

SAMHSA Budget Guidance

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Using This Guide

Budget Types

There are three types of budgets referenced throughout this guide:

1. **No Match Required** – These are the simplest budgets to complete. Applicants/recipients do not have to provide any matching funds, they are for a single year, and they do not have to split funding between multiple SAMHSA centers
2. **Match Required** – These budgets require the grantees to provide a specified portion of the total project costs from non-federal sources. Refer to the NOFO for more information
3. **Multi-Year Funded (MYF) Awards** – Budgets for MYF awards do not apply to new applications for funding, These budgets span more than 12 months and must be broken down by each incremental period.

Acronyms Used in This Guide

- **CMHS** – Center for Mental Health Services
- **CSAP** – Center for Substance Abuse Prevention
- **CSAT** – Center for Substance Abuse Treatment
- **FG** – Flex Grants
- **FY** – Fiscal Year
- **GMS** – Grants Management Specialist
- **IDC** – Indirect Costs
- **LOE** – Level of Effort
 - Percentage of time worked based on a full-time work schedule of 2,080 hours per year
- **MTDC** – Modified Total Direct Cost
- **NoA** – Notice of Award
- **NOFO** – Notice of Funding Opportunity
- **PD** – Project Director

General Budget Guidance

Introduction

The Detailed Budget and Narrative Justification must match the costs shown in the [SF-424A](#) and the estimated funding in the [SF-424](#) (Section 18) and must be consistent with and support the project narrative. The activities, resources, staff, and other items described in the project narrative must be referenced in the Detailed Budget and Narrative Justification.

Before preparing the Detailed Budget and Narrative Justification, be sure to review the Notice of Funding Opportunity (NOFO) including the Funding Limitations/Restrictions in Section IV-3 and the Standard Funding Restrictions in the appendix.

Applicants/recipients must demonstrate that costs are allowable ([45 CFR §75.403](#)). In other words, costs must be necessary and reasonable for the performance of the Federal award and must be allocable under the cost principles in the [45 CFR §75 Subpart E](#).

A cost is “necessary” if it meets a program objective.

A cost is “reasonable” if it meets the “prudent person” standard ([45 CFR §75.404](#)).

A cost is “allocable” to a particular Federal award if the goods or services involved are assignable to that Federal award in accordance with relative benefits received. In other words, if you charge 100 percent of an expenditure to a federal program, you must ensure that the federal program receives the entire benefit of the expenditure.

Costs must meet the following additional in order to be allowable ([45 CFR §75.403](#)):

1. Be necessary and reasonable for the performance of the Federal award and be allocable under these principles
2. Conform to any limitations or exclusions set forth in the cost principles or in the Federal award.
3. Be consistent with the policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the applicant/recipient.
4. Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has already been allocated to the Federal award as an indirect cost.
5. Be determined in accordance with generally accepted accounting principles (GAAP), except for state and local governments and Indian tribes only as otherwise provided in this part of the regulation (45 CFR 75).
6. Not be included as a cost or used to meet a cost-sharing or matching requirement for any other federally-financed project in either the current or a prior period
7. Be adequately documented.

Summary of Unallowable Costs

The costs listed below are usually unallowable under the [45 CFR §75 Subpart E](#), the HHS Grant Policy Statement ([GPS](#)), and SAMHSA's Notice of Funding Opportunity ([NOFOs](#)). Note that this list does **not** include all unallowable costs.

The allowability of costs under individual awards may also be governed by requirements specified in the program legislation, regulations, or the specific terms and conditions of the award, which will take precedence over the general discussion provided here ([HHS GPS](#), pg. II-28).

- 1. Advertising And Public Relations ([§75.421](#) and [HHS GPS](#), pg. II-30):** Advertising and public relations costs are generally not allowable except under the instances allowed by federal regulations such as program outreach and other specific purposes necessary to meet the requirements of the federal award.
- 2. Automobile Costs for Personal Use ([§75.431 f](#)):** That portion of automobile costs furnished by the entity that relates to personal use by employees (including transportation to and from work) is unallowable as either fringe benefit or indirect (F&A) costs.
- 3. Contingency Funds ([§75.433](#) and [HHS GPS](#), pg. II-33):** Contingency funds or funds set aside for events whose occurrence cannot be foretold with certainty as to time, intensity, or assurance of their happening are unallowable under non-construction grants.
- 4. Entertainment ([§75.438](#) and [HHS GPS](#), pg. II-33):** Costs of entertainment, including amusement, diversion, and social activities and any associated costs are unallowable, except where specific costs that might otherwise be considered entertainment have a programmatic purpose and are authorized either in the approved budget for the Federal award or with SAMHSA's prior written approval.
- 5. Goods and Services for Personal Use by the non-Federal entity's employees ([§75.445](#)):** Costs for these items are unallowable
- 6. Honoraria ([HHS GPS](#), pg. II-34):** Unallowable when the primary intent is to confer distinction on, or to symbolize respect, esteem, or admiration for, the recipient of the honorarium. A payment for services rendered, such as a speaker's fee under a conference grant, is allowable.
- 7. Incentive Compensation ([§75.430\(f\)](#) and [HHS GPS](#), p. II-40):** Generally unallowable; however, allowable for employees only if based on cost reduction, or efficient performance, suggestion awards, safety awards, etc., to the extent that the overall compensation is reasonable and paid or accrued based on an agreement between the organization and the employees before the services were rendered, or based on an established plan followed by the organization so consistently as to imply an agreement to make such payment.
- 8. Lobbying/Political Activities ([§75.450](#) and [HHS GPS](#), pg. II-35):** The costs of certain influencing activities (i.e., attempts to influence the enactment or modification of any pending legislation through communication with any member or employee of the state legislature, or with any government official or employee concerning a decision to sign or veto enrolled legislation) associated with obtaining grants, contracts, cooperative agreements, or loans is unallowable.

9. **Major Alteration and Renovation (A&R) (NOFO)**: Payment for the purchase or construction of any building or structure to house any part of the program is unallowable under non-construction grants. However, SAMHSA applicants/recipients may request up to 25 percent of the total approved budget (direct and indirect costs) for a budget period, or \$150,000, whichever is less, for *minor* A&R of existing facilities, if necessary and appropriate for the project. Minor A&R may not include a structural change (e.g., to the foundation, roof, floor, or exterior or loadbearing walls of a facility, or extension of an existing facility) to achieve the following: Increase the floor area; and/or, change the function and purpose of the facility. All minor A&R must be approved by SAMHSA
10. **Meals (HHS GPS, pg. II-36 and NOFO)**: Meals are generally unallowable unless they are an integral part of a conference grant (provided that such charges are not duplicated in participant's per diem or subsistence allowances) or they are specifically stated as an allowable expense in the NOFO. Also, refer to <https://www.hhs.gov/grants/contracts/contract-policies-regulations/spending-on-food/index.html>
11. **Miscellaneous expenses (NOFO)**: "Miscellaneous" expenses are unallowable. Budget line items should reflect specific expenses only. Also refer to item 4 – Contingency Funds.
12. **Promotional Materials (§75.421(e)(3) and NOFO)**: Appropriated funds shall not be used to pay for promotional items and memorabilia including, but not limited to, gifts, souvenirs, clothing and commemorative items such as pens, mugs/cups, folders/folios, lanyards, and conference bags. Also, refer to <https://www.hhs.gov/grants/contracts/contract-policies-regulations/spending-on-promotional-items/index.html>
13. **Stipends (HHS GPS, pg. II-41)**: Stipends or payments made to individuals are generally unallowable unless they are permitted by a program's statute authorizing or implementing regulations or they are payments made to individuals under a Traineeship, Fellowship, and Similar Award Made to Organizations on Behalf of Individuals.

MATCHING

Funds may be in cash or in-kind contributions, fairly evaluated, including donated space, property, equipment, or services.

Sources of matching funds include state and local governmental appropriations (non-federal), foundations, and other private non-profit or for-profit organizations.

In-kind contributions may include facilities, equipment, or services used in direct support of the project.

Matching funds (whether cash or in-kind) must meet the same test of allowability as the FEDERAL REQUEST in that the costs must be reasonable, allocable, and necessary for the accomplishment of the project objectives and allowable under the cost principles ([45 CFR §75 Subpart E](#) and [§75.306](#) - Cost sharing or matching).

Cash or in-kind contributions are accepted as part of the applicant/recipient's cost sharing or matching when such contributions meet ALL of the following criteria:

- a. Are verifiable from the applicant/recipient's records;

- b. Are not included as contributions for any other Federal award;
- c. Are necessary and reasonable for the accomplishment of project or program objectives;
- d. Are allowable under the cost principles in the [45 CFR §75 Subpart E](#);
- e. Are not paid by the Federal Government under another award, except where authorized by Federal statute to be used for cost sharing or matching;
- f. Are provided for in the approved budget when required by SAMHSA; and
- g. Conform to other provisions of the [45 CFR §75](#), as applicable.

Guidance For Budget Categories

Personnel Costs

SALARIES OF INDIRECT OR FACILITIES AND ADMINISTRATION (F&A) PERSONNEL

Salaries of administrative and clerical staff should normally be covered by indirect (F&A) costs ([45 CFR §75.413c](#)).

Examples of Indirect/Facilities and Administrative Personnel include, but are not limited to, Administrative Assistants, HR Specialists, Accountants, and Clerical Assistants

EXECUTIVE LEVEL II SALARY LIMITATION

Recipients are restricted from using funds awarded under a SAMHSA grant, cooperative agreement, or applicable contract to pay the direct salary of an individual at a rate in excess of the Executive Level II of the Federal Executive Pay Scale. For the purposes of the salary limitation, the direct salary is exclusive of fringe benefits and indirect (F&A) costs. The Office of Personnel Management will release new salary levels for the Federal Executive Pay Scale annually. Please refer to the [SAMHSA Standard Terms and Conditions](#) for the current Executive Level II salary level.

The salary limitation applies to organization staff and to all contracts and subawards, but does not apply to consultants; however, consultant payments must meet the test of reasonableness and be consistent with institutional policy for rates paid to consultants, regardless of funding source.

An individual's institutional base salary is not constrained by the legislative provision for a limitation of salary. The rate limitation simply limits the amount that may be awarded and charged to SAMHSA grants, cooperative agreements, and contracts. For individuals whose salary rates are in excess of Executive Level II, the applicant/recipient, contractor or subrecipient may pay the excess from non-Federal funds.

Guidance on Calculating Salaries and Paid Time Off (PTO)

After answering important questions, such as: (1) who from your organization will work on the grant; (2), their authorized pay; and (3) level of effort needed, you will also need to identify whether you are budgeting using hourly rates or percentages of annual salary and how your organization recovers paid absences (vacation, holiday, sick, and other paid leave). You will be prompted below to tell us if you will be using hourly rates vs. annual salaries. Regarding recovery of paid absences, there are two (2) possibilities: (1) you recover paid absences as part of a rate; or (2) you recover paid absences as part of salaries and wages.

You recover paid absences as part of a rate.

This means you recover paid absences: (a) through a federally-approved fringe benefit or indirect cost rate, including the de minimis rate; or (b) through an internally-calculated fringe benefit rate. If paid absences are recovered through a rate, the number of hours and hourly rate, or percentages and annual salary, and the resulting budget request using either option, is calculated as shown in the examples shown under Hourly Rate and Annual Salary.

Example 1 - Budget Calculations Using an Hourly Rate:

If an employee receives 240 hours of paid absences each year as a fringe benefit (vacation-120; holiday-80; sick-40), **the maximum number of hours** budgeted for the grant cannot exceed 1,840 hours (2,080 – 240 = 1,840). NOTE: the maximum number of hours budgeted on the grant will necessarily be less than the industry-standard 2,080 hours which denotes total, possible annual hours. Instead, up to 1,840 hours can be recovered as a direct cost from the grant with the remaining 240 paid absence hours recovered through the rate. Therefore, if an employee's Annual Salary is \$75,000, the Hourly Rate should be \$36.06 ($\$75,000 / 2080 = \36.06). If the employee is budgeted to work full-time on the grant, the salary requested will be \$66,350 (1,840 hours x \$36.06 = \$66,350). The remaining \$8,650 of salary ($\$75,000 - \$66,350$) relates to paid absences and will be recovered through the rate (240 hours x \$36.06 = \$8,650).

Example 2 - Budget Calculations Using Percentages of Annual Salary:

If an employee receives 240 hours of paid absences each year as a fringe benefit (vacation-120; holiday-80; sick-40), **the maximum percentage of annual salary** budgeted for the grant cannot exceed 88.5 percent ($(2,080 - 240) / 2,080 = 88.5$ percent, rounded). Up to 88.5 percent of annual salary can be recovered as a direct cost from the grant with the remaining 11.5 percent related to paid absences and recovered through the rate. Therefore, if an employee's Annual Salary is \$75,000 and budgeted to work full-time on the grant, the salary requested will be \$66,350 ($\$75,000 \times 88.5\% = \$66,350$). The remaining \$8,650 of salary ($\$75,000 - \$66,350$) relates to paid absences and will be recovered through the rate.

You recover paid absences as part of salaries and wages.

This likely means: (a) you have a federally approved indirect cost rate that is directing you to recover paid absences as part of salaries and wages; or (b) you elected the de minimis rate to recover indirect costs, but chose to recover paid absences, not as part of the de minimis rate, but rather as part of salaries and wages. If paid absences are recovered as part of salaries and wages, you may **not** use percentages of effort and annual salaries to budget salaries. Rather, you **must** use hourly rates to calculate budgeted salaries. You **must** also use hourly rates in your accounting system when recovering incurred salary costs related to employees' efforts on federal grants. The use of hourly rates is necessary because paid absences must be "loaded" into salaries and wages as demonstrated in the following example:

Example:

An employee receives 240 hours of paid absences each year as a fringe benefit (vacation-120; holiday-80; sick-40). Paid absences must be "loaded" into the employee's labor rate to achieve a fair and equitable allocation of paid absence costs distributed across all cost centers on which the employee works (2,080 – 240 = 1,840). NOTE: 2,080 hours represents maximum possible annual hours. Therefore, if an employee's Annual Salary is \$75,000, the Hourly Rate should be \$40.76 ($\$75,000 / 1,840$ hours). If the employee is budgeted to work 700 hours on the grant, the salary requested will be \$28,532 (700 hours x \$40.76).

Fringe Benefits

Fringe benefits are allowances and services provided to employees as compensation in addition to regular salaries and wages.

Applicants/recipients with an approved indirect cost (IDC) rate agreement must ensure that the treatment of fringe benefits including the fringe benefits rate base, fringe benefit components, and the applicable fringe benefits rate are consistent with the rate agreement.

Fringe benefits charged to an award must comply with HHS regulations at [45 CFR §75.431](#) (Compensation – fringe benefits). The cost of fringe benefits in the form of employer contributions or expenses for social security; employee life, health, unemployment, and worker's compensation insurance (except as indicated in [§75.447](#) – Insurance and indemnification); pension plan costs; paid absences; and other similar benefits are allowable, provided such benefits are reasonable and are required by law, organization-employee agreement, or an established written policy of the applicant/recipient organization.

It is unnecessary to populate the Fringe Benefits Components Table in the following situations:

1. Your organization has a federally approved fringe benefit rate. Populate the Fringe Component column with the following description, “Fringe benefits are recovered through a federally approved fringe rate.” Then, in the Rate (%) column, provide the federally approved rate percentage. It is unnecessary to populate the Fringe Benefits Narrative box.
2. Your organization has a federally approved indirect cost rate (including a de minimis rate) and all fringe benefits listed above (see above definition) are recovered through the indirect cost or de minimis rate. Leave the Fringe Component and Rate (%) columns blank. In the Fringe Benefits Narrative box, include the following description, “Fringe benefits are not separately requested, but rather are recovered through a federally approved indirect cost rate or de minimis rate.”

Only populate the Fringe Benefits Components Table in the following situations:

1. You use an internally calculated, organization-wide, fringe benefit rate that recovers all fringe benefits listed above (see above definition). Populate the Fringe Component column with the following description, “Fringe benefits are recovered through an unapproved, internally calculated fringe benefit rate.” Then, in the Rate (%) column, provide the organization-wide fringe benefit rate percentage. In the Fringe Benefits Narrative box, itemize the individual fringe benefit categories that comprise the internally calculated, organization-wide fringe benefit rate.
2. You recover paid absences as part of salaries and wages but individually direct charge all other fringe benefits. Populate the Fringe Component column with each individual fringe benefit category that is directly charged. Also, populate the Rate (%) column with the rate percentage that coincides with each individual fringe benefit category. In the Fringe Benefits Narrative box, provide an explanation stating, “Paid absences are recovered through salaries and wages. All other fringe benefits are identified in the Fringe Components table and individually charged as direct costs using the corresponding rate identified in the Rate (%) column.”

Applicants/recipients with an approved indirect cost (IDC) rate agreement must ensure that the Fringe Components shown are consistent with the fringe benefits listed in the IDC rate agreement if they are described in the remarks or elsewhere in the agreement.

Fringe benefits may be in the form of employer contributions or expenses for FICA (Social Security and Medicare tax), employee life, health, unemployment, worker's compensation insurance, paid absences,

and other similar reasonable and allowable benefits as required by law, organization – employee agreement, or established written policies of the applicant/recipient organization ([45 CFR §75.431](#): Compensation – fringe benefits).

Travel

Funds requested in **C. Travel** should be for relevant and allowable travel costs for **applicant/recipient organization staff only**. For travel that will be reimbursed from federal grant funds, applicants/recipients are required to use U.S. flag air carriers (49 U.S.C. 40118, commonly referred to as the “Fly America Act”).

Travel costs for consultants, contractors, and subrecipients (along with their fees and other costs) should be shown in **F. Contractual**.

Registration fees for conferences and other events to be attended by organization staff should be shown in **H. Other**.

Registration fees and other travel costs for training participants should be shown in **H. Other** and itemized accordingly.

Travel costs must comply with HHS regulations at [45 CFR §75.474](#) – Travel costs. If your organization does not have documented travel policies, the Federal GSA rates available at <https://www.gsa.gov/travel-resources> must be used.

Equipment

Equipment is an item of tangible, non-expendable, personal property (including information technology systems – means computing devices, ancillary equipment, software, and firmware etc.) having a useful life of more than one year AND an acquisition cost of at least \$5,000 per unit or a cost capitalization threshold established by the applicant/recipient organization that is less. Organizations should follow their documented capitalization policy for classification of equipment. For example, an organization may classify equipment at \$1,500 with a useful life of one year. For title, use, management requirements, and disposition of equipment, refer to [45 CFR §75.320](#) – Equipment.

List expendable items or materials in **E. Supplies**.

For vehicles and other high-value equipment, applicants/recipients should consider the cost benefits of rental/lease versus purchase ([45 CFR §75.327](#) – General procurement standards).

Applicants/recipients are encouraged to use Federal excess and surplus property instead of purchasing new equipment whenever such use is feasible and reduces project costs ([45 CFR §75.327f](#)).

Note that capital expenditures for general purpose equipment such as office equipment and furnishings, modular offices, telephone networks, information technology equipment and systems, air conditioning equipment, reproduction and printing equipment, and motor vehicles are unallowable as direct costs without SAMHSA’s prior written approval ([45 CFR §75.439](#)).

If you are proposing to purchase vehicles and other high value equipment instead of rental/lease, provide a purchase versus rent/lease analysis, or a statement explaining whether it is more feasible

and/or cost effective to purchase versus rental/lease ([45 CFR §75.327](#) – General procurement standards).

VEHICLE LEASE/RENTAL OR PURCHASE

Vehicle rental/lease and purchase are reviewed and approved on a case-by-case basis. Per the [HHS Grants Policy Statement](#) (p. II – 43), if patient care or other direct health or social services are approved activities of the grant-supported project or program, the costs of transporting individuals participating in the program or project to the site where services are being provided, including costs of public transportation, are allowable. The purchase of motor vehicles for this purpose also may be allowable. However, for vehicles and other high-value equipment, recipients should consider the most cost-effective procurement method, which may be rental/lease instead of purchase ([45 CFR §75.327d](#)).

ADDITIONAL INFORMATION TO INCLUDE WITH BUDGET SUBMISSION

Include in the **Equipment Narrative** your responses to the following questions and attach the rental/lease versus purchase analysis and three (3) price/rate quotes with your budget submission:

1. Justify the need for the vehicle rental/lease or purchase in relation to serving the population of focus within the geographic catchment area consistent with the required activities in the [NOFO](#). Be sure to address the following:
 1. How many clients do you anticipate transporting each trip and how many clients served will benefit from this vehicle during the budget period and project period?
 2. How often do you anticipate transporting clients (e.g., number of times each week)?
 3. If requesting to rent/lease or purchase more than one vehicle, explain why more than one vehicle is necessary.
 4. Who will drive the vehicle?
 5. What is your budget for the driver's salary and fringe benefits in subsequent budget periods?
2. Does your organization have other SAMHSA awards where the rental/lease or purchase of vehicle was approved? If so, have you considered using the vehicle under other SAMHSA grant(s) or transferring the vehicle to the current SAMHSA project?
3. Is your organization able to purchase the vehicle using its own funds or finance it? If so, you may be able to recover the depreciation on the vehicle through your indirect (F&A) charges.
4. Can the vehicle be purchased using other sources of funds (other federal or non-federal funds, e.g., program income, foundation funds, etc.)?
5. Has your organization considered a used vehicle?
6. Has your organization considered the following alternative transportation options for clients?
 1. Other vehicles in the organization that may be used considering that you may request reimbursement for POV mileage?
 2. The use of ride sharing service(s)?
 3. The use of public transportation?
7. Submit a rental/lease versus purchase analysis so SAMHSA can determine the most economical and practical procurement for the vehicle. Include **price or rate quotes** for both rental/lease and purchase options from three (3) qualified sources/vendors ([45 CFR §75.327d](#)).

For more information on vehicle leases, refer to the GSA guidance:

<https://www.gsa.gov/buying-selling/products-services/transportation-logistics-services/fleet-management/vehicle-leasing>

Per the [2 CFR §200.322](#), the applicant/recipient should, to the greatest extent practicable under a Federal award, provide a preference for the purchase, acquisition, or use of goods, products, or materials produced in the United States.

8. Will other programs/activities in the organization use the vehicle or will it be dedicated to the SAMHSA project only? If other programs/activities will use the vehicle, address the following:
 1. How will SAMHSA's fair share of the vehicle lease/rental or purchase cost be determined?
 2. Provide the breakdown of the vehicle lease/rental or purchase cost showing both the organization and SAMHSA's fair share?
9. Will non-project funds be used for maintenance/repairs, insurance, and fuel? If not, why?

Supplies

Supplies are items that cost less than \$5,000 per unit and often have a one-time use, that is, materials which are expendable or consumed during the performance of the Federal award. A computing device is a supply if the acquisition cost is less than the lesser of the capitalization level established by the organization for financial statement purposes or \$5,000, regardless of the length of its useful life.

For each line-item cost, include adequate justification and a detailed breakdown of your estimate. List the items by type of supplies (e.g., training materials, desktop computer, laptop, projector etc.), unit cost, quantity, and/or duration.

If the organization will be serving clients/participants, include the number of clients/ participants in the basis for the costs.

Contractual

Describe the services and deliverables to be provided by each consultant, contract, or subaward and provide the detailed budgets with the supporting narrative justification. Explain how the services and deliverables relate to the accomplishment of specific project objectives.

All procurement transactions must be conducted in a manner providing full and open competition consistent with the federal procurement standards in [45 CFR §75.328](#) – Competition.

Applicants/recipients must use their own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in the [45 CFR §75.327](#).

Applicants/recipients must maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.

For additional guidance, refer to the [45 CFR §75.326](#) through [§75.335](#) on Procurement Standards.

Per the Suspension and Debarment regulations in the [45 CFR §75.213](#), non-federal entities and contractors are subject to the non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689, and [2 CFR §180](#) and [§376](#). These regulations restrict awards,

subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in federal assistance programs or activities.

For each contract, consultant, or sub-award, provide the following information:

- a) Method of selection/procurement ([45 CFR §75.329](#) – Procurement procedures) – indicate whether the procurement method is a micro-purchase, small purchase, sealed bid, competitive proposal, or non-competitive proposal (provide justification if non-competitive/sole source);
- b) Summary of specific tasks/activities to be performed and deliverables (*any verifiable outcome, result, service, or product that must be delivered, developed, performed, or produced by the organization or individual as defined by the statement of work*);
- c) Method of accountability – describe how the progress and performance of the consultant, contractor, or subrecipient will be monitored; and
- d) Period of performance.

Note that costs incurred outside the award project period cannot be charged to the Federal award.

If the Project Director (PD) key position will be held by a consultant or subrecipient, show the PD in this table, and ensure the PD shown is the same PD identified in the [SF-424 section 8f](#).

Also, if the PD key position will be held by a consultant or subrecipient, include a copy of the **formal written agreement** that specifies the roles and responsibilities of the PD even if the relationship does not involve a fee or other form of remuneration.

CONTRACTUAL COST GUIDANCE

Consultants are members of a particular profession or possesses a special skill who are engaged by the applicant/recipient to provide professional and consultant services under the Federal award.

Consultants are not officers or employees of the applicant/recipient organization. In determining the allowability of professional service costs, several factors may be considered per [45 CFR §75.459](#)

A contract is a legal instrument by which the applicant purchases goods and services needed to carry out the program or project under a Federal award and creates a procurement relationship with the contractor. Some characteristics indicative of a procurement relationship between the applicant/recipient and a contractor are when the contractor:

1. Provides the goods and services within normal business operations
2. Provides similar goods or services to many different purchasers;
3. Normally operates in a competitive environment;
4. Provides goods or services that are secondary to the operation of the Federal program; and
5. Is not subject to compliance requirements of the Federal program as a result of the agreement, though similar requirements may apply for other reasons.

Per [45 CFR §75.2](#), when the substance of a contract meets the definition of a subaward, it must be treated as a subaward even if the applicant/recipient considers the legal instrument as a contract.

Subrecipient refers to a non-Federal entity that receives a subaward from a pass-through entity to carry out part of a Federal award, including a portion of the scope of work or objectives. Some characteristics

which support the classification of the non-Federal entity as a subrecipient include when the non-Federal entity:

1. Determines who is eligible to receive what Federal assistance;
2. Has its performance measured in relation to whether objectives of a Federal program were met;
3. Has responsibility for programmatic decision-making;
4. Is responsible for adherence to applicable Federal program requirements specified in the Federal award; and
5. In accordance with its agreement, uses the Federal funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity.

Recipients are responsible for ensuring that all subrecipients comply with the terms and conditions of the award, per [45 CFR §75.101](#).

The applicant/recipient must make case-by-case determinations whether each agreement it makes for the disbursement of Federal program funds casts the party receiving the funds in the role of a subrecipient or a contractor ([45 CFR §75.351](#) – Subrecipient and contractor determinations).

EXECUTIVE LEVEL II SALARY LIMITATION

Recipients are restricted from using funds awarded under a SAMHSA grant, cooperative agreement, or applicable contract to pay the direct salary of an individual at a rate in excess of the Executive Level II of the Federal Executive Pay Scale. For the purposes of the salary limitation, the direct salary is exclusive of fringe benefits and indirect (F&A) costs. The Office of Personnel Management will release new salary levels for the Federal Executive Pay Scale annually. Please refer to the [SAMHSA Standard Terms and Conditions](#) for the current Executive Level II salary level.

The salary limitation applies to organization staff and to all contracts and subawards, but does not apply to consultants; however, consultant payments must meet the test of reasonableness and be consistent with institutional policy for rates paid to consultants, regardless of funding source.

An individual's institutional base salary is not constrained by the legislative provision for a limitation of salary. The rate limitation simply limits the amount that may be awarded and charged to SAMHSA grants, cooperative agreements, and contracts. For individuals whose salary rates are in excess of Executive Level II, the applicant/recipient, contractor or subrecipient may pay the excess from non-Federal funds.

Guidance on Calculating Salaries and Paid Time Off (PTO)

After answering important questions, such as: (1) who from your organization will work on the grant; (2), their authorized pay; and (3) level of effort needed, you will also need to identify whether you are budgeting using hourly rates or percentages of annual salary and how your organization recovers paid absences (vacation, holiday, sick, and other paid leave). You will be prompted below to tell us if you will be using hourly rates vs. annual salaries. Regarding recovery of paid absences, there are two (2) possibilities: (1) you recover paid absences as part of a rate; or (2) you recover paid absences as part of salaries and wages.

You recover paid absences as part of a rate.

This means you recover paid absences: (a) through a federally-approved fringe benefit or indirect cost rate, including the de minimis rate; or (b) through an internally-calculated fringe benefit rate. If paid absences are recovered through a rate, the number of hours and hourly rate, or percentages and annual salary, and the resulting budget request using either option, is calculated as shown in the examples shown under Hourly Rate and Annual Salary.

Example 1 - Budget Calculations Using an Hourly Rate:

If an employee receives 240 hours of paid absences each year as a fringe benefit (vacation-120; holiday-80; sick-40), **the maximum number of hours** budgeted for the grant cannot exceed 1,840 hours (2,080 – 240 = 1,840). NOTE: the maximum number of hours budgeted on the grant will necessarily be less than the industry-standard 2,080 hours which denotes total, possible annual hours. Instead, up to 1,840 hours can be recovered as a direct cost from the grant with the remaining 240 paid absence hours recovered through the rate. Therefore, if an employee's Annual Salary is \$75,000, the Hourly Rate should be \$36.06 ($\$75,000 / 2080 = \36.06). If the employee is budgeted to work full-time on the grant, the salary requested will be \$66,350 (1,840 hours x \$36.06 = \$66,350). The remaining \$8,650 of salary ($\$75,000 - \$66,350$) relates to paid absences and will be recovered through the rate (240 hours x \$36.06 = \$8,650).

Example 2 - Budget Calculations Using Percentages of Annual Salary:

If an employee receives 240 hours of paid absences each year as a fringe benefit (vacation-120; holiday-80; sick-40), **the maximum percentage of annual salary** budgeted for the grant cannot exceed 88.5 percent ($(2,080 - 240) / 2,080 = 88.5$ percent, rounded). Up to 88.5 percent of annual salary can be recovered as a direct cost from the grant with the remaining 11.5 percent related to paid absences and recovered through the rate. Therefore, if an employee's Annual Salary is \$75,000 and budgeted to work full-time on the grant, the salary requested will be \$66,350 ($\$75,000 \times 88.5\% = \$66,350$). The remaining \$8,650 of salary ($\$75,000 - \$66,350$) relates to paid absences and will be recovered through the rate.

You recover paid absences as part of salaries and wages.

This likely means: (a) you have a federally approved indirect cost rate that is directing you to recover paid absences as part of salaries and wages; or (b) you elected the de minimis rate to recover indirect costs, but chose to recover paid absences, not as part of the de minimis rate, but rather as part of salaries and wages. If paid absences are recovered as part of salaries and wages, you may **not** use percentages of effort and annual salaries to budget salaries. Rather, you **must** use hourly rates to calculate budgeted salaries. You **must** also use hourly rates in your accounting system when recovering incurred salary costs related to employees' efforts on federal grants. The use of hourly rates is necessary because paid absences must be "loaded" into salaries and wages as demonstrated in the following example:

Example:

An employee receives 240 hours of paid absences each year as a fringe benefit (vacation-120; holiday-80; sick-40). Paid absences must be "loaded" into the employee's labor rate to achieve a fair and equitable allocation of paid absence costs distributed across all cost centers on which the employee works (2,080 – 240 = 1,840). NOTE: 2,080 hours represents maximum possible annual hours. Therefore,

if an employee's Annual Salary is \$75,000, the Hourly Rate should be \$40.76 ($\$75,000 / 1,840$ hours). If the employee is budgeted to work 700 hours on the grant, the salary requested will be \$28,532 (700 hours x \$40.76).

Construction: Not Applicable

Construction or major alteration and renovation (A&R) is not authorized under this program. Leave this section blank on line 6g of the SF-424A. Such activities are allowable only when program legislation includes specific authority for construction. If requesting consideration of minor A&R, provide those costs under the **H. Other** budget category and line 6h of the SF-424A.

Other

The Other category is for any expenses not covered in the previous budget categories. Ensure that costs shown under "Other" are not already covered by your indirect costs requested in **J. Indirect Charges**. Costs must be consistently charged as either indirect or direct cost and may not be double-charged or inconsistently charged ([45 CFR §75.403](#) – Factors affecting allowability of costs):

- Minor Alteration and Renovation (A&R)
- Rent
- Participant/ client incentives (up to **\$30 non-cash incentive** for required data collection follow up)
- Training activities (except for consultant and contractual costs)
- Travel for training participants
- Registration fees

List items or type of expense and explain why each item is needed to achieve the project goals and objectives. Show the basis for the calculations – breakdown costs into the cost per unit or rate (e.g., cost per square foot, cost per participant etc.) and quantity.

If the individual or organizational entity will be serving clients/participants, include the number of clients/ participants in the basis for the costs.

For training projects, list the travel for trainees separately. Show the number of trainees/ attendees/ participants and the unit costs involved. Itemize travel costs the same way as in **C. Travel**.

MINOR ALTERATION AND RENOVATION

A&R is defined as improvements, rearrangements, or alterations to a facility that is incidental to the purpose of the project and is required to use the space more effectively for its designed purpose to meet a programmatic need or requirement. Per the HHS Grants Policy Statement (p. II – 30), routine maintenance and repair of the organization's building/operational facility or its equipment, which is allowable and is ordinarily treated as an indirect cost, is not considered A&R.

Applicants/recipients may request up to 25 percent of the total approved budget (direct and indirect costs) for a budget period or \$150,000, whichever is less, for minor A&R of existing facilities, if necessary and appropriate for the project. Minor A&R may not include a structural change (e.g., to the foundation, roof, floor, or exterior or loadbearing walls of a facility, or extension of an existing facility) to achieve the

following: Increase the floor area; and/or change the function and purpose of the facility. Construction is specifically excluded. All minor A&R must be approved by SAMHSA.

ADDITIONAL INFORMATION TO INCLUDE WITH BUDGET SUBMISSION

Include in the Other Narrative your responses to the following questions and attach three (3) price quotes with your budget submission:

1. Describe the minor A&R work that is needed. Explain how the improvements to the existing facility will enable it to be used more effectively for its designed purpose to meet a programmatic need or requirement.
2. Will the renovated space be used by other programs or as a common space by the organization as a whole? If so, how was SAMHSA's fair share of the minor A&R cost determined? Will 100% of the minor A&R cost be charged to the SAMHSA project?
3. Certify that the minor A&R is consistent with the following criteria (HHS Grants Policy Statement, p. II – 30):
 1. The building has a useful life consistent with program purposes and is architecturally and structurally suitable for conversion to the type of space required.
 2. The A&R is essential to the purpose of the grant-supported project or program.
 3. The space involved will be occupied by the project or program.
 4. The space is suitable for human occupancy before the A&R work is started except where the purpose of the A&R is to make the space suitable for some purpose other than human occupancy, such as storage.
 5. For minor A&R, if the space is rented, evidence is provided that the terms of the lease are compatible with the A&R proposed and cover the duration of the project period.
 6. If the A&R will affect a site listed in (or eligible for inclusion in) the National Register of Historic Places, the requirements specified in "Preservation of Cultural and Historic Resources" have been followed.
4. Provide 3 different quotes with cost breakdowns or estimates of the minor A&R work that will be needed. Quotes must be submitted on the organization's/contractor's letterhead and dated and signed.

Funds may not be used to pay for the purchase or construction of any building or structure to house any part of the program.

RENTAL COSTS

Costs related to office space are typically included in the indirect cost rate. ([45 CFR §75.414b](#))

Total Direct Charges

Direct charges/ costs are those costs that can be identified specifically with a particular final cost objective, such as a federal award. Typical costs charged **directly** to a project include the compensation of employees who work on that project, their related fringe benefit costs, the costs of materials, supplies, and other items of expense incurred for the project.

Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect (Facilities and Administrative or F&A costs). Refer to the [45 CFR §75.413](#) – Direct costs and [§75.405](#) – Allocable costs.

Indirect Charges

Indirect charges/costs (IDC) or Facilities and Administration (F&A) are those costs incurred for common or joint objectives which cannot be readily identified with an individual project or program but are necessary for the operations of the organization.

IDC (F&A) is classified into two broad categories: “Facilities” and “Administration.” “Facilities” is defined as depreciation on buildings, equipment and capital improvement, interest on debt associated with certain buildings, equipment and capital improvements, and operations and maintenance expenses. “Administration” is defined as general administration and general expenses such as the director's office, accounting, personnel, and all other types of expenditures not listed specifically under one of the subcategories of “Facilities.”

As described in [45 CFR §75.403](#) – Factors affecting allowability of costs, costs must be consistently charged as either indirect or direct costs, but may not be double charged or inconsistently charged as both.

For more guidance on IDC or F&A costs, refer to the [45 CFR §75.414](#) – Indirect (F&A) costs.

Type of IDC Rate / Cost Allocation Plan

Indirect costs may be charged to the project if:

- a. The applicant/recipient has an approved federally negotiated IDC rate agreement.
- b. The applicant/recipient has never had a federally negotiated IDC rate agreement and elects to charge a de minimis rate of 10% of modified total direct costs (MTDC) which can be used indefinitely for all awards until an IDC rate is approved.
- c. If the NOFO is for a training grant/cooperative agreement, the IDC rate is limited to 8% of MTDC.
- d. If the applicant/ recipient has an approved Cost Allocation Plan or method of sharing the total IDC among related agencies/organizations.

De Minimis Rate of 10%:

Per 2 CFR 200.414(f), any non-Federal entity that does not have a current negotiated (including provisional) indirect cost rate, except for state/local governments and Indian Tribes, may elect to charge a de minimis rate of 10% of modified total direct costs (MTDC) which may be used indefinitely. If chosen, this methodology once elected must be used consistently for all Federal awards until such time as a non-Federal entity chooses to negotiate a rate, which the non-Federal entity may apply to do at any time.

Approved Federally Negotiated IDC Rate Agreement:

This is applicable only to those applicants/ recipients with an approved federally negotiated IDC rate. Such applicants/ recipients should use their approved rate to charge IDC to the project and include a copy of their approved federally negotiated IDC rate agreement in effect at the beginning of the budget period.

In order to charge IDC to the project using a federally negotiated IDC rate agreement, your approved federally negotiated IDC rate agreement must be in effect at the beginning of the budget period unless one of the following applies:

- a. Your IDC rate agreement permits you to use a provisional rate for a fiscal year extending beyond the last permanent rate period.
- b. You are subject to the [45 CFR §75 Appendix III](#) – Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Institutions of Higher Education (IHEs). IHEs may use the negotiated rate in effect at the time of the initial award throughout the life of the project.

Training/Technical Assistance Rate of 8%:

If the NOFO is for a training grant/ cooperative agreement, the indirect cost rate is limited to 8% of the modified total direct costs (MTDC).

Cost Allocation Plan:

This typically applies to state/county governments and county/city governments that share the total IDC among related agencies.

Modified Total Direct Cost (MTDC) Base:

Note that the MTDC base consists of:

1. All direct salaries and wages,
2. Applicable fringe benefits,
3. Materials and supplies,
4. Services,
5. Travel, and
6. Up to the first \$25,000 of each subaward or contract (*regardless of the period of performance of the subaward or contract under the award*).

The MTDC base **must exclude**:

1. Expenditures for equipment,
2. Capital expenditures (*e.g., office equipment and furnishings, alterations and renovations, telephone networks, and motor vehicles*),
3. Charges for patient care,
4. Rental costs,
5. Tuition reimbursement,
6. Scholarships and fellowships,
7. Participant support costs (*direct costs for items such as travel allowances and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with conferences, or training projects*), and
8. The portion of each subaward or contract in excess of \$25,000.

FUNDING LIMITATIONS/RESTRICTIONS

Review Section IV-3 of the NOFO to determine whether there are any funding limitations or restrictions for the project. If there are limitations, include a NARRATIVE and SEPARATE BUDGET for each year of the project showing the percent of the award for the year that you will use in the area where there is a limitation.

An example of a funding limitation/restriction is “No more than 20 percent of the total grant award for the budget period may be used for **data collection, performance measurement, and performance assessment**, including incentives for participating in the required data collection follow up.”

NOFO Section IV-3: Funding Limitations/Restrictions

Be sure to include in the narrative the specific line items from the various budget categories that make up the costs shown for each funding limitation/restriction.

References and Resources

Official Regulations and Guidance

45 CFR 75 -UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR HHS AWARDS: <https://www.ecfr.gov/cgi-bin/text-idx?node=pt45.1.75>

Notice of Funding Opportunities

List of NOFOs by Fiscal Year: <https://www.samhsa.gov/grants/grants-dashboard>

Blank SAMHSA Detailed Budget and Narrative Template

To expedite review of your application, it is recommended you use the following PDF budget template to complete the Detailed Budget and Narrative Justification for submission with your application:

To locate the budget template [Click here SAMHSA Forms and Resources](#) – scroll down to “**SAMHSA Budget Template**” section. You **must** download the budget template PDF to your computer first before opening it directly in Adobe Acrobat or Acrobat Reader (not your internet browser):

1. Right-click the link "**SAMHSA Budget Template (PDF)**"
2. Select "save link as" and save to a location on your computer
3. Go to the saved location and open the "SAMHSA Budget Template (PDF)" using Adobe Acrobat or Acrobat Reader.

Blank Microsoft Word Budget Templates

For a Section 508 accessible budget template, please use the MS Word DOCX budget templates. To access these MS Word DOCX templates, [Click here SAMHSA Forms and Resources](#) – scroll down to “**SAMHSA Budget Template**” section. You will find links to both a Non-Match and a Match MS Word DOCX template. Simply add or delete table rows for each budget category and complete the narrative sections as needed.

Sample Budgets

To access sample budgets, [Click here SAMHSA Forms and Resources](#) – scroll down to “**SAMHSA Budget Template**” section. You will find links to various sample budgets, both for Match and Non-Match.