

Introduction: What is a project budget?

A project budget serves as a blueprint for spending the project's funds. The budget must give an accurate assessment of all cost items and cost amounts. If the project is funded, the budget will become the financial plan used by the funding agency to provide support. An effective proposal budget outlines a proposed project in fiscal terms and helps reviewers to determine how the project will be conducted. Budget details usually reveal whether a proposed project has been carefully planned and may ultimately be feasible.

The budget should be **complete**. It should include all the costs of any personnel, supplies, and activities required by the project. The project needs to be feasible within the budget presented. If major cost areas are omitted or underestimated, the project, as proposed, will not be considered feasible.

The budget should be **reasonable**. It should be based upon actual costs when possible. Reviewers are often familiar with costs that are common to many projects. Cost items in the budget do not need to be based upon formal price quotes, but should be based upon available price information.

Most budgets are composed of two kinds of costs: **direct costs** and **indirect costs**.

Direct costs are those expenditures that are made by the project and directly allocable to the project. These include expenditures for project personnel salaries and benefits, supplies, travel, equipment, and contracts. All direct cost items must be included in the budget.

Indirect costs are expenditures that cannot be allocated to a specific project but are incurred by the agency to support daily operations. ISDH partners with a consulting firm who assesses the agency's fixed costs and develops a Federally-accepted indirect cost rate. This rate is updated for each State fiscal year.

When **cost sharing** or **matching** is required by a funding agency, the sources of a proposal's cost sharing or matching must be itemized and based upon current market prices as are all other budget items. When projects are audited by a funding organization, cost sharing items as well as the expenditure of agency funds is commonly examined.

There are two primary types of matching: **cash** and **in-kind**. All items that require the exchange of money are regarded as cash matching. These include the costs of any salaries, supplies, or travel which are to be charged to the State General Fund. Any items that do not involve the transfer of money are classified as in-kind matching, including any waived indirect costs and the use of specialized facilities not included in the agency's indirect cost.

Budget Development and Review Instructions for Program Staff

A template for Grant Budget has been placed on the ISDH Intranet at the following location:

[K:\GRANTS_SHARE\B\) Resources for Program Staff](K:\GRANTS_SHARE\B) Resources for Program Staff)

These are the necessary steps for reviewing a budget worksheet:

1. Review your Grant Guidance or Notice of Award for budget instructions and funding amounts. Certain template customizations or budget restrictions may be prescribed by the funder.
2. Begin at the budget template header block to enter FOA number, grant number, CFDA number, Federal program name, principal investigator, project period and budget period.
3. Visit the *Personnel* worksheet section. Items in this category are salary costs associated with staff members who will be supported by grant funds. Each position should be listed by the name and title of the employee. Show the annual salary rate and the percentage of time to be devoted to the project. Justify the roles and responsibility of each position as it applies to the project. You must have a time allocation percentage for each employee.
4. Visit the *Fringe Benefits* worksheet section. Items in this category are benefit costs associated with staff members in *Personnel*, at the same percentage of time charged in this category. The components of this category include the fringe rate, the employer portion of health, dental and vision (HDV) insurance premiums, and the medical retiree benefits. These items and rates for ISDH employees are prescribed by the State Budget Agency and updated annually. Amounts in this section are calculated automatically based on salary amounts from the *Personnel* category.
5. Visit the *Travel – In State* and *Travel – Out of State* worksheet section. Items in this category are costs for grant-related travel presented according to the IDOA policies and reimbursement limits set for local travel. Describe the purpose of each cost in reference to the project objectives. Ensure that appropriate hotel and per diem are requested for multiple-day trips. Travel expenses in this category are for ISDH employees only. ISDH discourages out-of-state travel for consultants.

IDOA travel policies are available online at http://www.in.gov/idoa/files/travel_policy.pdf and should be referenced for local and out-of-state travel to ensure these budgets contain only allowable expenses.
6. Visit the *Equipment* worksheet tab. Items in this category are non-expendable physical acquisitions with unit price of at least \$5,000 and a useful life of multiple years. Equipment is generally not part of most ISDH grant requests. Many Federal funders encourage grantees to analyze the cost benefits of purchasing versus leasing equipment, especially high cost items and those subject to rapid technological advances. Rented or leased equipment costs should be listed in the *Contractual* category.

7. Visit the Supplies worksheet tab. Items in this category are consumable materials that will be expended during the course of the project. This typically includes office supplies, medical supplies, and educational purchases. Office supplies could include paper, pencils, and similar; ISDH typically budgets \$475 per year per FTE for office supplies. Medical supplies include items like syringes, tubes, gloves, etc. Educational supplies include items like pamphlets and educational videotapes. Most laptops, printers, and scanners are considered supplies under the Federal budget definition.
8. Visit the Contractual worksheet tabs which include On-Site Personnel, Off-Site Personnel and Consultants, and Subrecipients/Vendors. Items in this category include contracts for work to be performed by individual or organization that is not an employee of the applicant organization.

In the tab for Contractual: On-Site Personnel, the Knowledge Services program markup reflects the current rate. An outdated rate will miscalculate this expense, so please make sure you're using the current template. The rate for each individual Knowledge Services contractor can be provided by your Accountant; the worksheet adds markup to the individual contractor's rate. In Column H, the formulas require the exact word "hourly" or "annual" to be specified; abbreviations or misspellings will result in an error. If the contractor will incur travel expenses, they are reflected on this tab. Check Column L to ensure travel expenses are correctly referenced from the Travel tabs. If the contractor has more than one line of travel, a formula adjustment will need to be made by the Grants Development Analyst.

In the tab for Contractual – Off-Site and Consultant, Column E requires the exact wording as previously described, and Column K references the Travel tabs to reflect contractor travel expense.

In the tab for Contractual – Subrecipients, ISDH requires additional attached subrecipient budgets for any entity listed in this funding category. The budget subtotals (rows 104-119) for each subrecipient are not cell references from above in the section with Contractor Name (rows 24-43), so be sure to check that these totals agree. For subrecipient or vendor contracts, provide a description of the product or service to be procured and an estimate of the cost. Applicants are encouraged to promote free and open competition in awarding contracts.

See the Vendor/Subrecipient Determination Form to better differentiate between the two relationships. This form is located at K:\GRANTS_SHARE\Grants Management Biz Processes\Subrecipient vs Vendor Determination Form.doc. Column B in the Subrecipients tab indicates which relationship is intended.

9. Visit the Construction worksheet tab. This category is virtually never used for an ISDH grant budget. If you believe you have an eligible budget item for this category, please contact the Director of Grants & Contracts.

10. Visit the *Other* worksheet tab. Items in this category include costs that do not fit into any other category. For ISDH grant proposals, typical costs in this category include Telephone, Rent/Shuttle, Centralized HR fees, IOT Seat Charge, postage, shipping, printing, and other operational expenses.
11. Visit the *Indirect Costs* worksheet tab. Items in this category include costs incurred for common or joint objectives which cannot be readily identified but are necessary to the operations of the organization. ISDH has a Federally-accepted indirect cost rate that is applied to all budget categories except *Equipment, Off-Site Consultants/Contractors, and Subrecipient/Vendor Contracts*. The newest version of budget template will use the current year's indirect cost rate. This tab is self-calculating and should not require any data entry.
12. Return to the *Justification* worksheet tab and check that all budget items are reflected properly.
13. Save your completed worksheet to the appropriate shared drive folder and alert grants development or grants management staff that your budget is ready for review. Thank you for your diligent effort!!

Glossary of Budget Terms & Definitions

Co-mingling: Federal funds awarded to one project may not be used to support another project. ISDH uses Encompass Project Costing to isolate the budget and expenses of a grant award so funds are not co-mingled.

FTE: Full-Time Equivalent, or full-time staff member (not a contractor). At ISDH, one FTE performs 37.5 hours of work per week for 52 weeks per year.

In-Kind: In-kind matching is composed of non-cash contributions of time, equipment, space, and other items committed to the goals of the project. In-kind matching may involve use of items already owned by the applicant or the use of items or personnel donated by a third party. The match should be documented and verifiable from an applicant's records.

Maintenance of Effort (MOE): The purpose of MOE is to ensure that the program maintains at least the same amount of total funding as in previous years. Typically MOE is calculated using the spending average for the two previous years.

Match: A matching grant is a grant made with the specification that the Federal grant amount must be matched with funds from a non-Federal source, typically the ISDH general fund as appropriated by the Indiana General Assembly. The applicant must document additional commitment of resources in addition to the Federal award in a proportion designated by the funder.

Subrecipient: A subrecipient is a non-Federal entity that expends Federal awards received from a pass-through entity to carry out a Federal program. A subrecipient carries out a program of the primary organization and has its performance measured against whether the objectives of the Federal program are met. A subrecipient has responsibility for programmatic decision-making and has responsibility for adherence to applicable Federal program compliance requirements.

Supplanting: Federal funds must be used to supplement existing funds for program activities and must not replace those funds that have been appropriated for the same purpose. Federal grants are meant to supplement, not supplant, your State budget.

Sustainability Efforts: Most grant programs require applicants to include information that explains how they will fund and sustain the project once the grant funds have been expended. Describe a plan for continuing your project beyond the grant period, and outline all other fundraising efforts you are considering and any plans to apply for additional grants in the future.

Vendor: A vendor is a dealer, distributor, merchant, or other seller providing goods or services required for the conduct of a Federal program. These goods or services may be for an organization's own use or for the use of beneficiaries of the Federal program.