

Exhibit B Attachment I-II – Budget Attachment – Instructions

Basic rules	<p>When payments are on cost reimbursement basis up to a maximum, a line item budget is required:</p> <ul style="list-style-type: none">• Include all line items shown in the sample budget(s) even costs are \$0.• Show figures in whole dollars unless the expense tally includes cents.• Only list expenses that Department of Health Care Services (DHCS) will reimburse under the contract. Do not include matching fund costs. The annual Budgets should exclude any expenditures that would otherwise be paid for by other funding sources such as Denti-Cal reimbursement.• To the extent that the proposal benefits populations other than Medi-Cal children, the budget should include a methodology to apportion the cost of proposal to Medi-Cal children only.• Display each fiscal or budget year on a separate page.
Formats	<p>It is advisable to list expenses within broad cost categories i.e., Communications costs instead of listing costs for telephone, fax, cell phone, email.</p>
Fringe Benefits	<p>If the fringe benefit % varies for some personnel (i.e., permanent staff vs. temporary or faculty vs. staff) or the % is calculated up to multiple decimal places, preferably enter the % along with a notation about the cost basis. If the cost basis cannot easily be described, just enter a total and place an asterisk (*) following the line item title (i.e., Fringe Benefits *) and include a footnote near the bottom of the page explaining how the benefit rate was calculated.</p> <p><u>Reimbursement Limit</u> - There is no limit on the percentage or amount of allowable fringe benefit reimbursement under a DHCS contract or grant. To be allowable, the cost must meet the following criteria: (1) Be necessary and reasonable for the performance of the agreement, (2) Be determined in accordance with generally accepted accounting principles, (3) Be consistent with policies that apply uniformly to all activities of the contractor. When payments are made on a cost reimbursement basis, it is common to reimburse actual fringe benefit costs.</p> <p><u>Examples of allowable fringe benefit expenses</u> – Fringe benefits are in the form of employer contributions for the employer’s portion of payroll taxes and include: FICA, State Unemployment Insurance (SUI), State Disability Insurance (SDI), employee health plan insurance including health, dental, vision; unemployment insurance, worker’s compensation insurance; life insurance; and the employer’s share of pension/retirement plans granted in accordance with established written organizational policies of the employer.</p> <p><u>Examples of disallowed fringe benefit expenses</u> – Fringe benefits shall not include: regular salary or wages, annual leave, personal leave, vacation, sick leave, bereavement leave, holiday pay, jury duty pay, military leave/training; Director’s or executive committee member’s fees; incentive pay or awards; bonus awards; allowances for off-site pay; location allowances or adjustments; hardship pay; cost-of-living differentials, etc. As a matter of policy DHCS does not separately budget or reimburse unused vacation, sick leave or severance pay.</p>
Operating Expenses	<p>Itemize <u>all</u> expenses, including minor equipment with a Unit cost under \$5,000.</p>
Equipment	<p>Itemize <u>all</u> equipment expenses with a Unit cost over \$5,000. Equipment purchased/reimbursed with state and federal funds shall only be used for the performance of this grant agreement and may require return to DHCS at the</p>

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termination of the agreement.

Travel

At “CalHR” reimbursement rates. <http://www.calhr.ca.gov/employees/pages/travel-reimbursements.aspx>

Other Costs

Each expense, e.g., training, must be itemized.

Indirect Cost % display

Indirect Cost are limited to the lower of 20% of “Total Personnel Salary” excluding Fringe Benefits or indirect costs computed based on the organization’s approved federal indirect cost rate or methodology.

Discussion of Indirect Costs

Indirect costs are operating costs incurred during normal business operations (i.e., accounting costs for payroll and billing services; insurance; legal services; human resource costs; business service costs for equipment purchases, mail service, reproduction; janitorial costs; security costs, utilities, etc.). Subject to the indirect cost limit specified above, a percentage of these costs can be charged to any service contract. Many organizations have established formulas for determining indirect cost rates and some have approved indirect cost rate plans on file with the federal government. Supporting substantiation when an organization’s rate seems high or unreasonable may be required by DHCS.

Some costs are mistakenly treated as an indirect cost when they can be treated as a direct cost. A direct cost is an expense that would not occur if it were not for entering into the contract. For example, printing costs may be treated as a direct cost if a print job results in a tangible deliverable under the contract. Incidental printing of company letterhead would not qualify as a direct cost because its use extends beyond the contract in question.

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Subcontract Budgets and Budget Detail When funded, annual subcontract costs must be displayed in the Subcontract line item in each applicable contract year budget. Subcontract costs are not to be included in the “Operating Expenses” or “Other Costs” line item.

If possible, include a subcontractor budget for each subcontract funded in a contract. Subcontractor budgets are required for each known subcontractor whose total costs under a contract will equal or exceed \$50,000. If a subcontractor budget is required yet not included, explain in an attachment why a budget cannot be included for each subcontractor.

If subcontract expenses are budgeted but each subcontractor’s identify is not yet known, list the projected cost of each subcontract in the budget along with a Project name/title. Be prepared to explain how the projected costs were calculated and remember that subcontractor tasks must appear in the Scope of Work.

For each known or pre-identified subcontractor, report costs for these line items: Personnel, Operating Expenses, Travel, Subcontracts, Other, and Indirect Costs. DHCS may require more detail or question costs. If possible, include the detail on the Prime Contractor’s budget sheet. If insufficient space exists to detail all Subcontractor costs in the Prime’s budget, use attachments. Each Subcontractor Budget is to be labeled as Exhibit B Attachment __ (I or II or III), Schedule __ (1, 2, etc. per subcontractor budget page) – Subcontractor Budget.

Prime Contractors are to put out to bid all subcontract services exceeding \$5,000. In the absence of bidding a subcontracted service, when required, Prime Contractors are to justify/explain in writing, to the awarding DHCS program, the reason(s) for making a sole or single source subcontract award. The funding Program is to retain the explanation on file for audit purposes. Such explanations may include viable business reasons such as (A) Subcontractor is a reputable firm and known leader in its specialty, (B) Subcontractor is the only known source for the service in the geographic area, (C) Subcontractor is only firm that can meet short timelines, etc. The requisite bid method is not dictated but oversight agencies expect three bids/proposals to be collected and, if not, the solicitation method may need to be explained along with an explanation as to why three bids were not obtained.