

How to Develop a Budget – Direct and Indirect Costs

Applicants are required to submit the Non-Construction Programs Form (SF-424A) and a supplementary budget narrative ([Budget Narrative Attachment Form](#)) to justify the amounts entered for each budget category (see [Appendix E](#)). The SF-424A form and the ‘budget narrative attachment form’ should include both direct costs and indirect costs (if applicable) which have been calculated using the below guidance in conjunction with [EPA’s Interim General Budget Development Guidance for Applicants and Recipients of EPA Financial Assistance](#).

Applicable Direct Cost Categories:

- **Personnel:** when incorporating personnel salaries into the ‘budget narrative attachment form’, include the following
 - o staff position
 - o staff name or number of personnel proposed for each position
 - o annual salary or hourly rate
 - o time each employee will devote to the EPA funded project

To calculate: multiply the annual salary and the percentage of time for each staff member. Add the personnel costs for all staff to get the total personnel cost.

Staff Position (Project Role)	Staff Name	Annual Salary	% of Time	Personnel Cost
Project Manager	Neal XXX	\$125,000	10%	\$12,500
IT Specialist	Diana XXX	\$75,000	15%	\$11,250
Environmental Specialist	Karen XXX	\$50,000	30%	\$15,000
Total Personnel Costs				\$38,750

- **Fringe Benefits:** these are allowances and services that you provide to your employees as compensation in addition to regular salaries and wages. They include, but are not limited to, cost of leave, employee insurance, pensions and unemployment, and holiday benefits.
 - o Only include fringe benefits for the percentage of time devoted to the project.

To calculate (expressed as a percentage): multiply the personnel cost by the organization’s fringe benefit rate to calculate the fringe benefit cost for each employee. Add up all fringe benefit costs for all employees to calculate the total fringe benefit cost

Staff Position	Staff Name	Personnel Cost	Fringe Benefit Rate	Total Fringe Benefits
Project Manager	Neal XXX	\$12,500	22%	\$2,750
IT Specialist	Diana XXX	\$11,250	22%	\$2,475
Env. Specialist	Karen XXX	\$15,000	22%	\$3,300
Total Fringe Costs				\$8,525

- **Travel:** when incorporating travel costs, please include the following:
 - o trip item (e.g., ‘airfare’, ‘[mileage](#)’, etc.)
 - o estimated cost per trip item
 - o duration
 - o number of travelers
 - o destination
 - o purpose of travel

To calculate: for each project trip, multiply the estimated cost of each applicable trip item by the duration and number of travelers. Add up the total costs from each trip to calculate the total travel cost.

Trip	Trip Item	Estimated Cost	Duration	# of Travelers	Total Cost
1	Airfare	\$550	N/A	2	\$1,100
	Per Diem	\$22 meals (x3 daily) + \$124 lodging = \$190	3 Nights	2	\$1,140
	Rental Car	\$60	4 Days	2	\$480
	Mileage	80 miles x \$0.50 per mile = \$40	4 Days	2	\$320

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Trip Destination	San Francisco, California (EPA R9)
Travel Purpose	Participation in Annual Regional Exchange Network Meeting
Trip One Cost	\$4,132
Total Travel Costs	\$4,132

- **Equipment:** these costs are defined as tangible, non-expendable, personal property with a useful life of more than one year and a cost of more than \$5,000 per unit unless the applicant has a lower threshold amount for equipment classification purposes.

To calculate: identify equipment items, the estimated costs for each item (price per unit) and the number of units you expect to purchase (quantity). Multiply each equipment item's price per unit cost by the quantity; then add up the costs to calculate the total.

Item	Quantity	Price Per Unit	Est. Cost
Pix4Dmapper, Perpetual License	1	\$4,000	\$4,000
SLEIS Software Upgrade and License/Support	1	\$15,000 + \$40,000 = \$55,000	\$55,000
Total Equipment Costs			\$59,000

- **Supplies:** these costs are defined as tangible personal property with a per item acquisition cost of less than \$5,000.

To calculate: identify supply items, quantity, and price per unit for your project. Multiply each supply item's quantity by its price per unit to find the supply cost. Then add up all supply costs to calculate the total.

Supply Category	Item	Quantity	Price Per Unit	Estimated Cost
Monitoring Supplies	Pressure Transducer	2	\$500	\$1,000
Computing Device	Laptop Computer	2	\$800	\$1,600
Testing Supplies	PVC Gloves, pack of 1,000	1	\$250	\$250
Light Refreshments ¹ at Conference	Coffee Packets	400	\$0.29	\$116
Total Supply Costs				\$2,966

¹ Under 2 CFR 200.432, the costs of meals and light refreshments for conferences are allowable if the work continues during the meal, unless expressly restricted. Additional restrictions on the allowability of the costs for meals and light refreshments are available at: [EPA's General Terms and Conditions](#).

- **Contractual:** costs derived from those services to be carried out by an individual or for-profit firm; see [Section II-A](#) for further guidance and resources on contracts. For each contractual cost, be sure your budget narrative includes the following:
 - o [contract](#) description
 - o duration (hours)
 - o rate
 - o description of the scope of work (contract purpose)
 - o procurement method (sealed bid, proposal, or non-competitive procurement)

To calculate contractual cost: identify all contracts that your project will require. Then, add up the contract costs you calculated to find the total

Item	Hours	Rate	Contract Purpose	Procurement Method	Estimated Cost
Gold Systems, Inc.	450	\$185	Gold Systems, Inc will provide system access, outreach, training, and support to the consortium members.	Competitive Proposals	\$83,250
Total Contractual Costs					\$83,250

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- **Other:** includes only those types of direct costs that do not fit in any of the other specific budget categories within direct costs (as listed above, e.g., personnel, fringe, travel, etc.). These costs may include [subawards](#) (see [Section II-A](#)), [participant support costs](#), and the rental/lease of [equipment](#), office space, and meeting or [conference](#) facilities.

To calculate: identify items, quantity, and price per unit for your project. Multiply each item's quantity by its price per unit to find the 'other' item cost. Then add up all supply costs to calculate total other direct costs.

Category	Item	Quantity	Price Per Unit	Est. Cost
Rental and Least Cost	Suction Dredge Equipment Rental	1	\$2,500	\$2,500
Participant Support Cost	Training Fee for Community Members	3	\$250	\$750
Subaward	Subaward to (EN Partner Organization Name)	1	\$20,000	\$20,000
Total Other Costs				\$23,250

Including Indirect Costs in your Budget:

- **Indirect Costs:** these are costs incurred to facilitate the general operations of your organization. They include, but are not limited to space costs, utilities, accounting services, and services associated with human resources that are included in an applicant's indirect cost rate.
 - o Your indirect cost rate can be found on your organization's current [Negotiated Indirect Cost Rate Agreement](#). For more details on receiving your indirect cost rate and verifying that it will be valid for a FY22 EN assistance agreement, please see the negotiated indirect cost rate agreement section under ['additional attachments' in Appendix E](#).

To find your base amount: guidance for calculating your base amount can be found on your indirect cost rate agreement and will include a summary of what costs can and cannot be included your calculation.

To calculate indirect cost: identify your organization's approved indirect cost rate and calculate the base amount. Multiple the base amount by the approved indirect cost rate.

An example of calculating indirect costs:

- o An applicant's rate, according to their Negotiated Indirect Cost Rate (IDC) agreement, is 19.6% and expires on 6/30/2023, making it valid through the period of performance start date of 10/1/2022.
- o Their IDC agreement states that the base amount is comprised of: total direct costs *excluding* capital expenditures (buildings, individual items of equipment, and alterations and renovations) and [subawards](#).
- o Their budget reads as follows: Personnel: \$15,072; Fringe: \$6,782; Travel: \$4,500; Contractual Services: \$118,035; and Other (a subaward): \$20,804.
 - Their total direct cost amount is \$165,193; there are no capital expenditures, but there is a subaward which cannot be included in the base.
 - Therefore, the base amount is \$144,389 (\$165,193 - \$20,804).
- o To calculate their indirect costs, the applicant multiplies the rate by the base amount:
 - 19.6% can be expressed as a decimal by dividing it by 100: $19.6/100 = 0.196$
 - $0.196 \text{ (rate)} \times 144389 \text{ (base amount)} = \$28,300.244$
 - The applicant rounds this to the nearest whole dollar amount: \$28,300.

Effective Period	IDC Rate	Description of Base	Base Amount	Total
07/01/2022 – 06/30/2023	19.6%	Total direct costs excluding capital expenditures	\$144,389	\$28,300
Total Indirect Costs				\$28,300