

## Making a Reasonable, Allocable, and Allowable Budget

- Writing a budget for federal grant can be challenging, especially if it's your 1st time. Here are some tips to keep in mind when writing one.
- This video is meant to be an example. Your budget may be different depending on what you are proposing.
- Your budget proposal will consist of these 4 ingredients. (*icons for Budget spreadsheet, budget narrative, SF424A SF424 on screen*)
- The final proposal should be reasonable, allocable, and allowable to ensure transparency and accountability. Reviewers need to fully understand how you will spend federal funds.
- Reasonable: a cost that does not exceed that which a prudent person would incur in the conduct of business.
- It is also a cost that is ordinary and necessary for the business to provide services under the grant and is based on generally accepted sound business practices.
- For example, if Eve, an applicant, includes her driving costs to meet clients in her budget, her mileage would be a reasonable cost. A cost like her monthly car payment, would not be reasonable.
- Allocable: a cost incurred specifically for the award and that can be distributed or divided in proportion for the award. It is necessary to the overall operation of the project and is assignable, either in total or in part, to the federal grant.
- During Eve's trip, she meets with 3 clients for equal amounts of time. She can allocate the cost of gas, mileage, and parking among her 3 clients equally. She would not be able to allocate costs that are not essential to the purpose of her trip, such as the mileage to and from work everyday.
- Allowable: A cost is allowable if it is both reasonable, allocable, and complies with statutory requirements.
- According to OMB cost principles, things that are never allowed include alcohol, gifts, entertainment, and lobbying. You can find more limitations and exclusions in the link below. (*link on screen*)
- Now, Eve wants to budget for taking her clients to an entertainment show at the end of her trip. Since this cost would not be reasonable or allocable, and is forbidden according to OMB cost principles, she would not be allowed to charge this to the award, making it a non-allowable cost.
- Remember, your final budget for the federal grant should be reasonable, allocable, and allowable.