



U.S. Department of Education
Office of Elementary & Secondary Education
Charter Schools Program
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FY 2024 Pre-Application Webinar – CMO Grant Competition

Developing a Budget that Aligns with and Supports Your Proposed Project

This is the FY 2024 pre-application webinar discussing how to develop a budget that aligns with and supports your proposed project for potential CMO grantees. This is a pre-recorded webinar that is being released along with other webinars that can serve as resources for you as you develop your application for your CSP grant. This information is being presented on behalf of the Charter Schools Program by the National Charter School Resource Center. The National Charter School Resource Center provides technical assistance to federal grantees and resources supporting charter sector stakeholders. NCSRC is funded by the U.S. Department of Education and managed by Manhattan Strategy Group in partnership with WestEd.

The most important document to review is the notice inviting applications that is posted in the federal register. The Federal Register notice contains important information. We recommend all applicants read the entire notice in the Federal Register. Applicants must follow the Application Procedures as described in the Federal Register notice announcing the grant competition.

In addition to reviewing the NIA, remember to review the budget narrative instructions provided in the Application Package Instructions. Among other things, the budget narrative requires an itemized budget breakdown for (1) each project year and, if applicable, (2) each proposed charter school.

Here is our agenda for today. We will begin by looking at a few highlights for the FY 2024 CMO CSP grant competition. From there, we will discuss how to develop a project budget, including walking through the requirements of the budget narrative and budget summary. Next, we will 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 CMO grant applicant.

Through the [CSP Grants to Charter School Management Organizations for the Replication and Expansion of High-Quality Charter Schools](#), the Secretary of Education awards competitive grants to support CMOs to replicate or expand one or more high quality charter schools. Grant funds may be used to significantly increase the enrollment of, or add one or more grades to, an existing high-quality charter school or to open one or more new charter schools or new campuses of a high-quality charter school based on the educational model of an existing high-quality charter school.

Charter schools that receive financial assistance through CSP CMO Grants provide elementary or secondary education programs, or both, and may also serve students in early childhood education programs or postsecondary students, consistent with the terms of their charter.

For the CMO grant competition, an *Eligible applicant* means a charter management organization, or CMO. A CMO is a nonprofit organization that operates or manages a

network of charter schools linked by centralized support, operations, and oversight. Eligible applicants may apply individually or as part of a group or consortium.

Again, an *Eligible applicant* is a Charter Management Organization, or a CMO. Applicants may apply to replicate an existing, high-quality charter school, or expand an existing school by adding grade levels or students. To replicate, when used with respect to a high-quality charter school, means to open a new charter school, or a new campus of a high-quality charter school, based on the educational model of an existing high-quality school, under an existing charter or an additional charter, if permitted or required by State law. To expand, when used with respect to a high-quality charter school, means to significantly increase enrollment or add one or more grades to the high-quality charter school. Applicants that have applied to an authorized public chartering agency and have not yet been approved must include information in the application addressing a timeline for approval from the authorizer. According to the Secretary, charter schools that have been in operation for more than five years are not eligible to apply as a new school or replication school but can apply as an expansion of a high-quality school.

Funds are awarded on a competitive basis. A charter school that previously received funds for replication or expansion under this program, or that has been awarded a subgrant or grant for opening or preparing to operate a new charter school, replication, or expansion under the CSP Grants to State Entities program or CSP Grants to Developers for the Opening of New Charter Schools and for the Replication and Expansion of High-Quality Charter Schools program, may not receive funds under this grant to carry out the same activities.

Please refer to the NIA and CSP's website for more on eligibility considerations.

The CSP CMO grant is a discretionary grant, which means grantees are selected based on the merits of their proposed application. For the FY 2024 CMO competition, there is an estimated \$122 million dollars in funds available. The estimated range of awards is between \$300,000 to \$20 million per year. The average estimated size of the award in the CMO program is anticipated to be \$2.5 million per year. For this competition, there will be an estimated 15 to 20 awards given to CMOs. The maximum award for a school will be \$2 million per year. The project period of this award is up to five years.

There are multiple parts of a full CMO application, which can be broken down into three parts: required forms, your 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 will align with the information you have included in Form 524, your budget summary. For more information on the application parts, please see additional pre-recorded and live webinars for the FY 2024 competition. For this webinar, we will start by focusing on your Budget Narrative.

Your budget narrative is part of your application narrative as a whole. This is an itemized breakdown of what you plan to spend in each budget category, broken down by each project year, and if applicable, by each proposed charter school for each budget category listed in Section B of the ED 524 Form. These budget categories include:

- Personnel and fringe benefits
- Travel
- Equipment and supplies

- Contractual expenses
- Indirect costs

Your budget narrative is the place where you will include all costs and the rationale behind how you calculated these costs. 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 staffing salaries. This section requires applicants to provide an itemized breakdown for each proposed charter school, if applicable. If you have been awarded a CSP grant in the past, look back at previous budget information in past applications to ensure that the numbers estimated in applications are reasonable. A strong budget narrative will include details regarding all costs, a justification for 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 a no-cost extension is not guaranteed.

Here's a look at Form 524, 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 discuss the allowable cost categories in greater depth, let's walk through some of the budget restrictions for CMO grantees.

The CSP CMO grant is a non-construction grant, which means you cannot include any costs associated with this category. Whether it is a new school, replicated school, or expanded school, the maximum award is \$2,000,000 over a five-year period.

Speaking of timelines, it is important to note that the grant budget period may not align with your fiscal year budget period. For this application, be sure to use the budget period of the grant, that is, April 1 to March 31.

Next, this is a grant that may be awarded for up to a five-year period, although applicants may request a shorter grant period in their application. During the grant period, up to 18 months can be used for planning and program design. There are opportunities for no-cost extensions in this grant, but that should not be assumed as approved when writing your grant application.

The CSP CMO grant has funds available that can be used to carry out a variety of activities related to opening and preparing for the operation of new charter schools or for the replication or expansion of high-quality charter schools. Grant funds must be used to carry out allowable activities, which are fully described in 4305(b)(1) of the ESEA. In addition, grant funds must be used to carry out one or more of the activities described in section 4303(h). Some of these activities include:

- Preparing teachers, school leaders, and instructional support personnel. This includes through paying costs associated with:
 - Hiring, providing professional development, and compensating the following personnel during the applicant's planning period only:
 - Teachers
 - School leaders, and

- Specialized instructional support personnel
- Acquiring supplies, training equipment (including technology), and educational materials (including developing and acquiring instructional materials).
- Carrying out necessary renovations to ensure that a new school building complies with applicable statutes and regulations and doing minor facilities repairs (excluding construction).
- Providing one-time startup costs associated with providing transportation to students to and from the charter school. For example, a school could use funding to purchase a bus, or to pay initial costs for using a district's transportation system.
- Carrying out community engagement activities, which may include paying the costs of student and staff recruitment.
- Providing for other appropriate, non-sustained costs related to the replication or expansion of high-quality charter schools when such costs cannot be met from other sources.

Your budget narrative should speak to these allowable uses of funds and have details on how using funds will help you reach program goals. Be sure to revisit all funding restrictions and the allowable use of grant funds while writing your budget narrative.

Throughout your budget narrative, it is critical that every cost that is included has a strong justification. Include detailed information regarding how you determined costs, tables that show the unit price of items, the number of items needed, and what project year these costs are associated with. If applicable, ensure that you have an itemized budget breakdown for each proposed charter school included in your application. Specify which grade levels will be using supplies and how that aligns with the growth plan of your charter school. The more detail provided, the stronger your application will be.

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 will align with the information you provide in your budget narrative. As we walk through each section of the form, you will see that 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 that you must submit with your application. This form must be completed for all years in which funds are requested. Again, 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:

- 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.

- Only complete Section B of this form 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. Include the percentage of time in each role in the budget narrative. It's important to note that your Project Director is typically the primary staff member and should have 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 applicant, they plan on having one full-time employee who will spend 25% of their time working on grant-related activities. In this example, the project director will have a salary of \$80,000 in their first year of the grant, with a 2% increase each year. Within this applicant's budget narrative, details on what the project director will oversee related to the grant objectives are included, as well as a table that shows the total salary, the 2% increase each year, and that 25% of their total time will be funded using CSP funds. Each position funded by the grant, in part or in whole, should be justified like this in the budget narrative. The costs should then be totaled and entered by year on the Form 524.

If awarded, CSP will have conversations with you about each budget category to ensure that what you have in your application is what you will implement during your grant period. Have conversations with your staff to ensure that details are in your application for every budget category so that 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 CSP duties and other duties, the fringe benefits associated with those salaries should be allocated in the same manner. For example, if the project director spends 25% of their time on grant activities, then 25% of his or her fringe benefits may also be charged to the grant.

Let's look at another example. For this grantee, they should include in their budget narrative that the same employee, the Project Director, has fringe benefits to cover health, dental, and retirement benefits. For this grantee, benefits are calculated at 25% of their salary each year. Because only 25% of the total time of this employee will be spent on CSP related activities, 25% of the fringe benefits are charged to the CSP grant.

Next is travel. For any travel expenses, CSP expects to see details on the staff that are traveling, the number of nights and per diem rates, hotel rates, and any airfare or car mileage. As a reminder, the 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.

It's important to note that applicants that are approved for funding must attend a two-day meeting for project directors during 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. In addition, travel required to attend other on site technical assistance gatherings can be included in your budget travel section.

CSP will look for details within your budget narrative on how you arrived at costs in order to approve this part of your budget.

As an example, your budget narrative might include information regarding 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. This cost is based on \$500 for airfare, two nights in a hotel at \$200, and \$200 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. Details regarding airfare, hotel, and per diem rates would be included in the budget narrative. These travel costs are just an example and currently don't have enough justification for a budget narrative. 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 difference between what qualifies as equipment versus supplies is based on cost. Purchases that are over \$5,000 are considered equipment. If any equipment is included in your budget, it's important to include justification for why this equipment needs to be purchased rather than rented.

Supplies are costs under \$5,000. Costs in this category can be grouped, such as a line item for office supplies.

For this grantee, costs in this category include purchasing a software license program for the life of the grant to provide instruction and providing professional development to students and staff in a virtual setting. The webinar platform is necessary because the CMO does not currently have this capability and gives them the capability to record sessions and poll attendees to measure the effectiveness of their instruction and staff development.

In addition, this grantee plans to purchase two laptop carts each year of their grant in order to provide chrome books to students. The grantee has plans to grow their student enrollment by 40 students per year, so this is an ongoing cost for the first four years of their grant. All of this information should be included in the budget narrative as justification.

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, review the uniform guidance procurement standards and ensure that grantees follow these requirements. Also note that you cannot contract out managing your grant. CMOs awarded a grant are responsible for managing the grant and overseeing the performance of any contractors.

As a reminder, any proposed contracts with for-profit management organizations, including a nonprofit management organization operated by or on behalf of a for-profit entity, require

additional information to be provided to CSP. This includes a copy of the existing contract or a description of the terms of the contract, a description of any business or financial relationship between the charter school and the management organization, the name and contact information for each member of the governing board of the charter school and any perceived conflict of interests, a description of how the applicant will ensure the board members of the school are not selected, removed, controlled, or employed by the management organization, an explanation of how the applicant will ensure the contract is severable, and a description of the steps the applicant will take to ensure the school maintains control over all student records. Additional information and details on this topic can be found in the NIA.

For this grantee, a cost related to hiring a special education consultant would be included in this category. The school plans on hiring a special education consultant to do a program review to ensure the school is in compliance with all federal and state law. This service is not offered by their district authorizer, which would be included in their application as part of the justification for this cost. The cost of this consultant will grow as student enrollment grows, budgeted \$500 more each year for this evaluation until the full build out of the school in year 4. As part of their expansion efforts, the grantee will hire a consultant to provide professional development on their updated curriculum as they onboard new instructional staff. The cost for the consultant will increase each year as enrollment and thus staffing grows. Finally, the grantee will hire an external consultant to conduct an evaluation of the grant program.

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

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.

This grantee will use grant funds to pay for printing of recruitment materials to market their school to students and families each year. They will also use grant funds to pay guest speakers to do community presentations to explain the school model, instructional approach, and the research base behind it in years 2 and 4.

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.

It is important that applicants correctly calculate indirect costs based on the type of indirect cost rate approved.

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. This line item is not applicable to this program. The training stipend line item only pertains to costs associated with long-term training programs and college or university coursework, not workshops or short-term training supported by this program. You should include salary stipends paid to teachers and other school personnel for participating in short-term professional development in Personnel in Line 1.

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 is time to monitor your grant, things will run smoothly. Ensure that justification is included for costs across all categories.

Once your application is submitted, CSP takes a close look at both your budget narrative and budget summary to ensure that all costs are allowable, allocable, and reasonable. The only way for CSP to ensure that all costs meet these requirements is if you have provided enough detail in your application. If your application is approved, CSP will review all costs in your application with you and may require revisions before a final approval.

Applicants must ensure that all costs included in the proposed budget are reasonable and necessary in light of 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, 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

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 you want to purchase 100 laptops six months before your school opens with grant funds, this will 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.

In addition, all costs in your budget should be one-time, startup expenses for the project years being funded. Some costs are allowed during your 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.

Information regarding allowable costs may not be included in your CMO grant application but is something you will need to discuss if funded.

Finally, an important thing to remember is that costs should be one-time, startup expenses for the project being funded and not recurring costs. Costs that can become recurring can be operationalized as startup costs by limiting the cost to a reasonable initial period with a justification of why the cost cannot be currently met from other sources but will be in the future.

If your application is funded, it will be based on what you included in your application, including all details in your budget. If you need to make changes to your budget, you need approval from CSP. Over the course of the grant period, many grantees need to make revisions due to changes in costs, staffing shifts, or additional funding secured through other grants, fundraising, or institutional gifts. Throughout the life of your grant, if you need to make changes, you must make this request to your program officer who will then review it with CSP supervisors and approve or deny it. You may also need to make deductions or changes to ensure compliance with general accounting cost principles. Taking the time now to ensure that your budget is accurate, detailed, and justified will save you time down the line if funded.

There are many resources available to 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 CMO grant.