

Budget Narrative & Justification Instructions

The Budget Narrative and justification must be concrete and specific. It must provide a justification for the basis of each proposed cost in the budget and how that cost was calculated. Examples to consider when justifying the basis of your estimates can be ongoing activities, market rates, quotations received from vendors, historical records. The proposed costs must be reasonable, allowable, allocable, and necessary for the supported activity.

Scope of Work/Plan of Action:

- What current data exists to outline the extent of the issue/concern within your jurisdiction as it relates to the program your agency is applying for
- How does the personnel/equipment/technology mentioned in your scope of work/plan of action directly correlate to the fund your agency is applying for
- Will the personnel/equipment/technology mentioned in your scope of work/plan of action provide trackable facts-based data and metrics that demonstrate progress with respect to the fund your agency is applying for

A. Personnel

Provide the following information for the budget narrative and justification:

1. **Position** – Provide the title of the position and an explanation of the roles and responsibilities of the position as it relates to the objectives of the project.
 - a. The position must be relevant and allowable under the project.
 - b. The salaries of administrative and clerical staff are normally treated as administrative costs. Direct charging of these costs may be appropriate only if all the following conditions are met:
 - i. administrative/clerical services are directly integral to a project;
 - ii. individuals can be specifically identified with the project; and
 - iii. the costs are not claimed as administrative costs.
2. **Name** – The name of the individual in the position or vacant, if not filled.
 - a. If the position is being performed by someone other than a full-time, part-time, or temporary employee of the applicant organization (e.g., consultant or contractor), the position should be listed under the contracts category.
3. **Key Personnel** – Not Applicable
4. **Salary/Rate** – The estimated annual salary or rate. If providing a rate, specify the time basis (e.g., hourly, weekly).
 - a. Salaries should be comparable to those within your organization.

Budget Narrative & Justification Instructions

5. **Level of Effort (LOE)** – The level of effort (percentage of time) that the position contributes to the project.
 - a. Personnel cannot exceed 100% of their time on the project.
 - b. You should ensure the cost-of-living increase is built into the budget and justified.

6. **Total Salary** – The total salary/amount of each position.

REQUEST – Sample Personnel Narrative

Position (1)	Name (2)	Key Staff (3)	Annual Salary/Rate (4)	Level of Effort (5)	Total Salary (6)
(1) Project Director	Alice Doe	Yes	\$64,890	10%	\$6,489
(2) Program Coordinator	Vacant, to be hired within 60 days of anticipated award date	No	\$46,276	100%	\$46,276
REQUEST					\$52,765

REQUEST – Sample Justification for Personnel

1. The Project Director will provide daily oversight of the project. This position is responsible for overseeing the implementation of the project, internal and external coordination, developing materials, and conducting meetings.
2. The Program Coordinator will coordinate project activities, including training, communication, and information dissemination.

B. Fringe Benefits

Fringe benefits are allowances and services provided to employees as compensation in addition to regular salaries and wages.

Provide the following information for the narrative and justification:

Budget Narrative & Justification Instructions

1. **Position** – The title of the position to which the fringe rate is being applied.
2. **Name** – The name of the individual (note if the position is vacant.)
3. **Rate** – The total fringe benefit rate used and a description of the computation.
 - a. The justification must detail the elements that comprise the fringe benefits, e.g., FICA, worker’s compensation. If a fringe benefit rate is not used, you should explain how the fringe benefits were computed for each position.
4. **Total Salary** – Use the amount provided under section A. Personnel (6).
5. **Total Fringe** – Provide total fringe amount based on the rate applied to total salary.
 - a. Fringe benefits charged to the award can only reflect the percentage of time devoted to the project.
 - b. Do not combine fringe benefit costs with direct salaries and wages in the personnel category.

REQUEST - Sample Fringe Benefits Narrative

Position (1)	Name (2)	Rate (3)	Total Salary (4)	Total Fringe (5)
Project Director	Alice Doe	29.65%	\$6,489	\$1,924
Program Coordinator	Vacant, to be hired within 60 days of anticipated award date.	29.65%	\$46,276	\$13,720
TOTAL REQUEST				\$15,644

TOTAL REQUEST – Sample Justification for Fringe Benefits

XYZ organization’s Fringe benefits are comprised of:

Fringe Category	Rate
Retirement	10%
FICA	7.65%
Insurance	6%
Social Security	6%
Total	29.65%

Budget Narrative & Justification Instructions

The fringe benefit rate for full-time employees for years one and two is calculated at 29.65%. For years three, four, and five is anticipated to increase to 31%.

C. Travel

Travel costs must comply with the State of Arizona Accounting Manual (SAAM)

<https://gao.az.gov/publications/saam>

<https://gao.az.gov/travel/welcome-gao-travel>

Please note: All travel expenditures require itemized receipts and will not exceed the State allowable rates which can be found in the State of Arizona Accounting Manual (SAAM)
<https://gao.az.gov/publications/saam>

Funds requested in the travel category should be only for project staff. Travel for consultants and contractors should be shown in the “Contract” cost category along with consultant/contractor fees. Because these costs are associated with contract-related work, they must be billed under the “Contract” cost category.

Provide the following information for the narrative and justification:

1. **Purpose** – Briefly note the purpose of the travel.
 - a. The justification must identify the need for the travel.
 - b. The narrative description should include why it is necessary and directly relates to the project, number of trips planned, personnel, and dates.
2. **Location** – specify the start and end locations of the trip
3. **Item** – specify the costs associated with travel, e.g., mode of transportation accommodations, per diem.
4. **Rate Calculation** – specify the basis for the travel costs.
 - a. For mileage, specify the number of miles and the cost per mile. For air transportation, specify the cost. For per diem, specify the number of days and daily cost. For lodging, specify the number of nights and daily cost.
 - b. Costs for contingencies and miscellaneous costs are not allowable.
5. **Travel Cost** – provide the total cost of the travel.

TOTAL REQUEST – Sample Travel Narrative

Purpose (1)	Destination (2)	Item (3)	Calculation (4)	Travel Cost (5)
Mandatory Conference	Chicago, IL to Washington D.C.	Airfare	\$200/flight x 2	\$400

Budget Narrative & Justification Instructions

Purpose (1)	Destination (2)	Item (3)	Calculation (4)	Travel Cost (5)
		Hotel	\$180/night x 2 persons x 2 nights	\$720
		Per Diem (meals and incidentals)	\$46/day x 2 persons x 2 days	\$184
Local Travel		Mileage	3,000 miles @.38/mile	\$1,140

TOTAL REQUEST -	\$2,444
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TOTAL REQUEST: Sample Justification for Travel

1. Two staff to attend mandatory conference in Washington, D.C.
2. Local travel is needed to attend project activities and meetings.

D. Equipment

Equipment is a single item of tangible, nonexpendable, personal property that has a useful life of more than one year and a value of \$5,000 or more (or a cost capitalization threshold established by the applicant organization that is less).

Provide the following information for the narrative and justification:

1. **Item(s)** – Describe the equipment item(s) being purchased. The justification must relate the use of each item to the project and include any upgrades.
2. **Quantity** – Identify the number of items to be purchased.
3. **Amount** – The total cost of purchase or lease the equipment.
 - a. The justification should include the basis of how costs were estimated, e.g., fair market value, cost quotes.
4. **Percentage Charged** – The percentage of equipment's value to be charged.
5. **Total** – The total cost of the equipment.

TOTAL REQUEST – Sample Equipment Narrative

Item(s) (1)	Quantity (2)	Amount (3)	% Charged (4)	Total Cost (5)
Four-wheel drive Vehicle	1	\$50,000	100%	\$50,000

Budget Narrative & Justification Instructions

TOTAL REQUEST	\$50,000
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TOTAL REQUEST – Sample Justification for Equipment

1. Purchase of a four-wheel drive vehicle equipped with GPS for project operations in remote areas.

E. Supplies

Supplies are items costing less than \$5,000 per unit, often having one-time use.

Provide the following information for the narrative and justification:

1. **Items** – list supplies by type, e.g., office supplies, postage, laptop computers.
 - a. The justification must include an explanation of the type of supplies to be purchased and how it relates back to meeting the project objectives.
2. **Calculation** – describe the basis for the cost, specifically the unit cost of each item, number needed and total amount.
3. **Supply Cost** – provide the total cost of the items to be charged.

TOTAL REQUEST – Sample Supplies Narrative

Item(s)	Rate	Cost
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

TOTAL REQUEST	\$3,796
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TOTAL REQUEST – Sample Justification for Supplies

Budget Narrative & Justification Instructions

2. Office supplies, copies and postage are needed for general operation of the project.
3. The laptop computer and printer are needed for both project work and presentations for Project Director.
4. The projector is needed for presentations and workshops. All costs were based on retail values at the time the application was written.

F. Contract

List the budgets for each contract, consultant, or consortium agreement. Please note the differences between contracts, consultants, and consortium agreements:

- **Contracts** are a legal instrument by which the recipient purchases goods and services needed to carry out the project. Contracts include vendors (dealer, distributor or other sellers) that provide, for example, supplies, expendable materials, or data processing services in support of the project activities. The recipient must have established written procurement policies and procedures that are consistently applied. All procurement transactions shall be conducted in a manner to provide to the maximum extent practical, open and free competition.
- **Consortium Agreements** are between entities (which may or may not include the recipient) working collaboratively on a supported project. They address the roles, responsibilities, implementation, and rights and responsibilities between entities collaborating on a project.
- **Consultants** are individuals retained to provide professional advice or services for a fee. Travel for consultants and contractors should be shown in this category along with consultant/contractor fees.

Provide the following information for the narrative and justification:

1. **Name** – Provide the name of the entity and identify if it is a contractor or consultant.
2. **Service** – Identify the products or services to be obtained.
 - a. As part of the justification provide a summary of the scope of work, the specific tasks to be performed, the necessity of the task for each contract as it relates to the Project Narrative. Include the dates/length for the performance period. **NOTE: costs that are outside the period of performance cannot be charged.**
3. **Rate** – provide an itemized line-item breakdown.
4. **Contract Costs** – Provide the total of the consultant or contract costs.

COSTS FOR CONTRACTS MUST BE BROKEN DOWN IN DETAIL AND A NARRATIVE JUSTIFICATION PROVIDED.

Budget Narrative & Justification Instructions

TOTAL REQUEST – Sample Contracts Narrative

Name (1)	Service (2)	Rate (3)	Other	Cost (4)
(1) State Department	Training	\$250/individual x 3 staff	5 days	\$ 750
(4) Jane Smith	Evaluator	\$40 per hour x 225 hours	12-month period	\$9,000
(5) To Be Announced	Marketing Coordinator	Annual salary of \$30,000 x 10% level of effort		\$3,000
TOTAL REQUEST				\$12,750

TOTAL REQUEST – Sample Justification for Contracts

1. Certified trainers are necessary to carry out the project.
2. The Evaluator is an experienced individual (Ph.D. level) with expertise in research & evaluation and will be responsible for all data collection and reporting.
3. The Marketing Coordinator will develop a plan for the project and engage with members of the community.

G. Construction (Not Allowable)

H. Other

This category addresses any costs not included in of the other cost categories. Costs that fall under “Other” would include:

- Rent
- Telephone
- Training activities (except costs for consultant and/or contractual).

Provide the following information for the narrative and justification:

1. **Item** – List items by type of material or nature of expense. In the justification, explain the necessity of each cost for successful implementation and completion of the project.

Budget Narrative & Justification Instructions

2. **Rate** – Break down costs by quantity and cost per unit as applicable.

NOTE: Rent costs must be submitted with the following information:

- The individual cost items that make up the total cost of the building
- The methodology used to allocate the costs to the programs or activities operating in the building
- Supporting documentation

3. **Costs** – provide the costs charged.

TOTAL REQUEST – Sample Narrative for “Other”

Item	Rate	Cost
(1) Rent	\$15/sq. ft. x 700 sq. feet	\$10,500
(2) Telephone	\$100/mo. x 12 mo.	\$3,980
(3) Brochures	.89/brochure X 1500 brochures	\$1,335

TOTAL REQUEST	\$15,815
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TOTAL REQUEST – Sample Justification for Other

1. Costs related to office space are typically included in the indirect or administrative cost rate. However, if other rental costs for service site(s) are necessary for the project, they may be requested as a direct charge. The rent is calculated by square footage or FTE and reflects the fair share of the space.
2. The monthly telephone costs reflect the percent of effort for the personnel listed in the project.
3. Brochures will be used at various community functions.

I. Total Direct Charges

TOTAL REQUEST – TOTAL DIRECT CHARGES	\$177,462
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J. Administration

Budget Narrative & Justification Instructions

Administrative costs are those costs incurred for common or joint objectives which cannot be readily identified with an individual project or program but are necessary to the operations of the organization.

Provide the following information for the narrative and justification:

- 1. Calculation** – Briefly summarize the calculation and provide a justification of costs included in administration.

Calculation (1)	Total Cost (2)
Organization's Administrative Rate of 10% (10% of personnel and fringe - .10 x \$68,409)	\$6,841

TOTAL REQUEST	\$6,841
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TOTAL REQUEST – TOTALS

Provide the total proposed project period and funding summary:

Proposed Project Period

- Start Date: 7/1/2021
- End Date: XX/XX/XX

BUDGET SUMMARY (should include future years and projected total)

Category	Year 1	Year 2*	Year 3*	Year 4*	Year 5*	Total Project Costs
Personnel	\$52,765	\$54,348	\$55,978	\$57,658	\$59,387	\$280,136
Fringe	\$15,644	\$16,114	\$17,353	\$17,873	\$18,409	\$85,393

Budget Narrative & Justification Instructions

Category	Year 1	Year 2*	Year 3*	Year 4*	Year 5*	Total Project Costs
Travel	\$2,444	\$1,140	\$2,444	\$1,140	\$1,375	\$8,543
Equipment	0	0	0	0	0	0
Supplies	\$3,796	\$3,796	\$3,796	\$3,796	\$3,796	\$18,980
Contractual	\$86,998	\$86,998	\$86,998	\$86,998	\$86,998	\$434,990
Other	\$15,815	\$13,752	\$11,629	\$9,440	\$7,187	\$57,823
Total Direct Charges	\$177,462	\$176,148	\$178,198	\$176,905	\$177,152	\$885,865
Administrative Costs	\$6,841	\$7,046	\$7,333	\$7,553	\$7,780	\$36,553
Total Project Costs	\$184,303	\$183,194	\$185,531	\$184,458	\$184,932	\$922,418