

APPENDIX A GUIDANCE FOR DEVELOPING AN OBJECT CLASS BUDGET

Guidance concerning questions about the fringe benefit amount to be placed in an Object Class Budget on Line 6b can be found in the Frequently Asked Questions ([FAQ](#)) within this appendix.

6a. Personnel: Personnel is defined as wages and salaries paid to employees of the grantee organization who are directly involved in implementing activities in the approved project plans. This includes overtime.

Helpful Hints

- This line item should not include personnel hired by a sub-grantee, employees hired from a temporary staffing agency or specialized support provider, or consultants; those costs are included in the “Contractual” line item. For government grantees, the budget including employees funded out of an interagency transfer of funds would be included in the Contractual line item
- If an organization is paying overtime to personnel the overtime and regular pay lines should be clearly delineated in a budget narrative
- Only include personnel for whom a W-2 is provided.

6b. Fringe Benefits: Fringe benefits are defined as cost of benefits paid to the personnel on the grant, including the cost of employer’s share of costs including, but not limited to, FICA, health insurance, workers’ compensation, and vacation. This would include fringe benefits associated with overtime costs. Rates can be the summed actual rates for all employees or an approved organizational rate. Only Fringe Benefits associated with personnel paid out of direct costs would be placed here.

6c. Travel: Program travel is defined as the travel costs that are reasonable and necessary to effectively manage and carry out grant activities expended by the type of personnel covered in 6a (Personnel).

Helpful Hints

- Air travel, when necessary, should be obtained at the lowest possible customary standard (coach or equivalent fare)
- Travel costs may be charged on an actual basis, or on a per-diem, or mileage basis in lieu of actual costs
- Air and Hotel costs associated with attending a conference associated with the defined project objectives and activities.

6d. Equipment: Equipment is defined as non-expendable personal property that has a useful life of more than one year and a per-unit cost of \$5,000 or more (Federal); however, State governments use their own definition of equipment for State grantees.

Helpful Hints

- The only type of equipment that may be acquired with Federal funds is equipment necessary for the operation of the grant
- Shipping, delivery, accessories purchases as part of the equipment purchase, and installation, if necessary, are a normal part of the cost of equipment and should be included in the budgeted amount
- Generally, computers, faxes, printers, cell phones and other electronic equipment all have a per unit cost below \$5,000 and thus would be considered supplies unless otherwise defined as equipment by State law.

- 6e. Supplies:** Supplies are defined as all consumable materials costing less than \$5,000 per unit or an organization's equipment threshold, whichever is less.

Helpful Hints

- Goods such as copy paper, pens and pencils, computers, computer supplies, cell phones, faxes, radar guns, ticket writing devices, uniforms needed to perform activities associated with the grant implementation are generally categorized as supplies
- Training materials
- Promotional items are not allowed unless pre-approved by FMCSA General Law per 2 CFR 225, Appendix B, 1. f. (3) (formerly OMB Circular A-87).

- 6f. Contractual:** Contractual costs are defined as costs for consultants, vendors, sub-awards, inter-agency transfer of funds, and temporary staffing agencies or specialized support providers. Please note the following exception: Departments within the same government entity that submit a collaborative application may include all costs within each Object Class Category rolled up into one total as long as each Department includes a separate budget breakdown using different columns on the same SF-424a, or by submitting a separate SF-424A for each Department.

Helpful Hints

- Fuel provided by a vendor under contract to the grantee organization is a contractual cost
- Vehicle Maintenance provided by a vendor under contract to the grantee organization is a contractual cost
- Evaluation services provided by another entity is a contractual cost.

- 6g. Construction:** Construction costs are defined as cost associated with the actual construction of a building, parking lot, or similar structures (e.g., bricks, mortar). FMCSA does not generally provide for construction costs in their financial assistance programs.

- 6h. Other:** Includes those direct costs that do not fit any of the aforementioned categories such as rent for buildings used to conduct grant activities, utilities, computer software, communication costs, leased equipment, transportation expenses such as bus tokens, tuition for training, conference registration fees, memberships, postage, printing, etc.

- 6i. Total Direct Charges:** Show the totals of Lines 6a to 6h in each column.
- 6j. Indirect Charges:** Enter the total request up to the amount allowed by your approved and current indirect cost rate letter/agreement. Grantees must have an approved indirect cost rate letter from their Cognizant agency to be reimbursed for indirect costs. The Federal agency that awards the most in direct awards to an organization is, in most cases, Cognizant. For further information contact agency grant management personnel.
- 6k. Total:** Enter the total of the amounts on Lines 6i and 6j.

Additional Guidance

- Personnel Supplies should be included in Supplies
- Vehicles purchased should be included in Equipment
- Leased equipment including cars and SUVs should be included in Other, not Equipment
- Mileage costs should be included in Travel, not Equipment
- Maintenance and Repairs provided by a contract or inter-agency transfer of funds to another State agency should be included in Contractual or Other
- Fuel expenses may be dealt with in different ways. If a grantee charges mileage fuel then it should be included in the rate and should be in Travel. If a grantee has a methodology to track actual fuel consumption bought through a contract then the grantee may bill directly and that charge would go under contractual. Finally, if fuel is bought, as needed, through a credit card that can be direct charged the costs may be documented as either Supplies or Other.

Frequently Asked Questions about the Fringe Benefit amount to be placed in Object Class Budget Line 6b

- 1. How can Fringe benefits associated with salaries and wages of personnel working directly on a grant be calculated?**

Fringe benefits can be calculated using two different methods:

Direct/Actual – An applicant may *sum up all the actual fringe benefits* for each person charged to the award. Sum up means fringe benefits are identified to individual employees and charged in the same manner as salary and wages are recorded. Typical examples of fringe benefits included in a fringe benefit package are group insurance (e.g., life, health, dental), retirement, social security payroll tax, Medicare tax, unemployment compensation tax, annual leave, sick leave, and transportation allowance. Examples of fringe benefits that would not be included are unused leave, entertainment, and interest associated with late pension contributions, and contributions.

Approved Rate(s) by a Cognizant Agency – An applicant may also choose to use *approved fringe benefit rate(s)*. Approved rates simplify the fringe benefit calculations

as they are applied to the total salary and wages of classes of employees charged to the award (e.g., uniformed v. non-uniformed employees). For example, organization X has an approved fringe benefit rate of 38 percent and a total personnel budget (line 6a) of \$1,000,000. The fringe benefit amount placed in line 6b would be \$380,000. If the \$1,000,000 was split \$700,000 for uniformed employees with an approved rate of 48% and \$300,000 for non-uniformed employees with a rate of 30% the amount placed in 6b would be \$336,000 ($\$700,000 \times .48$) plus \$90,000 ($\$300,000 \times .30$) totaling \$426,000.

2. How does an organization obtain an approved fringe benefit rate?

Fringe benefit rates are obtained in different ways depending on the type of organization:

State Agencies may be covered by State-wide rates through the established State-wide Cost Allocation Plan (SWCAP) process through the U.S. Department of Health and Human Services (DHHS). DHHS is the Cognizant agency for all State governments in the SWCAP process. It is important to note that while every State is required to have an approved SWCAP they will only be provided an approved fringe benefit rate if they submit one for approval in their SWCAP proposal. Alternatively, if a State does not elect to have a State-wide fringe benefit rate, Departments/Agencies may obtain approval of department-wide rate(s) from their Cognizant agency as part of the indirect cost rate process. It is the responsibility of the State Agency to include a proposed fringe benefit computation to their Cognizant agency in order for it to be reviewed, approved and included on your approved indirect cost rate agreement/letter.

Local governments also have two methods of obtaining an approved rate. Local governments that have completed a Local Cost Allocation Plan (LOCAP) which includes a local government-wide rate on file for review by their Cognizant agency may provide that plan to FMCSA Grants Management Office for review and approval of the fringe benefit rate(s) for inclusion in FMCSA grant application budgets and invoicing. Federal agencies are provided this leeway as the Federal government does not currently have a list developed identifying which Federal agency is Cognizant to which local government for this purpose. The second method is the same as the process used by State agencies. Local government departments may request approved rate(s) by submitting proposed fringe benefit rate(s) with their indirect cost rate proposal.

Not for Profit Entities, Hospitals, and Educational Institutions may obtain approved rates through the indirect cost rate processes described above.

3. How do grantees determine their Cognizant agency for requesting an indirect cost rate agreement/letter that also includes a fringe benefit rate?

The Federal agency that provides a grantee's State government Department with the most direct Federal assistance is considered the Cognizant agency. Direct Federal assistance means that the Department that submitted the application for funding is the entity that ultimately receives the grant award. Please note: If another entity received the award

and provides “pass-through” funding to your Department it is **not** considered direct Federal assistance.

4. Will FMCSA monitor the cost allowability of fringe benefit submissions during application review?

Yes and No. One of the advantages to an applicant organization having an approved rate is that the allowability of its use has already been officially sanctioned by the Federal government for use in budget submissions to all Federal agencies. Similarly, for local governments that have a LOCAP approved rate from FMCSA the cost allowability will have been pre-approved for use in all FMCSA grant application budget submissions. FMCSA will have to review components of fringe benefit budgets for compliance with Federal cost principles for cost allowability whenever the sum of actual fringe benefits for each employee method is used.

5. Will FMCSA monitor a grantee’s fringe benefits when they submit invoices for reimbursement of expenses?

Yes. As the steward of Federal funds, FMCSA will review and approve grantee invoices for payment. The level of monitoring for approved rates is less complicated in that it consists of ensuring that the correct rate(s) and base were used in the calculation included on the invoice. When an actual fringe benefit method is used FMCSA will need to verify that the components adhere to the benefit package proposed in the application budget submission and approved in the Notice of Grant Agreement.

Specifics for three major types of grantees

State Grantees

1. Actual fringe benefits summed and charged to grant
2. Approved rates
 - Statewide fringe benefit rate provided as a percentage approved by the U.S. Department of Health and Human Services in the document known as a (SWCAP) State-wide Cost Allocation Plan
 - Department wide fringe benefit rate provided as a percentage requested by States as part of their indirect costs proposal and approved by their Cognizant agency.

Local Grantees

1. Actual fringe benefits summed and charged to grant
2. Approved rate
 - Department wide fringe benefit rate provided as a percentage requested by a local agency as part of their indirect costs proposal and approved by their Cognizant agency
3. LOCAP rate
 - City or County-wide fringe benefit rate provided as a percentage as part of a local cost allocation plan known as a LOCAP kept on file for inspection by awarding agencies.

Not for Profit Entities

1. Actual fringe benefits summed and charged to grant
2. Fringe Benefit rate approved by a Cognizant agency as part of an indirect cost proposal.

Scenarios**1. No Approved Rate**

When an entity uses a fringe benefit rate without an approved rate they should be instructed to charge the benefits as true costs summed up for the employees on the grant. An entity may propose a fringe benefit rate to their Cognizant agency and FMCSA will include that amount as a placeholder in the approved budget but will not authorize reimbursement until a rate is approved.

2. Monitoring Responsibilities when Actual Expenses are Used

The administrative circulars guidance related to allowability apply when actual expenses are charged. The FMCSA Grant Manager must look at the actual components used to come up with the amount charged to the grant. The FMCSA Grant Manager will examine the components such as payroll taxes, life insurance, and leave to determine if the charges are reasonable, necessary, and allocable to the grant. In addition, the consistency rule applies in that the fringe benefit package charged to the grant must mirror the fringe benefit package available to personnel with salaries not paid through the grant. In other words, grantees must treat Federally funded activities in the same manner as their own funded activities.