



U.S. Department of Education
Office of Elementary & Secondary Education
Charter School Programs
Session Transcript
Pre-recorded on April 6, 2023

FY 2023 Pre-Application Webinar – Developing a Budget that Aligns with and Supports Your Proposed Project

This is a 2023 pre-application webinar discussing how to develop a budget that aligns with and supports your proposed project for potential State Entity grantees.

This session has three primary objectives:

1. To introduce applicants to the NIA requirements related to your project budget.
2. To Provide strategies for developing a project budget for a CSP application.
3. To explain the components of the allowable cost framework within the context of the CSP, including understanding allowable and unallowable costs.

Here is our agenda for today. We will begin by looking at a few highlights for the 2023 SE CSP grant competition. From there, we will spend most of this time discussing how to develop a project budget, including walking through the requirements of the budget narrative and your budget summary. Next, we will take a look behind the scenes at what CSP considers as part of their review of your proposed budget. We will end by sharing some final resources and reminders for your next steps as a potential SE grant applicant.

To begin with, let's discuss the purpose of the Charter School Programs grants. CSP provides funds to improve the U.S. education system by supporting innovation; providing financial assistance for the planning, program design and initial implementation of charter schools; increasing the number of high-quality charter schools available to students across the United States; and evaluating the impact of charter schools on student achievement, families, and communities, and share best practices between charter schools and other public schools.

Other purposes include encouraging states to support facilities financing; expanding opportunities for children with disabilities, English learners, and other traditionally underserved students to attend charter schools; supporting efforts to strengthen the charter school authorizing process; and supporting quality and accountability in the operational performance of all authorized public chartering agencies.

The SE grants are awarded to eligible state entities to support the opening, expansion, and replication of charter schools in the state, as well as to provide technical assistance to potential applicants and charter authorizers in the state.

So what constitutes an eligible state entity? State entities with a state statute specifically authorizing the establishment of charter schools may apply to the CSP SE grant program, noting that under section 4303(e)(1) of ESEA, no State entity may receive a grant under this program for use in a State in which a State entity is currently using a grant received under

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this program. In other words, no applicant may receive a new award to conduct the same activities that are approved under existing active grants.

Entities that can receive grants include:

- A State educational agency;
- A State charter school board;
- A Governor of a State; or
- A state charter school support organization.
- If you have any questions regarding your state's eligibility, please reach out to CSP program officers.

As you will hear later in this webinar, the majority of funds awarded through the SE program are used to support subgrants to charter school developers. Eligible applicant, when used with respect to subgrants made by a State entity, means a developer that has applied to an authorized public chartering authority to operate a charter school in the state and has provided adequate and timely notice to that authority.

A Developer refers to the group of people or the individual who will carry out the charter school project.

The CSP State Entities grant is a discretionary grant, which means grantees are selected based on the merits of their proposed application. For the 2023 SE competition, there is an estimated \$173 million dollars in available funds. The estimated range of awards is 2 million dollars to twenty million dollars per year, with an estimated size of an award being 8 million dollars per year. The Department estimates a total of 8-10 awards will be given. The project period for this competition is 5 years, however, you may decide to request a shorter project period as an applicant. Applicants may not propose budgets that exceed this five-year grant period. If an applicant recommended for funding submits a grant proposal with a project period that exceeds the 5-year limit, the Department will remove from the final approved budget all costs and activities associated with any project periods that exceed the 5-year limit.

The most important document to review is the notice inviting applications that is posted in the federal register. This document, often referred to as the NIA, contains all the information that applicants need to develop a complete application. We recommend that all applicants read the entire notice in the federal register. Applicants must follow the procedures as described in the federal register notice for the SE grant competition in order to be eligible.

There are multiple parts of a full SE application, which can be broken down into three parts: required forms, the application narrative, and other attachments. Today we are going to focus on your budget, both the budget narrative and your budget summary, also known as Form 524. The information in your budget narrative must align with the information you have included in Form 524, your budget summary. For this webinar, we will start by focusing on your Budget Narrative. For more information on all the application sections, please see additional pre-recorded and live webinars for the 2023 competition.

Your budget narrative is part of your application narrative as a whole and provides a justification for your budget. It is an itemized breakdown of what you plan to spend in each budget category, in descriptive form, from Form 524. These categories include:

- Personnel and fringe benefits

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- Travel
- Equipment and supplies
- Contractual expenses
- Subgrants
- Indirect costs

Your budget narrative is the place where you will include all costs and the rationale behind how these costs were calculated. This is a crucial part of your grant application and provides CSP the specific details regarding your plans for your grant. Be sure to include detailed information in your budget narrative that shows how costs were calculated, including providing tables that show the cost per item, the quantity of items needed, and totals. This is also where you will include detailed information on how costs were calculated, including subgrant numbers or staffing salaries. If you have been awarded a CSP grant in the past, look back at previous budget information in past applications to ensure that numbers estimated in applications are reasonable. A strong budget narrative will include details regarding all costs, justification on why these costs are needed, and a breakdown of how costs were calculated. Your budget narrative must fit into your project period and should not assume funding for a no-cost extension year, as these are not guaranteed.

Here's a look at what Form 524 looks like, which we will talk about in detail later in this presentation. The budget narrative categories should align with the budget categories of this form as well. Only years 1 through 5 will be filled out in this form. Before we dive in, let's walk through some of the budget restrictions for SE grantees.

A State entity receiving a grant under this program must use:

- No less than 90% of the grant funds to award subgrants to eligible applicants for activities related to opening and preparing for the operation of new charter schools or to replicate or expand high-quality charter schools;
- Reserve not less than 7% of funds to provide technical assistance to eligible applicants and authorized public chartering agencies in:
 - Opening and preparing for the operation of new charter schools to replicate or expand high-quality charter schools and
 - Improving authorizing quality, including developing capacity for, and conducting fiscal oversight and auditing of charter schools, and lastly;
- Reserve not more than 3% of funds for administrative costs.

A state entity may use a grant received under this program to carry out technical assistance activities authorized under this program directly or through grants, contracts, or cooperative agreements.

As just noted, 90% of your grant must be awarded as subgrants to eligible applicants in your state. Subgrants must support activities related to opening and preparing for the operation of new charter schools or replicating or expanding high-quality charter schools. SEs are also responsible for ensuring subgrants are spent on eligible expenses, such as:

- Costs associated with preparing teachers, school leaders, and specialized instructional support personnel, including costs for professional development and hiring.

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- Acquiring necessary supplies, training, equipment (including technology), and educational materials including developing and acquiring instructional materials.
- Carrying out necessary renovations to ensure a new school building complies with applicable statutes and regulations, and minor facility repairs. Construction costs are explicitly excluded.
- Providing one-time, startup costs associated with transporting students to and from the charter school.
- Carrying out community engagement activities, which may include costs for student and staff recruitment.
- Providing for other appropriate, non-sustained costs related to activities in opening and preparing for the operation of charter schools.

It is important to note that the maximum subgrant amount is \$2,000,000 and subgrants cannot be longer than 5 years. An eligible subgrant may use no more than 18 months of their subgrant time for planning and program design.

Your budget narrative should clearly state the number of subgrants you plan to award each year, what type of subgrants (meaning new school, replication, or expansion), and how you arrived at this total. Budget for the full amount of support for each subgrant to ensure you can fully support all intended subgrantees. We'll walk through an example of how to estimate the total number of subgrants and the total dollar amount that you might award in a few slides.

All costs outside of subgrants will be part of your technical assistance or administrative costs. To begin with, let's look at what would fall into your technical assistance costs.

Your application should speak to how at least 7% of your total grant funds will be used to provide technical assistance to eligible applicants for opening, expanding, and replicating high-quality charter schools AND technical assistance to improve authorizing quality, including developing the capacity for and conducting fiscal oversight and auditing of charter schools. You must provide TA to both eligible applicants and authorizers. You should provide specific information on what type of TA will be provided to eligible applicants, and what type of TA will be provided to authorizers. A total of 7% of your grant must be spent on TA, however there is flexibility on how these funds are spent in each year of your grant. Grantees may spend more or less money each year of their grant on TA costs, but the total spent over the life of the grant. These funds may also be used to hire outside contractors to support this work but consider whether specific contractor names should be in your application, as you will be held accountable to all details in your application if approved. When thinking through what type of TA to provide, consider the context of your state and the relationship between your organization and authorizers in your state. Ensure that activities proposed are realistic and achievable.

Also note that TA funds cannot be used to hire contractors for any administrative purposes, such as hiring outside consultants to help with monitoring of your subgrantees.

No more than 3% of your funds can be used for administrative costs. This may include SE personnel costs, as well as costs related to subgrantee monitoring, peer review of subgrant applications, attending the required annual CSP project director's meeting, or reviewing reports. All indirect costs will fall under administrative costs as well and should be part of the total 3% of administrative funds. All costs, including administrative costs, must be reasonable and necessary in light of the goals and objectives of your proposed project. Your

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narrative as a whole should align, meaning that any information in your budget narrative should be directly related to the objectives of your grant. Again, be sure to make these connections clear within your application.

Let's talk about a big question you may have: How do I determine how much total funding I should request for my project?

To start with, it's important to spend time determining how many subgrants and what type of subgrants you anticipate awarding during each year of your grant. If you are a current or past grantee, look at the data you have available regarding past subgrants and types of each subgrant that may have been awarded. How many subgrants were awarded in previous years? What types of subgrants were awarded? What was the award length for these subgrants? For new applicants or those without a current CSP grant, consider looking at enrollment trends across the state, and specifically in the charter sector in your state. Look at trends related to the number of new charters authorized each year. Other organizations may also have insights into how many new school developers are currently looking to open over the next five years in your state.

Whatever estimation your team comes up with regarding the total number of subgrants in your state, include this rationale in your budget narrative. The number of subgrants you have budgeted for should be clearly delineated in the budget narrative.

Here's an example of how to potentially estimate the number of subgrants and the total amount needed to fund those subgrants.

In this example, the SE grantee plans to fund 21 subgrantees over the course of their 5-year grant. Within their budget narrative the applicant specifies that they project to award 2 new school subgrants each year at the maximum amount of \$2 million, 1 replication subgrant each year at the maximum amount of \$2 million, and 2 expansion subgrants per year for the first three years of their grant. Within your narrative, it may be helpful to budget year by year, showing only the amount a subgrantee would receive for that budget period, meaning that although we will fund each subgrant at \$2 million, that will be spread out over five years at \$400,000 per year. Although the SE grant is awarded for a period of five years, this grantee wants to show that they will be awarding subgrants during their final year of the grant, which is why the total amount for each subgrant type is larger during the 5th year of their grant.

Although no-cost extensions are an option, this information is not included in this SE application, since it is not a guarantee. Applications should not include budget information beyond the five-year grant period. If an applicant submits a budget that goes beyond the five-year grant period, they will need to re-do a budget that matches the 5-year grant period in order to gain access to the funds. Applicants may request an NCE to continue funding subgrants after the five year grant period. An applicant may request a waiver to continue projects when funding is obligated for subgrants beyond the first NCE.

Note that this is one way to estimate subgrant amounts based on pipeline predictions, but other modes may be used by applicants.

This information can then be used to calculate the total amount of subgrant costs, administrative costs, and technical assistance costs. Again, a requirement of the grant is that at least 7% of your total funds are used for technical assistance costs, and no more than 3% can be used for administrative costs. These costs can then be calculated throughout all five years of your grant and totaled. For this grantee, these costs were calculated at the same rate

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each year of the grant, however, the total costs changed since they will have more subgrants through their grant period. The next slide will walk through in more detail exactly how to calculate these costs. Within your grant application, be sure to include detailed information regarding these costs, and it is also helpful to include this broken down by each year of your grant.

Once you have estimated your total number of subgrants and have then budgeted specifically how many total subgrants you will award per year based on each award type, you can then calculate your TA and administrative costs.

Take the total subgrant amount and divide that by 90%, or .90 which will give you the total amount possible to request for subgrants. Remember, dividing by a decimal increases the amount, so this adds 10% to the total. In our example with \$37.5 million for subgrants, dividing by .9 gives us a total of \$41,666,667.

From there, multiply your total possible by 7%, or .07, to determine the amount of funds that must be used for technical assistance. If this is not a round number, be sure to round up to meet the requirements of at least 7%. In our example, this would be \$2,916,667

Finally, to determine the amount available for administrative expenses, take the total possible grant amount and subtract the total subgrant amount and the technical assistance amount. This will ensure that no more than 3% of grant funds are used for administrative expenses.

Let's summarize this process using the following example.

The SE grantee estimated they will award 25 subgrants over their 5-year grant. In this example, the SE estimates all schools will be new schools and will be awarded the maximum amount of \$2,000,000 over five years.

Based on this estimate, the SE grantee would award \$39,000,000 over their grant to subgrants. This amount must be 90% of the total grant.

When you take this amount and divide it by 90%, you find the total grant amount once TA and administrative costs are included will be \$43,333,333.

That means that 7% of funds, or \$3,033,334 can be requested for TA funds for eligible applicants and authorizers, and 3% of funds, or \$1,300,000 can be requested for administrative funds.

What is most important is that you include this information in your application to show how you made your calculations. Consider including tables or other information that shows these calculations and how you made them.

In summary, when you are estimating the total number of subgrants for your application, be sure that you are setting realistic goals for each year of your grant. These estimations should be based on pipeline projections in your state and should align with other context that may impact the growth of charter schools. Your subgrant estimations should align with what is listed in your application, both in the budget narrative and Form 524. You will be held accountable to all details listed in your application, include your subgrant projections, if funded.

Let's now take a closer look at ED Form 524, which is your budget summary. This is one of the required forms that will be part of your application, and again, will align with the information you provide in your budget narrative. As we walk through each section of this

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form, you will see how there is information that should be included in the narrative of your application as well.

The Budget Summary, or Section A of the 524 form, is a required form you must submit with your application. This form must be completed for all years in which funds are requested, which should only be Years 1-5 of the form. An important reminder - the funds requested in this form should match the detailed budget narrative required in another segment of the application.

A few things to note:

- Most of the funds you are requesting will land in the “other” category of this form since all subgrant costs should be included in the “other” category. Remember, this should be at least 90% of the funds you request.
- All costs that are **not** subgrants will either be part of the 7% technical assistance or the 3% administrative costs.
- If you have an approved indirect cost rate, provide the details in the budget narrative as well as at the bottom of this form. Make sure to include your agreement. We’ll talk a bit more about indirect cost rates in a few moments.
- As a reminder, this is not a construction grant and construction is not an allowable cost. Although you see a line item for construction on this form, you must leave it blank, or at \$0.
- Section B of this form should only be completed if you are making a matching commitment, but that is not required.

We will spend some time walking through each of the categories, and then look at an example for each cost category of what sort of justification is needed in your budget narrative.

We are now going to walk through each category of the budget summary, starting with personnel. Funding for the grant should only be used to pay for staff who are working directly on grant objectives. Funding for contractors should not be included in this cost category. We ask that you describe the roles of staff working directly on grant objectives in the budget narrative, including identifying the position as a percent of their total time, or level of effort percentage. If there is a salary increase planned over the years of your grant, include that information in your narrative in a clear way, potentially in a table. Personnel salaries can be split between administrative and TA funding if staff is working in both roles. For example, you can charge tasks such as completing administrative paperwork, running the subgrant competition, and conducting subgrant monitoring to administrative costs and charge time that is used to provide guidance and training to subgrantees or authorizers to technical assistance. The percentage of the time in each role should be included in the budget narrative. It's important to note that your Project Director is typically the primary staff member and should a level of effort percentage that aligns with the duties assigned to them.

Let’s look at an example of what a personnel cost could look like in an application. For this grantee, they plan on having one full-time employee who will spend 100% time working on grant-related activities. Even if 100% of this staff member’s time will be spent on grant activities, it’s important to describe the roles the employee will play on the grant. Will 100% of their time be spent providing technical assistance to applicants and authorizers, or will some of their time also be spent administering the grant, such as reviewing reimbursement

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submissions or organizing the subgrant competitions? This needs to be included in the budget narrative and show how much of their time will be under the administrative and TA cost categories. In this example, the employee's time will be split evenly between admin and TA, and this includes a 2% salary increase each year of the grant.

If awarded a grant, your program officer will have conversations with you about each budget category to ensure what you have in your application is what will happen. Have these conversations with your staff and include all these details in your application for every category so your application's budget has a better chance of being approved with minimal revisions.

The second cost category is fringe benefits. Fringe benefits are extra benefits that supplement an employee's salary, such as health insurance or retirement benefits. If applicable to your program, provide the rate and base on which fringe benefits are calculated and identify the staff who are receiving the benefit. If fringe benefits are treated as indirect costs for your organization, you can leave this line blank, but be sure you have an understanding of what your indirect costs cover. If the staff roles are split between administrative duties and technical assistance, the fringe benefits associated with those salaries should be allocated in the same manner.

Let's look at back at our example. For this grantee, they should include in their budget narrative that the same employee, the Grant Manager, has fringe benefits to cover health, dental, and retirement benefits. For this SE, benefits are calculated at 25% of their salary each year. Because personnel costs were split between administrative and technical assistance duties, the fringe benefits are split the same way.

Next is travel. For any travel expenses, CSP expects to see which staff are traveling, the number of nights and per diem rates, hotel rates, and any airfare or car mileage. Some of these travel expenses will fall into administrative costs, while others may be related to technical assistance. For example, travel related to subgrant monitoring would fall under administrative costs, whereas travel related to providing technical assistance to subgrants or authorizers would fall into the TA cost category.

It's important to note that approved applicants must attend a two-day project directors meeting each year of the project. The cost of attending this project director's meeting can be included in your proposed budget in this travel section and is considered administrative costs. In addition, applicants approved for funding are required to participate in other on-site gatherings sponsored by the Department and its contracted technical assistance providers and partners throughout the life of the grant.

CSP will look for details within your budget narrative on how costs were determined in order to approve this part of your budget. Justification regarding the purpose of travel must also be included.

As an example, your budget narrative might include information regarding administrative travel, including sending your project director to the mandatory PD meeting each year of the grant. For this grantee, they have budgeted \$1,000 per year for travel to the project directors' meeting and broke down all costs associated with that number. They have also included administrative travel for monitoring subgrantees, estimating \$150 per year based on visiting 6 different schools at \$25 per visit.

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For technical assistance travel, this grantee has budgeted \$250 a year for their staff to travel to regional TA sessions for subgrantees. This cost is based on a rental car for two days at \$25 a day, one night in a hotel at \$100, and \$100 for per diem rates for two days. As a reminder, per diem rates are the fixed daily allowance for employee travel that are set each fiscal year by the U.S. General Services Administration. These rates change each fiscal year and are dependent on the zip code the employee has traveled to.

Ensure that your budget narrative has differentiated what are travel costs under the administrative cost category versus the TA cost category and provides detailed information with a justification and rationale for how all costs were estimated.

Also, these travel costs are just an example. You should check the actual per diem rates on the GSA web site via the link on the screen when creating your budgets.

The next two categories are equipment and supplies, which are often related. The differences between what qualifies as equipment versus supplies is based on cost. Purchased over \$5,000 are considered equipment. If any equipment is included in your budget, it's important to include a justification of why this equipment needs to be purchased rather than rented, and again note whether this equipment cost is related to administrative or technical assistance activities and why it is necessary for completing your grant objectives.

Supplies are costs under \$5,000. Costs in this category can be grouped, such as a line item for office supplies, but once again be sure to note if these costs are related to administrative or technical assistance activities and provide clear reasoning for the decision and why the supplies are needed to meet grant objectives.

For this grantee, costs in this category include purchasing a software license for each year of the grant to provide technical assistance to subgrantees in a virtual setting. The webinar platform is necessary because the department does not currently have this capability and it gives the SE the capability to record sessions and poll attendees to measure the effectiveness of their TA. All this information should be included in the budget narrative.

The next category is contractual. This category is for any contracts for services to be performed by entities other than the grantee organization. For any contracts for technical assistance activities, review the uniform guidance procurement standards and ensure to follow these requirements. For any contractual costs, be sure to note if they are related to administrative or technical assistance activities and provide clear justifications. This is also where you could include any peer review honorariums for those who support your subgrant competition process. Also, note that you cannot contract out managing your grant. SEs awarded a grant are responsible for managing the grant and overseeing the performance of any contractors.

In our example here, the grantee plans to provide an honorarium to peer reviewers of \$200. They plan to use three grant reviewers per subgrant competition and will hold two competitions a year for a total of \$1200. As mentioned before, because this is part of the subgrant competition, this would fall under administrative costs.

This grantee also plans to contract with an external organization to conduct evaluations for all 9 authorizers in their state. They plan to have these evaluations done during the first 3 years of their grant and budgeted \$2,000 per review for a total of \$6,000.

Category seven is construction, which is not allowable in this grant program. For all SE grantees, there should be no costs associated with this category in your application.

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Category eight, “other” should be used for anything that does not fit in previous categories or indirect costs. It is recommended to use this category only for subgrant amounts. Within your budget narrative, be sure to include detailed information on total awards and amounts, as we discussed before.

Category eight, “other” should be used for anything that does not fit in previous categories or indirect costs, such as space rental, honoraria and travel, and communication and printing costs.

Again, this grantee plans to award a total of 21 subgrants to schools over the course of their grant – 10 new schools, 5 replication, and 6 expansion subgrants. Each subgrant is budgeted for the maximum of \$2 million. This grantee would include this information in their budget narrative and would potentially also include the information broken down by subgrant type over the course of the SE grant, as well as by year.

Next, let’s look at indirect costs. Indirect costs are frequently referred to as overhead expenses, such as rent and utilities, and general administrative expenses such as accounting department costs and personnel department costs. Indirect costs are always administrative costs. If you have an indirect cost rate agreement, this must be included in your application. If your organization does not have an indirect cost rate agreement and you plan to negotiate one with the Department, indicate this in your application. The Department’s Indirect Cost Rate Group will only negotiate with organizations that have received federal funding and that receive the majority of their federal funds directly from the Department.

An organization may estimate its indirect cost rate using their most recent financial data, such as audited financial statements. The indirect cost estimate is based on the information included in your application. If a grant award is made, an indirect cost proposal and supporting documentation must be submitted to the indirect cost rate office within 90 days of the award. Under prior regulations, a temporary indirect cost rate of 10% of direct salaries and wages may be allowed until an indirect cost rate has been approved. For other questions regarding indirect cost rate, check out a webinar from the NCSRC, or contact the Office of Indirect Cost Rate.

If indirect costs are not budgeted for or mentioned in your application, they cannot be added once your application is approved.

Finally, category 11 is training stipends. Generally, we do not see any training stipends in this program. Do not include any subgrant funds in this category. If you do budget in this category, a strong justification will be needed in order for it to be approved. Often items listed here have been labeled incorrectly by past grantees, such as included honorariums for peer reviewers, which if budgeted correctly should be in the contracts category.

Again, it’s incredibly important that the information in your budget narrative aligns with the information in your budget summary, Form 524. The totals from your budget justification should match the totals on your budget narrative form. Align your budget narrative with the categories in this form, which in the long run will ensure that when it comes time for monitoring your grant, it will run more smoothly. Ensure that justifications are included for all costs, and it is clear if costs are associated with your 3% administrative funds or 7% technical assistance funds. You may want to use a table in the budget narrative to help with this. And again, ensure that justification is included for costs across all categories.

As part of the grant competition, the CSP will review your proposed budget and accompanying budget narrative to assess the extent to which the proposed costs are

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allowable, allocable, and reasonable. In addition, it is critical that you have met all requirements regarding subgrant funds, administrative costs, and TA costs. Given this, you should provide enough detail and description in your budget narrative to support your proposed costs, otherwise, the CSP may remove from your budget any costs deemed unallowable, unnecessary or unreasonable.

It is important to be ready to implement your grant on day one. Unlike the process for your subgrantees, there is no planning period for SE grantees. If your application is approved and funded, you and your team should be prepared to begin the activities outlined in your application on day one. You are accountable for all of the details in your application, including what is listed within your budget.

In particular, for SE applicants that are Charter School Support Organizations, ensure that the right infrastructure, staffing, and expertise is in place before you are awarded this grant. This includes the financial systems and data collection infrastructure. The work to manage a federal grant may differ from work required when receiving funds from other grant programs or foundations. CSSOs should either ensure a staff member involved in the project has previous experience managing a federal grant, or plan to build the needed expertise through training or consultants.

Applicants must ensure that all costs included in the proposed budget are reasonable and necessary based on the goals and objectives of the proposed project. Any costs determined to be unreasonable or unnecessary will be removed from the final budget. The budget should include only costs that are allowable, allocable, reasonable, and necessary. In the Budget Narrative Attachment, provide an itemized budget narrative, by project year, for each cost category, in addition to a justification for costs included.

Allowable. Under 2 CFR § 200.403 - Factors Affecting Allowability of Costs, allowable costs must meet all the following criteria:

- Be reasonable for the performance of the award and be allocable under these principles
- Conform to any limitations or exclusions set forth in these principles or in the award as to types or amount of cost items
- Be consistent with policies and procedures that apply uniformly to both Federally financed and other activities of the organization
- Be accorded consistent treatment
- Be determined in accordance with generally accepted accounting principles (GAAP)
- Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period
- Be adequately documented

For SE grantees, allowable costs would include related travel, required software licenses, staff time for providing TA, and staff time for administering the grant. Unallowable costs would be ongoing license fees needed beyond the life of the grant, food and drinks, swag, construction, and capital improvements.²

The requirements for allowable, allocable, and reasonable also hold true for all subgrantee costs. Although this information will not be detailed in your application, it's important to remember that you will be approving subgrantee budgets and are responsible for ensuring that subgrantee spending is allowable as well. This is also part of your monitoring – to

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ensure that the grantee is reviewing and approving subgrantee budgets and expenditures. If there is a question about whether a cost is allowable, ask a program officer.

Allocable. Under 2 CFR § 200.405 - Allocable Costs, a cost is allocable to a CSP award if it is treated consistently with other costs incurred for the same purpose in like circumstances and if it:

- Is incurred specifically for the award
- Benefits both the award and other work, and can be distributed in reasonable proportion to the benefits received
- Is necessary to the overall operation of the organization, although a direct relationship to any particular cost objective cannot be shown
- Is not prohibited under the grant

For example, if a subgrantee wants to purchase 100 laptops six months before their school opens with grant funds, this would qualify as an allocable cost as long as it is determined that the laptops are needed to operate the school and they cannot be purchased with other funds the school has. Purchasing laptops is an allowable cost under the grant.

Reasonable. Under 2 CFR § 200.404 - Reasonable Costs, reasonable costs do not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the costs.

For more specific guidance about the definitions of allowable, allocable, and reasonable see 2 CFR 200 Subpart E – Cost Principles.

Using the previous example, purchasing 100 laptops is reasonable based on the number of students estimated to be enrolled. If only 50 students were enrolling for example, the quantity of 100 laptops would not be considered reasonable.

Please note, unlike for the SE grant, SE subgrant budgets should be one-time startup expenses for the project years being funded. For subgrantees, some costs are allowed during their planning year, some are allowed during the implementation years, and some are allowed during both. This table highlights a few examples, such as furniture, which is only allowed during implementation, versus rent or facility payments, which are only allowed during planning years for subgrantees. Information regarding allowable costs for subgrantees may not be included in your SE grant application but is something you will need to discuss if funded.

If your application is funded, then you will be funded based on what was written, including all details regarding your budget. You are accountable to what is written in your original, approved application and budget. If any changes need to be made to your budget, approval is required. Throughout the life of your grant, if you want to make any changes to your budget, you must request them through your program officer who will then review them and approve or deny the modifications. Taking the time now to ensure your budget is accurate, detailed, and justified will save you time down the line if funded.

There are many resources available to help support your budget writing process, including reviewing nonregulatory guidance, uniform guidance, and the published NIA in the federal register. Be sure to review these documents as you work with your team on your application.

Thank you for watching this recording. Please refer to the NIA and other pre-award offerings to support your application for a CSP state entity grant.

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