

## Budget Narrative Instructions

The Budget Narrative must include a narrative explanation for each line item on the Budget Information for Non-Construction Programs Form (SF-424A) that includes:

- 1) an itemization of the component costs adding up to the total projected cost for each cost category
- 2) a clear description of how the included costs are necessary, reasonable, and allocable to activities listed in the Statement of Work sections of the application, and in compliance with 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

Additionally, the cost category totals in the Budget Narrative and on the SF-424A must match and must calculate to the total federal grant amount requested on the SF424. The component costs provided in the Budget Narrative must reasonably calculate and items must be categorized correctly. Budget Narratives that include miscalculations greater than 10 percent of the total grant award or miscategorized items may require revisions prior to consideration of the award.

All costs must be allocable to the project activities described in the Statement of Work. Where there are shared benefits to other programs or projects not funded by the requested DWG and not included in the Statement of Work, the narrative explanation must clearly explain how the proportionate cost benefitting the DWG project is determined. All documentation must be available to demonstrate that costs charged to the DWG reflect proportional benefit to the award.

Budget Narrative should also include a section describing any leveraged resources provided (as applicable) to support grant activities. Leveraged resources are all resources, both cash and in-kind, in excess of this award. Valuation of leveraged resources follows the same requirements as match. Applicants are encouraged to leverage resources to increase stakeholder investment in the project and broaden the impact of the project itself. Each category should include the total cost for the period of performance.

Use the following guidance for each cost category when preparing the Budget Narrative:

1. **Personnel** – List all staff positions by title (both current and proposed) including the roles and responsibilities. For each position give the annual salary, the percentage of time devoted to the project, and the amount of each position’s salary funded by the grant. Please note that participants enrolled in disaster relief employment are not considered employees and should not be included in this cost category.
2. **Fringe Benefits** – Provide a breakdown of the amounts and percentages that comprise fringe benefit costs such as health insurance, FICA, retirement, etc.
3. **Travel** – For grantee staff only, specify the purpose and how the cost is calculated such as the number of staff traveling, mileage, per diem, estimated number of in-state and out-of-state trips, and other costs for each type of travel. More information on federal per diem rates can be found on the [GSA per diem page](#).
4. **Equipment** – Identify each item of equipment you expect to purchase that has an estimated acquisition cost of \$10,000 or more per unit (or if your capitalization level is less than \$10,000, use your capitalization level) and a useful lifetime of more than one year (see 2 CFR 200.1 for the definition of Equipment). List the item, quantity, and the unit cost per item. Items with a unit cost of less than \$10,000 are supplies, not “equipment.” In general, we do not permit the purchase of equipment during the last funded year of the grant. Please note that if awarded, a separate amendment request for all equipment (including equipment

purchased by subrecipients) must be submitted and receive an additional prior approval before any equipment may be purchased.

5. **Supplies** – Identify categories of supplies (e.g., office supplies) and describe the purpose of the supplies, general items, quantity, and unit cost per item. Supplies include all tangible personal property other than “equipment” (see 2 CFR 200.1 for the definition of Supplies).
6. **Contractual** – Under the Contractual line item, delineate contracts and subawards separately, identifying the subcontractor and subrecipient entities. Contracts are defined according to 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. A subaward, defined by 2 CFR 200.1, means 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. For each proposed contract and subaward, specify the purpose and activities to be provided, including disaster relief employment and employment and training services, and the estimated cost.
7. **Construction** – Construction costs are not allowed, and this line must be left as zero. Minor alterations to adjust an existing space for grant activities (such as a classroom alteration) may be allowable. We do not consider this as construction, and you must show the costs on other appropriate lines such as Contractual.
8. **Other** – Provide clear and specific detail, including costs, for each item so that we can determine whether the costs are necessary, reasonable, and allocable. List items not covered elsewhere.
9. **Indirect Costs** – If you include an amount for indirect costs (through a Negotiated Indirect Cost Rate Agreement or De Minimis) on the SF-424A budget form, then include one of the following: 1) If you have a Negotiated Indirect Cost Rate Agreement (NICRA), provide an explanation of how the indirect costs are calculated. This explanation should include which portion of each line item, along with the associated costs, are included in your cost allocation base. Also, provide a current version of the NICRA. or 2) If you intend to claim indirect costs using the 15 percent de minimis rate, please confirm that your organization meets the requirements as described in 2 CFR 200.414(f).

## Other Budgetary Considerations

1. **Administrative Cost Limitation** – Administrative costs are defined in the WIOA at 20 CFR 683.215. Limitations on administrative costs are described at 20 CFR 683.205 and TEGL 16-21. There is a 10% limitation on administrative costs on funds awarded under this grant for local area expenditures. There is a 15% limitation on administrative costs on funds awarded under this grant for statewide expenditures; the State may spend up to 5% of this amount for administrative costs for statewide activities. Under no circumstances may the administrative costs exceed these limits. The award recipient will be monitored for compliance with the administrative cost limits throughout the grant’s period of performance. Any amounts that exceed these limitations will be disallowed and subject to debt collection. Compliance with the administrative costs limit is monitored throughout the grant period. Any amounts exceeding this limitation at closeout will be disallowed and subject to debt collection.
2. **Equipment** – To purchase capital assets (including equipment), the award recipient must submit a request and receive prior written approval from the Grant Officer as defined in the Uniform Guidance at 2 CFR 200.1 and 200.439. A request to purchase capital assets (equipment) will be reviewed and approved in an amendment to the award. See 2 CFR 200.1 for the definitions of capital expenditures,

equipment, special purpose equipment, general purpose equipment, and capital assets. The capital asset of equipment is defined as tangible personal property (including information technology systems) having a useful life of more than one year and a per unit acquisition cost that equals or exceeds the lesser of the capitalization level established by the recipient or subrecipient for financial statement purposes, or \$10,000. Equipment will not be purchased by the applicant or subrecipients in the last year of the grant award.

3. **Contractual** – Procurement of goods and services will be conducted in accordance with the applicant’s written procurement policies and procedures.
4. **Indirect Costs** – Any indirect costs not supported by a submitted and current signed NICRA or CAP and exceed the de minimis rate of 15 percent of modified total direct costs as defined in the Uniform Guidance, codified at 2 CFR 200.1 “Modified Total Direct Cost (MTDC)”, are not allowable.