

## Budget Narrative Instructions and Tips

The budget narrative supports the budget by providing a comprehensive narrative for the expense/cost and a detailed explanation on how costs were calculated/determined. When applying for funds and/or modifying a budget for an agreement, agencies are reminded these general instructions are intended to supplement the instructions that are specific to the Request for Proposal (RFP). Following the specific instructions, goals and functions identified in the RFP is important.

Follow the instructions in the RFP and this appendix (as applicable). Develop a budget for each fiscal year (FY) (July 1 – June 30) of the term.

### Overall Budget and Narrative Guidance:

- Verify the proposed budget and budget narrative identify all of the costs associated with the implementation of the proposed Scope of Work – Evaluation Plan (SOW-EP) for each FY.
- Provide accurate calculations for each of the line items and the corresponding sub-line items.
- Provide easy to follow formulas that substantiate how the costs were calculated.
- Budget using whole dollars to avoid “rounding” errors.
- Provide an explanation when costs vary significantly from one FY to the next FY.
- Verify the budget adheres to the instructions provided in the RFP and this document.
- Utilize the budget line items provided in the Budget Template EXHIBIT B
  - A. Salaries and Benefit
  - B. Operating Expenses
  - C. Subcontract
  - D. Indirect Costs

Detailed instruction for the budget categories is provided below.

### A. SALARY AND BENEFITS

Each position, that is responsible for completing SOW-EP activities, must be identified in the budget narrative under Salary and Benefit Costs with the same title that appears in the SOW-EP.

#### 1. Salary

Salary Costs when the position provides direct support to the SOW-EP.

- The proposed salary/wages/rates for staff must be reasonable, directly support the SOW-EP, and consistent with the needs of the SOW-EP.
- For each position, provide a brief description of the duties, responsibilities, and activities to be performed. Identify and document any Personnel that will not receive Fringe Benefits.
- Provide a formula to substantiate how costs were calculated for Salary.
- If the solicitation funds more than one fiscal year, consider budgeting cost of living adjustments (COLAs) and other increases from collective bargaining agreements for future years.

*Sample formula for personnel costs: Salary Range X percentage (%) of Full Time Equivalent (FTE) X number of pay periods = Amount Requested per Fiscal Year (FY).*

#### Calculation Samples

## Percentage of FTE:

- 100 percent FTE equals 2,080 hours annually, including paid leave.
- Personnel working 80 hours in a two-week period are 100 percent FTE.
- Personnel working 20 hours in a 40-hour work week are 50 percent FTE.

## Number of Pay Periods:

- Monthly = 12 pay periods per year.
- Semi-monthly = 24 pay periods per year.
- Bi-weekly = 26 pay periods per year.
- Weekly = 52 pay periods per year.
- Hourly = "X" number of hours per pay period (*do not use FTE percentages if a position is paid hourly*).

## Additional Sample Formulas for Salary

- *Semi-monthly: \$2,000 x 50% FTE x 24 pay periods = \$24,000.*
- *Bi-weekly: \$2,000 x 100% FTE x 26 pay periods = \$52,000.*
- *Hourly: \$20/hour x 100/hours/monthly x 12/months = \$24,000.*
- *Range: \$2,500-\$3,500 x 30-45% FTE x 26 pay periods = \$19,500 to \$40,950*

## 2. Benefits

- Provide a range if the benefit percentage rates will vary between staff positions and/or at different times within the fiscal year.
- In the description, identify each fringe benefit that will be provided to eligible staff.
- Budget at actual costs for each eligible staff member.
- Identify personnel that will not receive benefits.
- If budgeting for more than one fiscal year, anticipate increases in the fringe benefit rate for future years.
- Fringe Benefits *may not include* the following:
  - Employee leave (including annual leave, vacation, sick leave, holidays, jury duty, military leave, training leave, and administrative leave).
  - Employee vacation or sick leave accruals earned outside the term of the agreement.
  - Workers compensation claims. (Only budget for workers compensation premiums).

*Sample Formula for Fringe Benefits: \$75,000/annual salary cost x 35%/fringe benefit rate = \$26,250/fringe benefit FY total*

**B. OPERATING EXPENSES**

The costs for the operating expenses associated with completing the activities in the SOW-EP, must be justified for the sub-line items listed below:

## 1. Program Materials &amp; Supplies

Supplies necessary to provide direct program services to eligible children and or parents/guardians. This may include, medical and dental supplies, curriculum, educational books and projects.

## 2. Office Supplies/Expenses:

Budget for consumable supplies such as: paper, copier toner, pens, pencils, folders, binders, staplers, office equipment maintenance, postage, etc. Provide a list of supplies needed for the project and an estimated budget amount.

*Sample formula for Office Supplies: \$25/monthly cost for supplies x 12/months = \$300/FY total*

3. Travel and Training: Travel and training expenses are to be consistent with the needs of the project and **directly** support SOW-EP activities. This line item includes mileage, and incidental expenses which are essential to complete the SOW-EP. Provide a brief explanation for each type of cost connected with the SOW-EP travel activity. Use mileage formulas to provide additional detail. Travel costs may be based on a formula that identifies estimates for the number of events; length of travel; number of project staff attending; and type of costs for each event or traveler (e.g., flight, lodging, car rental, etc.). The mileage rate must not exceed the current IRS standard mileage rate.

*Sample mileage formula: 1 project traveler x 400/miles x \$.53/per mile = \$212 mileage FY total*

## 4. Additional "Operating Expenses" subcategories based on need may be proposed in this category. Examples include:

- Space Rent/Lease: Space Rent/Lease costs at a maximum of 150 square feet per FTE plus reasonable square footage for common space, such as: conference room(s), break room(s), restroom(s), storage, library, etc. Separate formulas for office space and common space are acceptable. Provide a detailed narrative if project space exceeds 150 square feet per (FTE) and/or the amount of shared space is significant.

*Sample formula for space rent/lease: 1.4 FTE X 150 sq. ft. X \$1.20 per sq. ft. X 12 months = \$3,024/FY total*

- Utilities: Gas, electric water, garbage etc.
- Printing & Duplicating: Printing and duplicating costs related to the delivery of direct services and outreach activities. List and explain the types of items that require printing, both internal and by outside vendors, and the estimated budget amount for each fiscal year. Supplies such as paper and toner or ink may be included in either this line item or Office Supplies, but should *not* be included in both.

*Sample formula for Printing & Duplicating: \$85/monthly cost for printing x 12/months = \$1,020/FY total or \$100-\$300/per printing job x 5 projects = \$1,000/FY total*

- Communications: Telephone, Internet connectivity, online communications etc.

**C. SUBCONTRACTS**

A Subcontractor is an individual or agency qualified to complete a specialized task that is directly related to the project's SOW-EP activities; Subcontracts are used to execute/implement/complete a component of the project and/or perform a limited- term service/activity. Subcontracts should be listed in the SOW-EP under "Assigned Staff".

Organizations who propose a line item for subcontracted services are required to submit a supplemental Budget Form and Budget Narrative detailing subcontractor qualifications, costs and activities that support the SOW-EP. Any subcontract awarded must comply with First 5 Yuba County Policies and Procedure on Contracting and Procurement (Section 204).

*Sample formula for Subcontracts: Subcontractor: \$1,500/combined salary cost monthly + \$750/fringe benefits cost monthly + \$120/travel cost monthly + \$338/indirect cost monthly = \$2,708/monthly total x 12/months = \$32,496/FY total.*

#### **D. INDIRECT COST**

Indirect costs are an agency-wide, general management cost that cannot be attributed to a specific SOW-EP activity and consist of administrative services necessary for the general operation of the agency. These services include, but are not limited to, accounting, budgeting, payroll preparation, maintenance, centralized network, and data processing. It should also include personnel, budgeted at less than ten (10) percent FTE and not directly connected to the SOW-EP.

Identify the cost basis for calculating the indirect expenses in the narrative keeping in mind the following:

- Organizations with a pre-determined indirect cost rate will utilize that rate or 10%, whichever is less.
- The indirect cost rates for school districts are determined by the California Department of Education School Fiscal Services Division's published rates.
- In no instance will the indirect cost rate be greater than 10% of eligible contract costs.
- The indirect cost rate will be applied to the Proposition 10 cost of the program.

*Sample for percent: Indirect Expense calculated at 6.5% of direct program expenses.*

*Sample formula for Indirect Expenses: \$50,000/staff salaries total + \$20,000/staff benefits total = \$70,000/total personnel costs x 25% = \$17,500/indirect cost FY total.*