

Section 5.5.3: Budget

The budget detail provides the funder with an exact accounting of how the grant dollars will be spent to support the program. When preparing to draft the budget, the grant program manager should review the solicitation for the total amount allowable and which costs are allowable and which are prohibited. Grants that include federal funding, in whole or in part, are subject to the regulations under [2 CFR 200 \(Uniform Guidance\) Subpart E Cost Principles](#). As such, grant program managers should ensure the proposed budget aligns with the requirements under 2 CFR 200 Subpart E if pursuing a federal funding opportunity.

Budget requirements will vary according to the funding source as well as the recipient--some grant proposal budgets are a single page, while other budget documents run several pages. Basic elements of the grant proposal budget include:

Budget worksheet. This is usually prepared in a spreadsheet or table format (the fields typically included in a budget are detailed in the budget narrative section below). This allows the grant reviewer to easily see the budget categories and the line-item expenditures for each budget item; match/cost sharing, if included; and breaks out direct and indirect (if allowed) costs. The grant application may include a worksheet template (and budget items) specific to the grant application. Budget templates are also available on the [Grants.gov](#) website (if applying for the grant via Grants.gov Workspace, the online application includes a budget module).

Budget narrative. The budget narrative offers details about how the requested budget worksheet items support the grant program or project. The narrative should align with the budget worksheet; these are companion elements. The budget categories would include:

Personnel. Explain who will provide which service related to the grant program. Include the portion of salary that would be charged to the grant (i.e., if the grant program manager will spend half his/her time working on this grant-funded program, this would be a 50% allocation). The narrative should describe the employee's area of expertise (some applications will require staff resumes to be included; this is covered in [Section 5.5.4](#)).

Fringe. Also include fringe benefits (i.e., FICA, retirement, vacation, etc.) for each employee. Many agencies will have a formula that calculates fringe as a percentage of the employee's salary.

Travel. The narrative should describe the purpose of the travel and why it is necessary to the grant program. The calculation should include air travel, lodging, mileage, per diem (meals and other incidental expenses), taxi or ridesharing service and any other allowable costs that will be incurred as a result of the travel. When drafting this section, the grant program manager should review the State of Arizona General Accounting Office ([GAO Travel Policy](#)). The budget can be prepared using internet travel sites to get estimates for airfare and lodging.

Equipment. If equipment is necessary for executing a program, this should be included in the budget detail. The narrative should explain why the equipment is necessary and how it will benefit the program. This may include items such as safety equipment for program participants, portable audio/visual equipment for outreach programs, or specialized equipment (i.e., equipment specific to

research conducted at a university). For grants funded with federal monies, Uniform Guidance ([2 CFR 200](#)) [§200.439](#) provides regulatory guidance on equipment and other capital expenditures.

Supplies. The budget should include an item for supplies necessary to implement the program. This will be an estimated cost that includes office supplies and other items necessary for the program.

Contracts. If the program will require contracts for goods or services, this should be included as a line item in the budget worksheet. The narrative should be used to explain why the contracted goods or services are essential to the program and how the services will be procured (i.e., through the Arizona State Procurement Office or subawards). Grant program managers should include as much detail as possible regarding contracts in the budget narrative.

Training. Some grant opportunities require participation in a training component or simply allow professional development essential to the program. This should be itemized in the budget and explained in the budget narrative.

Construction. Many grant opportunities expressly prohibit capital costs, including construction. If such costs are essential to the program (or the grant specifically invites such expenditures), the grant program manager must provide a detailed accounting of the costs and how it is essential to the program. For grants funded with federal monies, Uniform Guidance ([2 CFR 200](#)) [§200.439](#) provides regulatory guidance on equipment and other capital expenditures.

Other costs. Various other costs associated with the program may be eligible for reimbursement under the grant. This could include software licenses, insurance, professional membership dues, printing of program materials, participation in paid events, sponsoring meetings, rental costs, etc. As with other budget items, the grant program manager should confirm that the requests are allowable under program rules and adhere to applicable laws and regulations.

Indirect costs

The grant program manager will need to determine whether they can include an indirect cost rate in the proposal application budget. Indirect costs associated with administering grant programs are those incidental costs that cannot be directly charged to a grant, referred to as F&A “Facilities” (depreciation on buildings, equipment and capital improvement, interest on debt associated with certain buildings, equipment and capital improvements, and operations and maintenance expenses) and “Administration” (such as general administration, accounting or personnel). As such, these costs are allocated equitably to all of an organization’s activities using an indirect cost rate. The State of Arizona Accounting Manual ([SAAM](#)) [Topic 70 \(Grants\) Section 40 Indirect Costs](#) sets forth the state’s policy with regard to indirect cost rates for a grant received by a state agency. Uniform Guidance ([2 CFR 200](#)) [§200.414](#) Indirect (F&A) Costs and Uniform Guidance ([2 CFR 200](#)) [Appendix VII to Part 200](#)—States and Local Government and Indian Tribe Indirect Cost Proposals provide detailed information regarding indirect cost allocation for direct recipients of federal awards. For the State of Arizona, the Department of Health and Human Services (HHS) is designated by the Office of Management and Budget (OMB) as the cognizant federal agency for reviewing and negotiating indirect cost rates (and other rates) used by grantee institutions to charge federal programs for administrative and facility costs associated with conducting federal programs. This process is managed through the [Cost Allocation Services \(CAS\) Program Support Center](#). For additional information regarding indirect costs and negotiating rates, please review the Grants Management Manual-Grantor [Section 6.2.5](#).