

BUDGET DEFINITIONS

State and Federal Funding for Kentucky Adult Education

- 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, data collection and processing for the program, advertising and audit*. Time expended in non-instructional program administration is reported on the Time Sheet Summary Report (TS1) in this category.

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. 'Indirect Costs' are not allowable under the terms of your contract. *Administrator's travel for approved or required PD opportunities may now be reported as an administrative expense.*

*The cost of an audit is allowable only if an agency's total federal expenditures for a fiscal year are \$500,000 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 KYAE program's federal expenditures compared to the entity's total federal expenditures.

- II. **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.

- III. **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.

**Travel expenses must be related to instructional purposes and *may not be used for distance between home and worksite(s)* (unless this involves homebound instruction). 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](#)

- IV. **Equipment:** These are costs for any non-consumable items with a life expectancy of one year or more. Examples include: computer hardware and software, fax machine, answering machine, copier, VCR, and television. NOTE: Furniture and fixtures are not included in this category, but must also be reported with equipment purchases when submitting the KYAE-INV1 inventory report at year's end.

- V. **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. Student Performance funds are awarded for individual student performance, i.e. completing levels and/or reaching benchmarks. Staff bonuses are not a reimbursable expense.

- VI. **Professional Development:** There are specific professional development and training requirements for educators/teachers that participate in KYAE-funded programs (see Professional Development in the [KYAE Policy and Procedure Manual](#)). KYAE provides financial support for this training by allocating formula derived professional development funds based upon core services funding. This is a 100% federal allocation, distinct from the core service funds, and is not subject to amendment or realignment by the local provider.

For additional information contact Joyce Bullock, Associate, KYAE/CPE, (502)-573-5114, ext 118.

IX. **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-FY09 on our Web site ([MUNIS codes FY09](#)) for a listing of KYAE 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 (KYAE) have completed all applicable administrative actions.

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.