a NICRA, both the NICRA calculation and the 10% TDC must be completed in order to determine the lesser (i.e., maximum allowed indirect costs) for the applicable project.

Calculation instructions: First, multiply the NICRA rate by the base stated in the NICRA to arrive at Amount A. Next, multiply the statutory limit of 10% by TDC to arrive at Amount B. The lower of Amount A and B is the maximum amount of allowable indirect cost, therefore include this amount on the budget.

Unrecovered Indirect Costs for Cost-sharing/Match: 2 CFR 200.306(c) provides,

“Unrecovered indirect costs, including indirect costs on cost sharing or matching may be included as part of cost sharing or matching only with the prior approval of the Federal awarding agency. Unrecovered indirect cost means the difference between the amount charged to the Federal award and the amount which could have been charged to the Federal award under the non-Federal entity's approved negotiated indirect cost rate.”

Voluntarily Reduce/Waive: A recipient may voluntarily reduce or waive recovery of indirect costs at its sole discretion and must not be encouraged or coerced in any way to do so by the agency. If organizations waive indirect cost recovery and request only direct costs, the organization is required to include in the award budget only those types of costs consistently treated as direct costs by the organization.

SAMPLE BUDGET NARRATIVE

NAME OF AWARDEE

Project Title

PROJECT TOTAL: \$XXX

Federal Portion: \$XXX

Non-Federal Contribution: \$XXX

A. FEDERAL BUDGET:

1. Personnel

Tom Smith, Project Director, full time, 70% paid by Federal Funds, will advise the project team, assist with demonstration plot establishment, data collection and analysis, and participate in project field days.

Year 1: \$5,000 Year 2: \$5,000 Year 3: \$10,000

Mary Johnson, research technician, 20% time (6 calendar months) for 3 years, 67% paid by Federal funds. Establish the field and demonstration plots, function as the project manager, coordinate sub-award work, draft reports and publications, and participate in all project field days.

Year 1: \$5,000 Year 2: \$5,000 Year 3: \$10,000

2. Fringe benefits

67% fringe benefits paid by Federal funds. Fringe benefits rates are 35% for faculty and permanent staff.

Total Fringe Benefits:

Year 1: \$1,500 Year 2: \$1,500 Year 3: \$3,000

3. Travel

Funds are requested to support travel for plot preparation and data collection trips, and travel to four field days within the States of New York and Pennsylvania. Estimated 5,000 miles per year at a rate of \$0.60/mi.

Year 1: \$3,000 Year 2: \$3,000 Year 3: \$3,000

Funds are requested for overnight hotel stays at demonstration plot locations at the State hotel rate of \$90 per night, 4 times per year (\$360/yr).

Year 1: \$360 Year 2: \$360 Year 3: \$360

Funds are requested in the second and third year for three individual trips each year to scientific conferences based on the following estimates: Lodging - 3 nights × \$150 per night (\$450); Per-diem \$50/day × 4 days (\$200); Transportation: Airline travel to conference location - \$400/flight + ground transportation - \$50 + parking at airport - \$30 (\$480).

Year 2: \$3390 Year 3: \$3390

Total Travel:

Year 1: \$3,360 Year 2: \$6,750 Year 3: \$6,750

4. *Equipment – none*

5. *Supplies*

Field and lab supplies: Funds are requested for the purchase of soil temperature and moisture probes and data logging systems (\$2,000). Funds are also requested to purchase weed suppression technologies, seeds, and irrigation supplies for field plots (\$6,000). Funds are also requested for various lab supplies and sampling equipment (\$3,000).

Total Supplies:

Year 1: \$4,000 Year 2: \$4,000 Year 3: \$3,000

6. *Contractual*

Two separate contractors:

Contract with Amazing Graphics and Marketing (\$5,000)

Marketing team will use innovative digital marketing tools to reach producers and help gain interest. Team will develop graphics and video production to support program recruitment and teaching tools.

Contract with Innovative Technology (\$16,000)

Contractor will help develop online tools to assist producers with conservation practices.

Total Contractual:

Year 1: \$7,000 Year 2: \$7,000 Year 3: \$7,000

7. *Construction - None requested*

8. *Other*

Sample Testing & Analysis: Basic nutrient testing and soil health testing will be done annually for all plots. Roughly 20 samples a year at \$250/sample (\$5,000/year).

Publication Costs: Funds are requested for the development and publication of various materials including extension publications, costs associated with peer reviewed journals, in addition to costs associated with copies of brochures made in house. (\$1,000/year)

Total Other Costs:

Year 1: \$6,000 Year 2: \$6,000 Year 3: \$6,000

9. *Indirect Costs – Note if NICRA negotiated or if it is the 10% De Minimis rate*

Attached to this proposal is a NICRA negotiated rate agreement for 15%.

Total Indirect Costs:

Year 1: \$5,000 Year 2: \$5,000 Year 3: \$8,000

B. NON-FEDERAL BUDGET:

1. Personnel

Tom Smith, Project Director, full time, 30% paid by non-Federal funds, will advise the project team, assist with demonstration plot establishment, data collection and analysis, and participate in project field days.

Year 1: \$3,000 Year 2: \$3,000 Year 3: \$3,000

Mary Johnson, research technician, 20% time (2.5 calendar months) for 3 years, 33% paid by non-Federal funds. Establish the field and demonstration plots, function as the project manager, coordinating sub-award work, drafting reports and publications, and participating in all project field days.

Year 1: \$5,000 Year 2: \$5,000 Year 3: \$5,000

Total Personnel:

Year 1: \$8,000 Year 2: \$8,000 Year 3: \$8,000

2. Fringe benefits

33% fringe benefits paid by non-Federal funds. Fringe benefits rates are as follows: 35% for faculty and permanent staff.

Total Fringe Benefits:

Year 1: \$1,000 Year 2: \$1,000 Year 3: \$1,000

3. Equipment

Field equipment rental. This is match donated by the partner community groups (see in-kind letter). Will provide all farming equipment (tools, planters, harvesters) for on-farm demonstrations.

Year 1: \$2,000 Year 2: \$500 Year 3: \$500

Total Equipment:

Year 1: \$2,000 Year 2: \$500 Year 3: \$500

4. Supplies - none

5. Contractual

Contract with Super Non-Profits (\$61,000)

Personnel:

Elizabeth Smith will oversee the outreach to farmers. She will devote 20% of her time all 3 years of the project. 100% of her time will be non-Federal. She will oversee all elements of this part of the project, including contacting and recruiting farmers, organizing outreach events such as field days, and on-farm assistance.

Temporary half-time admin support to help support program facilitation.

Other:

Workshop rental space will be donated by contractor, with an estimated value of \$100 per day.

Year 1: \$18,000 Year 2: \$20,000 Year 3: \$23,000.

Soil Conservation District

The local soil and water conservation district will support the project by helping to build partner relationships with local producers.

Year 1: \$5,000 Year 2: \$5,000 Year 3: \$5,000

Total Contractual:

Year 1: \$23,000 Year 2: \$25,000 Year 3: \$28,000

6. *Construction - None requested*

7. *Other Costs:*

General services (web development, printing, accounting, administrative, and project management) \$5,000.

Land rental – demonstration plots on farmer land will have a rental cost of \$50/acre/year totaling \$1,500 annually.

Legal Fees: Community support groups will pay all legal fees regarding the research of any legal implications on the project. \$4,000.

Total Other:

Year 1: \$6,000 Year 2: \$1,500 Year 3: \$1,500

8. *Indirect Costs – Note if NICRA negotiated or if it is the 10% De Minimis rate*

15% NICRA indirect rate applied, see NICRA agreement

Total Indirect Costs:

Year 1: \$5,000 Year 2: \$8,000 Year 3: \$8,000

Sample Budget Table

Including a budget table can help us quickly understand your project spending. Please ensure that if you include a budget table, individual line items and amounts exactly match the information and dollar amounts provided in your narrative. *A budget table is supplementary to your budget narrative. Please ensure all items included are well-supported by your narrative.*

FEDERAL BUDGET					
	Year 1	Year 2	Year 3		Total
Personnel	\$10,000	\$10,000	\$20,000		\$40,000
Joe Smith	\$5,000	\$5,000	\$10,000		\$20,000
Willette Rogers	\$5,000	\$5,000	\$10,000		\$20,000
Fringe	\$1,500	\$1,500	\$3,000		\$6,000
Joe Smith Fringe	\$1,000	\$1,000	\$2,000		\$4,000
Willette Rogers Fringe	\$500	\$500	\$1,000		\$2,000
Travel	\$3,360	\$3,360	\$6,750		\$16,860
Plot prep and data collection	\$3,000	\$3,000	\$3,000		\$9,000
Demo plot overnight trips	\$360	\$360	\$360		\$1,080
Supplies	\$4,000	\$4,000	\$3,000		\$11,000

	40 bales of straw	\$3,000	\$3,000	\$2,000		\$8,000
	2 soil moisture sensors	\$1,000	\$1,000	\$1,000		\$3,000
Contractual		\$7,000	\$7,000	\$7,000		\$21,000
	Acme Consulting, LLC	\$7,000	\$7,000	\$7,000		\$21,000
Other		\$6,000	\$6,000	\$6,000		\$18,000
	Testing and analysis	\$5,000	\$5,000	\$5,000		\$15,000
	Publication and copying	\$1,000	\$1,000	\$1,000		\$5,000
Indirect		\$5,000	\$5,000	\$8,000		\$18,000
	See NICRA (X%)	\$5,000	\$5,000	\$8,000		\$18,000
TOTAL		\$36,860	\$36,860	\$53,750		\$129,470
NON-FEDERAL BUDGET						
		Year 1	Year 2	Year 3		Total
Personnel		\$8,000	\$8,000	\$8,000		\$24,000
	Name of team member	\$3,000	\$3,000	\$3,000		\$9,000
	Name of team member	\$5,000	\$5,000	\$5,000		\$15,000
Fringe		\$1,000	\$1,000	\$1,000		\$3,000
	Faculty	\$1,000	\$1,000	\$1,000		\$3,000
Contractual		\$23,000	\$25,000	\$28,000		\$76,000
	Contractor Name	\$18,000	\$20,000	\$23,000		\$61,000
	Contractor Name	\$5,000	\$5,000	\$5,000		\$15,000
Equipment		\$2,000	\$500	\$500		\$3,000
	Equipment Rental	\$2,000	\$500	\$500		\$500
Other		\$6,000	\$1,500	\$1,500		\$9,000
	General services	\$500	0	0		\$500
	Land rental	\$1,500	\$1,500	\$1,500		\$4,500
	Legal Fees	\$4,000	0	0		\$4,000
Indirect		\$5,000	\$5,000	\$8,000		\$18,000
	See NICRA (X%)	\$5,000	\$8,000	\$8,000		\$18,000
TOTAL		\$45,000	\$41,000	\$47,000		\$133,000