

## RESTORE Act Direct Component Application Supplement: Guide to Completing a Budget Justification

The budget justification should provide specific justification for all budget categories that apply, including an explanation of the necessity, allowability, reasonableness, and allocability of proposed costs. The guidance will aid applicants seeking funding under a Direct Component – Construction and Real Property Acquisition Activities or Direct Component – Non-Construction Funding Opportunity Announcement and in responding to Questions 18 – 21 on the Direct Component Narrative Form in the application package.

### Pre-Award Costs:

In the budget justification, applicants should state the Total Budget and specify if any of the amounts in the Total Budget will be incurred pre-award. Any pre-award costs should be requested as part of an application under this funding opportunity announcement. The applicant must clearly describe the proposed pre-award costs in the scope of work and budget justification and provide a compelling justification as to why Treasury should approve them. Applicants considering the inclusion of pre-award costs in an application should contact Treasury as soon as possible to discuss them. See also FAQs 35 and 36 for more on pre-award costs (FAQs can be found on the [Direct Component Resources](#) webpage).

### Budget Categories:

The narrative should relate each budget category listed in the SF-424A and SF-424C to the specific tasks identified in the proposed scope of work, including any third-party funding. Applicants should review and include the following details regarding the relevant cost categories as they prepare the budget justification.

1. Personnel – This refers to salaries and wages paid to employees of the applicant organization who are directly involved in grant implementation. The budget justification must identify the personnel category type by Full-Time Equivalent (FTE), including FTE percentage for part-time employees, number of personnel proposed for each category, and the estimated funding amounts. The applicant’s budget justification should identify positions by title and function, include a brief description of duties, and state the rate of compensation and the amount of time to be allocated for each position.

*Tip for completing the SF-424A: This line item does not include personnel hired as subrecipients; those costs are included in the “Contractual” line item.*

2. Fringe Benefits – This refers to the allowances and services employers provide their employees as compensation in addition to regular salaries and wages. Fringe benefits include, but are not limited to, the costs of leave (vacation, family-related, sick, or military) employee insurance, pensions, and unemployment benefit plans. The budget

justification should identify the organization's fringe benefit rate and/or explain the basis for the calculation for each position.

3. Travel – This refers to the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the non-Federal entity. Such costs may be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the method used is applied to an entire trip and not to selected days of the trip, and results in charges consistent with those normally allowed in like circumstances in the non-Federal entity's non-federally funded activities and in accordance with the non-Federal entity's written travel reimbursement policies. The budget justification must provide an estimated number of trips, points of origin and destination, and purpose of travel. It should also show how each trip (or type of trip) is needed to achieve the goals and objectives of the project or program.

*Tip for completing the SF-424A: This line item does not include a subrecipient's travel expenses; those costs are included in the "Contractual" line item.*

4. Equipment – This refers to tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost that equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or \$5,000. The budget justification must include an itemized listing of all equipment proposed under the agreement. For each item to be purchased, provide an estimated unit cost, estimated useful life, basis for the estimated useful life, and justification for items of equipment to be purchased. Include a lease versus purchase analysis for each item of equipment.
5. Supplies – This refers to all tangible personal property other than equipment. A computing device is a supply if the acquisition cost is less than the lesser of the capitalization level established by the non-Federal entity for financial statement purposes or \$5,000, regardless of the length of its useful life. The budget justification must include a brief description of and justification for the supplies required to perform the work. These costs should be listed by major supply categories, e.g., office supplies, computer supplies, and monitoring supplies, and include the estimated costs by category.
6. Contractual – This refers to purchases of property or services needed to carry out the project or program under a Federal award. It is not specific to the legal instrument used, so it may include both subawards and contracts. The budget justification must include the name of the proposed contractor or subrecipient, if known, and list the amount budgeted for each contract or subaward. For proposed subawards, the application must include an itemized subrecipient budget by object class, with appropriate justification.

7. Construction – This refers to the total costs of all construction categories carried out by the recipient (further broken down in the SF-424C). All costs must be project specific. The applicant’s budget justification must include a brief description of and justification for each of the budget categories on the SF-424C.
8. Other – This refers to direct costs that do not fit any of the aforementioned categories, such as rent for buildings used to conduct grant activities, utilities and/or leased equipment, transportation expenses, tuition for training, etc. The budget justification should list and describe other items by major type, provide a cost estimate or budget for each item, and describe the basis for the cost estimates or budget computations.
9. Indirect Costs – This refers to costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. See the Direct Component Narrative Form in the application package for further details on the three percent cap on certain indirect costs, i.e., administrative costs.

Indirect costs must be supported by either a current federally approved Indirect Cost Rate Agreement or an election to use the de minimis indirect cost rate. In accordance with 2 CFR §200.414(f), any non-federal entity, i.e., state government department, Florida county, or Louisiana parish, that has never received a negotiated indirect cost rate with the Federal government and receives less than \$35 million in direct Federal funding per year, may elect to use a de minimis rate of 10% of Modified Total Direct Costs (MTDC) within their Direct Component grant. The applicant may elect to use the de minimis rate indefinitely and grantees must keep the documentation of this decision on file. Applicants electing to use the de minimis rate should include in their applications a letter or other similar document, signed by their Chief Financial Officer or other senior official, stating that the state government department/county/parish:

- 1) is electing to use the de minimis indirect cost rate of 10% of Modified Total Direct Costs based on 2 CFR § 200.414(f);
- 2) has never previously negotiated an indirect cost rate with the Federal government; and
- 3) receives less than \$35 million in direct Federal funding per year.

#### Identification of Other Funding Sources:

Some Direct Component projects will require additional funds to cover the full cost of the project (“other funds”), which may include local government funds, state funds, or other federal funds. Treasury requires documentation of proof of availability of other funds needed for completion of project activities. Treasury will accept the following documentation as proof of the availability of other funds:

- Bonds: When an applicant wishes to use bond funds as part of its budget on a project using Direct Component funds, it must show that it has the legal capacity and authority to issue bonds sufficient to cover the total cost of the project less the

federal funds of the Direct Component grant. A statement from the applicant's attorney or bond attorney certifying to the applicant's capacity and authority will suffice as documentation.

- **Grants/Loans:** When an applicant wishes to use a grant or loan from a third party as part of its budget on a project using Direct Component funds, it must provide a letter of commitment or similar confirmation, signed by an authorizing official, that it will receive a grant or loan from a third party sufficient to cover the total cost of the project less the federal funds of the Direct Component grant.
- **Local Funds (Cash):** When an applicant wishes to use cash as part of its budget on a project using Direct Component funds, it must submit as part of its application an assurance signed by its Chief Executive Officer, attorney, or authorizing official certifying that the local funds will be available for the project, have been budgeted expressly for the project, and will not be used for any purpose other than the project.

### Using Direct Component Funds as Non-Federal Cost-Share

Treasury's implementing regulations at 31 CFR § 34.200(b) allow eligible applicants to use funds under the Direct Component to satisfy the non-Federal cost-share of an activity that is eligible for funding under 31 CFR § 34.201 and authorized by Federal law. Treasury will not award funds for the non-federal share of a project receiving funding from another Federal agency until the other Federal agency has approved the activity and Treasury receives documentation of the approval.

If a proposed activity was approved by another agency prior to July 6, 2012, the application also must include the following:

1. The project description must clarify when the activity was approved, the name of the approving agency, the current status of the project, the original approved budget for the project, the amount of funds that have already been expended on the project, and the expected funds required for project completion. If any cost overruns have occurred or are expected to occur, the applicant must provide an explanation.
2. The applicant must clearly explain how it addressed procurement, public input, and the RESTORE Act's best available science requirement, and how its approach substantively fulfilled RESTORE Act requirements. See 33 USC § 1321(t)(1)(E).
3. If the information requested in this application was included in the application for the earlier approving agency, the applicant may include cross-references between particular questions and responses.
4. Documentation showing that the activity was approved prior to July 6, 2012, such as a grant approval letter, other approval documentation, or meeting minutes from the governmental entity with authority to approve the project.
5. Documentation of the original budget and scope of work, e.g., approved grant application or other approval document.