Budgets and Cost Categories

Budgets and Cost Categories

I. **Project Budgets**

A major component of a grant application and an important aspect of managing a project is the project budget. Budgets are roadmaps for how staff carry out grant activities and must reflect programmatic deliverables, objectives and the scope of services, this is why it is important for the program staff to understand their budgets.

Unless advised otherwise, victim services grant budgets are for the grant period of October 1 through September 30. Budgets are submitted annually in the grants management system.

Budgeting tips and practices:

1. Budgets should be created using a spreadsheet such as Excel. Formulas and calculations will assist with accuracy.
2. Budgets are created based on estimates of anticipated expenses. While claims for reimbursements are based on actual costs.
3. Grant costs must be allowable, allocable, reasonable and consistent. Allowable expenses are determined by the funding source. Allocable means a centralized cost is shared between all funding sources in proportion to the benefit received. Reasonable means costs must be prudent – costs that seem unreasonable will be questioned. Consistent means expenses must be consistently charged throughout your organization and to all funding sources.
4. Budgets must include budget justifications, which is the narrative explanation of how expenses were determined and how they benefit the project.

Entering budgets in the grants management system. The following budget categories and instructions will help grantees create and enter their annual budgets into the grants management system. Detailed budgets and budget justifications are entered on the budget details page (found on the left navigation panel in the application component). After applications/budgets are approved they rollover to the budget summary page in the application component and to various pages in the claims component.

Payroll: Each person to be paid from a grant must be listed in the grant budget. Consider how much time a person will be working on a project and if that time is for direct services or for administration, prevention or fundraising.

Executive Director Salary Allocation: To promote responsible stewardship of federal funding and prioritize resources supporting direct victim services, applicants requesting reimbursement of Executive Director salaries must demonstrate that the proposed allocation is reasonable, necessary, allowable, and directly attributable to the funded program. Requests exceeding $55,000 or 70% of the Executive Director salary whichever is more will be subject to additional review and must include a detailed justification outlining the individual's grant-funded responsibilities. Such requests require written approval from the funding agency.

All salary allocations must comply with applicable federal cost principles, program-specific requirements, and documentation standards. Approval of an allocation percentage does not supersede federal restrictions on allowable activities.

(A) Exception Request: Grantees requesting an exception to this requirement must submit a written request via email to the Grant Administrator and their designated Grant Coordinator. The email subject line should state, “Exception Requested for Executive Director Salary”. The written request must include a detailed justification explaining the need for an exception and how compliance with the requirement may affect the organization’s ability to effectively administer its grant funded project. In preparing their justification, grantees are encouraged to address relevant factors, such as:

- The organization’s overall budget, financial resources or documented financial circumstances supporting the need for the exception.
- Organizational size, staffing levels, and administrative capacity.
- The potential impact of the requirement on the organization’s ability to deliver grant-funded services.
- The Executive Director’s direct service responsibilities compared to their administrative and oversight duties.
- Any anticipated impact on project operations, service delivery, or achievement of grant objectives.

(B) Review of Exception Request: The Grant Administrator and designated Grant Coordinator will review each exception request of the Executive Director payroll amount or percentage to determine whether the circumstances presented warrant consideration of an exception. The Grant Administrator may request additional information as needed to evaluate the exception request. The Grant Administrator will notify the grantee of the decision via email with 7 days of receiving the exception request. The Grant Administrator may require a corrective action or action plan outlining steps the grantee will take to meet this requirement over subsequent grant periods.

Benefits: When creating a budget, benefits are broken down by type. When the budget is approved, these expenses are rolled into one expense line for the budget summary and for claims. The requested amounts or percentages for payroll and benefits should align. For example, if you requested 75% of the costs of payroll, you would request 75% of the costs of benefits.

All travel must follow the State of Iowa travel policies
https://das.iowa.gov/state-employees/state-accounting/travel-relocation

In state travel for services: These expenses are for staff to travel to meet victims to provide direct victim services, such as counseling, advocacy, court accompaniment, etc. Most of expenses in this category will be for mileage.

In-state travel for training: These expenses can be used for in-state training opportunities and in-state meetings. Expenses can include mileage, lodging, registration and meals.

Out-of-state travel: Travel to out-of-state conferences must be approved in advance. When conference details are known, provide the name of the conference(s), location, number of staff expected to attend, costs of registration, travel, lodging and food. If the details are not known, you can include a budget amount and provide the details later by submitting an out-of-state travel request. In general, it is not acceptable to send more than two or three people to the same conference without detailed justification. In addition, grant staff can deny travel expenses for conferences which are not appropriate or reasonable.

Contractual services: When budgeting for contractual services, each entity (contractor) is listed on the budget form. When budgets are approved, these line items roll into one expense line for the budget summary and for claims. Copies of contractual agreements must be sent to your grant coordinator for review. Contractors are professional service providers, such as auditors, interpreters, or information technology providers. Contractual services also include subawardees (subgrantees, subcontractors), organizations which carry out the activities of the project. Consultants are subject matter experts hired to provide expertise. Consultant rates are to be reasonable and consistent with the market, not to exceed $650/day or $81.25 per hour. See the DOJ financial guide for more information https://www.ojp.gov/funding/financialguidedoj/overview.

Equipment: Equipment that meets the threshold for capitalized equipment and sensitive minor equipment is listed separately by category or type on the budget form. Sensitive minor equipment includes laptops, cellphones, appliances, printers, etc. The grants management system has an equipment tracking module which is a quick and easy way to see everything purchased in this category by organization. When budgets are approved, the line items roll into one expense category for the budget summary and for claims. When submitting claims for reimbursement, grantees complete an equipment tracking form.

Repairs and maintenance: Standard operating expenses such as lawn service, snow removal, garbage pickup, building maintenance, office cleaning can be listed on one line on the budget form with detailed budget justification. Larger or nonstandard repairs or maintenance, such as roof replacement, HVAC upgrades, etc., must be listed separately and include detailed budget justification. Click on the plus button to add additional budget lines. When budgets are approved, the line items roll into one expense category for the budget summary and for claims.

Rent: Rent for multiple locations are to be listed separately. Click on the plus button to add additional budget lines. To complete the form, enter the location, monthly rent cost, number of months and the amount requested. The total rent costs and the percentages will auto calculate. Since rent is generally a shared expense, in the budget justification textbox, explain how you determined cost allocations. When budgets are approved, the line items roll into one expense category for the budget summary and for claims.

Utilities: Use the drop-down box to select the type of utility to be budgeted. Click on the plus button to add another expense line. Since utilities are generally shared expenses, provide your cost allocation in the budget justification textbox. When budgets are approved, the line items roll into one expense category for the budget summary and for claims.

Communication: Use the drop-down box to select the type of communication to be budgeted. Click on the plus button to add another expense line. Since communication costs can be shared expenses, in the budget justification textbox explain how you determined cost allocations. When budgets are approved, the line items roll into one expense category for the budget summary and for claims.

Advertising: The type of advertising expenses and their related costs are to be listed separately. Click on the plus button to add another expense line. When budgets are approved, the line items roll into one expense category for the budget summary and for claims. Advertising and promotional items (swag) cannot be charged to federal grants if the purpose is to promote your organization. Outreach and awareness activities are allowed if the expenses are specific to the project. Advertising for staff recruitment is allowable. For more information on advertising and public relations expenses, see: https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-E/subject-group-ECFRed1f39f9b3d4e72/section-200.421. When requesting outreach and awareness materials (sometimes called swag or promotional items), consider how reasonable the requests are, the purpose of the items purchased, and how these items will benefit victims. Promotional items will be purchased with state funding and will be denied if deemed unreasonable.

Supplies: Use the drop-down box to select the type of supply. Office supplies are generally shared costs and must be allocated appropriately. Grantees charging indirect costs should not directly charge office supplies to their grants. Provide a written narrative in the budget justification textbox, explaining how you determined cost allocations. Project supplies and shelter supplies are project specific and can be fully charged to a grant. You must provide an explanation of how you determined the costs and the items you anticipate purchasing. When budgets are approved, the line items roll into one expense category for the budget summary and for claim

Insurance: Use the drop-down box to select the type of insurance. Each type of insurance should be listed separately. Click on the plus button to add an additional line. When budgets are approved, the line items roll into one expense category for the budget summary and for claims. Insurance costs are generally shared expenses. Provide a written narrative in the budget justification textbox explaining how you determined cost allocations.

Other: Use this category rarely and only for allowable expenses which do not fit anywhere else on the budget details page. Provide details and a written justification.

Client assistance: All client assistance is entered on one line. Provide what you expect to be the total costs and the amount requested from the grant. If you do not request client assistance funding, provide an explanation in the justification textbox. In the textbox, also provide summary of what you expect to use client assistance for.

Indirect costs: If your organization has a federally approved indirect cost rate or is using the de minimus, enter the percentage and the total indirect costs to be charged to the grant. In the justification textbox, enter your calculations showing how you determined the indirect cost amount. When using the de minimus, modified total direct costs exclude the costs of rent, repairs, utilities, maintenance and the portion of subawards greater than $50,000. For more information on indirect costs, see the description below.

Match: Match is required for VOCA, STOP VAWA and FVPSA for most applicants. If you do not know the required match amount

at the time you are completing your budget, enter an estimate. We will advise you of the required match later.

The approved budget becomes the claim template. Victim Assistance Section staff review budgets for compliance with our budgeting requirements. Budgets are either approved or returned to grantees for corrections. Upon contract execution, the approved budget carries over to the claim component and becomes the claim template. Except for payroll, all detailed expense lines are rolled into major budget categories. Each payroll line is listed in the claims template.

Claims are grantees' requests for reimbursement of grant expenses and must align with the approved budget. Grantees cannot overspend any budget category by more than 10%, nor can grantees request reimbursement for expenses not included in the approved budget.

The one exception to these rules is client assistance. There is no limit to how much grantees can overspend client assistance.

II. **Indirect Costs**

Defined under 200.56 Indirect Costs, indirect costs are those costs incurred for a common or joint purpose benefiting more than one cost objective, and not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved.

Any non-federal entity which has never received a negotiated indirect cost rate is allowed to charge the de minimis rate of 15% of modified total direct costs (MTDC) which may be used indefinitely ***If a non-federal entity chooses to charge the 15% de minimis rate, then the non-federal entity must use this rate consistently for all federal awards until such time as the non-federal entity chooses to negotiate for a rate***

Classification of costs: According to 2 CFR 200.412, there is no universal rule for classifying certain costs as either direct or indirect under every accounting system. A cost may be direct with respect to some specific service or function, but indirect with respect to the federal award or other final cost objective. Therefore, it is essential that each item of cost incurred for the same purpose be treated consistently in like circumstances either as a direct or an indirect cost.

Grant amounts do not change when organizations use an indirect rate, meaning the indirect amount is not added to the grant award. Grantees do not have to provide documentation for indirect costs.

Modified total direct costs (MTDC) calculation: 2 CFR 200.414(f) states the indirect rate applies to modified total direct costs (MTDC). The MTDC as a base removes certain direct costs from the indirect cost calculation. Grantees who elect to use the de minimus rate calculate their MTDC as follows:

To determine direct costs when you know your award amount: divide the total award by 1.15 (for 15%). For example, $100,000 (total award) divided by 1.15 = $86,956 of the $100,000 is total direct costs and $13,044 is indirect costs.

To determine *modified total direct costs*, certain costs must be subtracted from direct costs before calculating the indirect costs. Those costs are rent, utilities, repairs and maintenance and the portion of subawards greater than $50,000.

For example:

$100,000 – award amount
$3,000 – rent, utilities, repairs and maintenance
$97,000 is the MTDC – divide this amount by 1.15
$12,652 – is the amount that can be charged as indirect costs
$87,348 are the direct costs

Federally negotiated indirect rate: Organizations with a federally negotiated indirect rate must upload the rate agreement in the grants management system in the profile section on the finance page.

III. **Examples of Direct and Indirect Costs**

While there are no universal rules for classifying costs, the following chart provides some examples. The important thing to remember is costs are to be consistently applied either as direct or indirect, unless there is proper justification.

There are no universal rules for classifying costs as direct or indirect; however, the costs **must be consistently applied**. A cost can't be a direct cost on one project and an indirect cost on another project. Here are a few examples of each:

Cost Category	Direct or Indirect	Explanation
Salary and benefits of staff who work directly with programs	Direct	The program has the benefit of the person working specifically for the grant. It is easy to allocate time/expenses to the project. If the staff works on more than one project, he/she can allocate the time spent on each project.
Executive director and other administrative staff, such as finance, IT, marketing, HR, etc. salary and benefits	Indirect – generally	It is more difficult to allocate directors' time to various funding sources, since directors are responsible for all aspects of the agency.
Office supplies	Indirect	Office supplies are a part of doing business. It is expected your agency would have sufficient supplies to do business. It is difficult to allocate the cost of pens, paper or toner to specific projects.

Project supplies	Direct	You would not have the expense if you didn't have the project. These are not general office supplies. Project supplies are specific to a project.
Rent, utilities, maintenance, repairs, phone, Internet, audit, insurance	Indirect, unless shelter	Shelter expenses directly benefit the program and the listed expenses (except audit and maybe some insurance) are not shared with other programs. If the shelter went away, these expenses would go away.

© 2026 State of Iowa Office of the Attorney General