



BUDGET DEFINITIONS

State and Federal Funding for Kentucky Skills U

- I. **Administrative Costs:** Administrative costs are those costs necessary to effectively manage the program and may not exceed the cap established in your initial budget. These costs do not directly benefit the participant but are necessary for the effective delivery of participant services. They include the costs of personnel engaged in the following or similar activities: administrative, program management, fiscal, clerical, advertising and audit*. Time expended in non-instructional program administration is reported on the Time Sheet Summary Report (TS1) in this category.
 - a. Other administrative costs may include the cost of administrative space/rent, telephone, postage, materials and supplies, administrative software and furniture incurred for the activities listed above. *Administrator's travel for approved or required Professional development opportunities may now be reported as an administrative expense.*
 - b. The maximum administrative expense allowed for any federally funded program line item without prior approval is 5%.
 - c. *The cost of an audit is allowable only if an agency's total federal expenditures for a fiscal year are \$750,000 or more and it must be charged on a shared basis. This means that a program can be charged a portion of the audit cost based on the KY Skills U program's federal expenditures compared to the entity's total federal expenditures.
 - d. Note: KYSU will continue to cap Core Services administrative funds at 20% (20% is the maximum if there are no operating costs). If a provider successfully negotiates a higher federal administrative amount, the state administrative amount will be reduced by a like amount, resulting in a maximum of 20% administrative and operating funds.
- II. **Indirect Costs:** are costs that are not directly attributable to the KYSU grants. (Ex: Administration, fiscal processes, legal costs). Local providers receiving Workforce Innovation and Opportunity Act (WIOA) funds under Title II of the act are eligible to request reimbursement for indirect expenses at a restricted rate applicable to the federal funds only. Note: Do not include indirect costs in any state funds.
 - a. **Indirect Costs** will be allowed at the restricted rate if the entity has an approved restricted indirect cost rate agreement. Otherwise, and because this is a supplement and not supplant award, organizations that do not have a restricted indirect cost rate agreement, may elect to utilize a restricted indirect cost rate of 8% modified total direct costs (MTDC) if their negotiated

indirect cost rate is not less than 8% modified total direct costs. **All indirect costs charges should be reported as part of the program's administrative funds and meet the caps and guidance available in the contract and Implementations Guidelines.**

- III. **Operational Costs:** These costs are necessary expenses incurred in the delivery of services that are **neither directly administrative nor instructional**. These costs are usually related to the physical facility and can include such items as rent, utilities, lease or maintenance of copying or computer equipment, and telephone. Structural improvements, however, are not allowable costs. Operational expenses cannot exceed 5% of the overall budget

- IV. **Instructional Costs:** These costs have direct and immediate benefit to the participant and are incurred in the **direct instruction** of the participant. These costs include salaries and fringes for instructional staff, instructional materials and supplies, consumable supplies, assessment materials, instructional software, classroom fixtures and furniture, data collection and processing relative to individual students, and travel expenses** related to instructional activities.
 - a. **Travel expenses must be related to instructional purposes and may not be used for distance between home and worksite(s). All travel (regardless of cost category) is to be reimbursed in accordance with your agency's established policy. For agencies adhering to the state travel policy, regulations may be obtained on the web at state travel regulations.

- V. **Equipment:** These are costs for any non-consumable items with a life expectancy of one year or more. Examples include: computer hardware and software, answering machine, copier, DVD, and television.
 - a. NOTE: Furniture and fixtures are not included in this category, but must also be reported with equipment purchases when submitting the KYSU-INV1inventory online.

- VI. **Performance:** Program Performance Funding is awarded to providers that meet or exceed annual enrollment and performance measures. These funds are based on a percentage of a county's base level of funding for core services and may be used to enhance instructional services to adult education participants. Staff bonuses are not a reimbursable expense.

- VII. **Professional Learning:** There are specific professional development and training requirements for educators/teachers that participate in KY Skills U-funded programs (see Professional Development in the KYSU Implementation Guidelines (IG)). KY Skills U provides financial support for this training by allocating professional development. For additional information, contact Lori Looney, Director of College & Career Preparation, Kentucky Skills U, (502)-892-3035.

- VIII. **Career Services:** WIOA requires that the costs for career and training services be determined separately. Given that WIOA defines "administrative costs" separately from the definitions of career services and training services, the Departments made clear in the WIOA Performance ICR that States must not include administrative costs when reporting costs for career services and costs for training services. Career Services are defined in [Program Memorandum OCTAE 17-2 \(ed.gov\)](#)

- IX. **GED/Refreshments:** A line item in local program budgets allows for the use of up to 0.5 percent of the core services grant for GED® ceremonies and refreshments for student activities. This is state funded only.
- X. **Federal Supplement:** Funds are to be used for the same purposes as Core Service e.g., to aid in additional enrollments, retention efforts and to help programs produce additional results. These are carryover funds and may not be available each year. You may only have a maximum of 5% for administrative costs in this category. Due to this restriction, this allows a maximum of 5% for indirect costs. Funding is 100% federal WIOA Title II CFDA 84.002
- XI. **Other Definitions:**
- Budget** - A document detailing the projected expenditures for a given period and the proposed means of financing them. The term is usually for a single fiscal year.
- CFDA Number** - The number assigned to a Federal program in the Catalog of Federal Domestic Assistance. Refer to MUNIS-FY22 on our Web site ([Dept \(ky.gov\)](http://Dept(ky.gov))) for a listing of KY Skills U grant types with the associated CFDA and MUNIS codes.
- Close Out** - The process by which the State determines that all required work of the grant or agreement has been completed or that the period of the grant or agreement has expired and that the recipient and the funding agency (KY Skills U) have completed all applicable administrative actions. [2 CFR 200.344](#)
- Cost Reimbursement Contract** - A contract in which the contractor is reimbursed based upon actual allowable costs incurred. The contractor must keep detailed documentation to support each cost charged to the contract.
- Detailed Budget/Personnel Worksheets** - These worksheets provide a mechanism for determining a program's funding needs and how those needs are to be met. They are submitted as a part of the grant application and support the proposal for service delivery. Providers also update and submit these worksheets to report changes in personnel within 10 days of the change or when requesting a budget amendment.
- Allowable costs** – Costs associated with running the program that are reasonable in nature and amount, allocable to the grant in accordance with relative benefits received by participants, and do not exceed what a prudent person would determine to be ordinary and necessary for successful operation of the program. Allowable costs are directly tied to that which produces measurable student attainment and level gains.