

FY 2014 BUDGET NARRATIVE

A Budget Narrative should justify each of the costs being requested on the SF-424A, Budget Information form and the Commercial Vehicle Safety Plan (CVSP) Line Item Budget. A budget narrative should show how the amounts were determined. Please note that each subtotal reported on the CVSP Line Item Budget should match the corresponding object class categories on the SF-424A. The budget narrative should explain in short concise language why the costs are necessary, reasonable and allocable to the project in order to satisfy the governing cost principles.

FMCSA routinely has difficulty assessing CVSP Line Item Budgets because the Budget Narrative may not contain all the information needed. For example, it is difficult to determine the number of personnel being charged to the grant and whether they are full time or part time or what the unit cost is for equipment and supplies. In an effort to reduce the number of post application contacts FMCSA is required to make to State applicants regarding budget information, please use this document as a guide in completing your budget narrative so that a thorough review of expenses may be conducted.

The examples provided in this document are purposely simplistic. Be certain to provide sufficient detail to support the expenditures included in your line-item budget.

PERSONNEL

Explain how employee allocation of time (either in Full Time Equivalents (FTEs) or hours dedicated are charged to the grant and if all the costs pertain to these employees. Contractors should not be in this budget category. Overtime costs funded from the basic award is not to exceed 15% of the basic award amount.

Poor example: Fifty one officers work on MCSAP eligible enforcement activities - \$477,000.

Good example: Twenty officers work part-time on MCSAP eligible enforcement activities. The total of their part-time effort equates to 5 FTEs (2000 hours per year). At an average rate of \$45 per hour, this equals the budgeted amount of \$450,000 per year for personnel.

Or, in table format:

Personnel	Cost Per Hour	Number of Hours dedicated to MCSAP	TOTAL COSTS
46 Officers	\$45	200	\$414,000
4 Sergeants	\$60	200	\$48,000
1 Captain	\$75	200	\$15,000
			\$477,000

FRINGE BENEFIT COSTS

Provide the methodology on how the fringe benefit amount is calculated (i.e., a statement that the costs are actual fringe benefits summed by employee or a rate approved by HHS in their State Wide Cost Allocation Plan or by the cognizant agency).

Poor example: Fringe benefits are a direct charge to the grant - \$152,640.

Good example: Fringe benefits are a summation of the actual fringe benefits per employee and include: FICA, Medicare, Health insurance, and retirement. Based on the personnel proposed (4,000 labor hours at \$45 per hour), and the estimated percentage of fringe benefits that will be applied (approximately 22.4%), the budgeted amount for fringe benefits in this proposal is: \$40,320. The specific amount for FICA, Medicare, Health insurance, and retirement for each officer (based on the exact costs) will be included in each voucher.

Or, based on a percentage calculation approved in an indirect cost rate:

Good example: Fringe benefits are calculated with a rate approved by our cognizant agency and are included on our indirect cost rate letter. The rate is 32 percent. Based on the personnel proposed (4,000 labor hours at \$45 per hour), and fringe benefits at 32 percent is: \$57,600.

FRINGE BENEFITS AND OVERTIME

A statement is needed that explains how fringe benefits are calculated for overtime and that this practice is uniform for all employees charged to any revenue source is needed.

Poor example: Fringe benefits associated with overtime - \$67,000

Good example: Fringe benefits are calculated on overtime as a summation of actual charges per employee and include: FICA for amounts under \$114,000, Medicare, and retirement. Based on the proposed 500 hours of overtime at \$67.5 per hour (\$45 per hour x 1.5), and the estimated percentage of fringe benefits that will be applied (approximately 22.4%), the budgeted amount for fringe benefits on overtime in this proposal is: \$7,560. The specific amount for FICA, Medicare, Health insurance, and retirement for each officer (based on the exact costs) will be included in each voucher.

PROGRAM TRAVEL

Identify the conferences, meetings and training course costs. Include a rationale for why the number of people included is reasonable and necessary and the methodology on how the amount was derived.

Poor example: Travel to conference - \$28,410

Good example: 15 Officers to attend required MCSAP certification training in San Diego, CA.

Expense	Personnel	Amount	Days	Total
Airfare	15 officers	\$600	n/a	\$9,000
Per Diem	15 officers	\$68	3	\$3,060
Accommodations	15 officers	\$145	2	\$4,350
Registration	15 officers	\$800	n/a	\$12,000
				\$28,410

EQUIPMENT

49 CFR 18.3 defines equipment as “tangible, nonexpendable, personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. A grantee may use its own definition of equipment provided that such definition would at least include all equipment defined above.”

Include a rationale for why the equipment is necessary, reasonable and allocable to the grant award. A description, quantity and unit price should be included in the narrative for all equipment. States that have an equipment threshold of below \$5,000 need to include it so FMCSA understands why lower costs items are included in this line rather than under supplies.

Poor example: Five Tahoe SUVs - \$165,000

Good example: State needs five new Tahoe SUVs to complete motor carrier safety inspections to replace five vehicles that have reached their useful life per our state vehicle replacement policy. These vehicles will be used only for MCSAP eligible purposes and are needed to fulfill the activities proposed in this application.

SUPPLIES

Per 49 CFR 18.3, “Supplies means all tangible personal property other than “equipment” as defined in this part.”

States that have a different threshold for supplies need to provide that information. Include a quantity and unit cost for supplies such as computers and printers.

Poor example: Twenty computers at \$2,500 - \$50,000

Good example: Requesting 20 new computers for the 20 full time employees that will be working on the MCSAP grant because computers assigned to these employees are three years old. Per our state replacement policy computers need to be replaced every three years. The price

of these computers is reasonable for this type of laptop with the required features to fulfill our reporting requirements. Unit cost for the laptop computers is \$2,500.

Important Note: It is not necessary to document office supplies in such detail that individual expenditures are listed (reams of paper, boxes of paperclips, etc.). A good way to document office supplies is to indicate the approximate expenditure of the unit as a whole for each month. For example: General Office Supplies (paperclips, paper, toner, etc.) for the 24 individuals in the MCSAP Unit: \$1800 per month times 12 months = \$21,600.

CONTRACTUAL

An explanation of how the costs were derived for each contractual agreement and how it represents a fair market value should be explained in the narrative.

Poor Example: XYZ consultant - \$25,000.

Good example: XYZ consultant has been providing IT services to our agency under a previously awarded contract which was procured in adherence to our policies and procedures ensuring a fair hourly rate. Furthermore, our IT department, which performs similar tasks, determined that 100 hours were needed to complete this Statement of Work (SOW) and they will be overseeing this cost item. At a fully-loaded contractual costs of \$125 per hour = \$12,500.

OTHER EXPENSES

Include a detailed description of how the costs were derived for each of the expenses listed in this budget category (i.e. conference costs should include the conference name, number of participants and registration fees). This category requires more detail because “other” is such a broad concept. Where appropriate, include a quantity and unit cost (i.e. CVSA decals: X decals at \$Y = \$Z total). Explain what costs are included in Fleet Costs or any mileage rate applied.

INDIRECT COSTS

A current and fully executed agreement/letter is required to support the amount placed in this line item. Ensure that the indirect cost rate is applied to the appropriate base (the appropriate base is included in the approved indirect cost agreement). For example, past applications applied their indirect cost rate to total direct costs when their agreement specified that indirect costs are to be applied to direct salary plus wages and fringe benefits.