

Los Angeles County – Department of Public Health
SUBSTANCE ABUSE PREVENTION AND CONTROL BUREAU
Finance Services Division

Budget Instructions

The County of Los Angeles Department of Public Health's Bureau of Substance Abuse Prevention and Control's (SAPC) Finance Services Division is committed to supporting contracted providers while being responsible stewards of public funds. As part of this commitment, Finance Services Division would like to emphasize and expand on one of the many benefits of the program budget which is offering providers the opportunity to lay out a funding plan to ensure successful and appropriate implementation of their County's contract(s) and/or agreement(s). In addition to the guidance provided in SAPC Information Notice 24-05, the instructions below are designed to offer additional guidance and interpretation on the SAPC's Budget Tool.

SUMMARY TAB

This section provides a comprehensive summary of all expenditure amount included in the budget. The amounts on this tab are auto-populated from the tabs outlined in the subsequent section of this document. Complete the yellow highlighted fields only, which include pertinent information on the organization, contract, and budget fiscal year. Additionally, this section will document the needed SAPC Division approvals: Contract Program Auditor, Program Lead and Finance Services Division.

- **BUDGET FISCAL YEAR** – Enter fiscal year that the budget is covering. This should align with the contract period and action.
- **DATE** – Enter date which you are completing the budget.
- **TYPE OF PROGRAM** – Use the drop-down menu to select the program that this budget is describing. If your program is not listed, please select other. If “Other” is selected, please describe your program in the other section.
- **TYPE OF SUBMISSION** – Select the appropriate submission type:
 - **Original:** Chose this option if this is the first budget for this contract.
 - **Amended:** Chose this option if this is related to a contract action.
- **CONTRACT AGENCY LEGAL NAME** – Enter your organization's legal name as it appears on your most recent approved contract for the service category being reported.
- **D.B.A.** – Name of program used other than legal name.
- **ADDRESS/CITY** – Enter your organization's address and city. This address must align with the “Headquarters” address in your most recent approved contract.
- **ZIP CODE** – Enter your organization's zip code for the address referenced above.
- **CONTRACT NUMBER** – Enter your organization's contract number that this budget describes.
- **CONTRACT TERM** – Enter the term of the contract.
- **AGENCY TELEPHONE NUMBER** – Enter your agency's telephone number.
- **BUDGET CONTACT PERSON** – Enter the contact person that is completing this budget and who should be contacted should there be any questions.
- **BUDGET CONTACT EMAIL ADDRESS** – Enter the person completing this budget's email address. This will be used to communicate on any questions or issues with the budget.
- **BUDGET CONTACT PHONE NUMBER** – Enter the person completing this budget's phone number. This will be used to communicate on any questions or issues with the budget.

- **ORGANIZATION EXECUTIVE DIRECTOR** – Enter the name of the Executive Director for the organization. Note that this should align with previously submitted organizational leadership. Any changes to key positions require SAPC Approval.
- **ORGANIZATION EXECUTIVE DIRECTOR EMAIL ADDRESS** – Enter the email address for the Executive Director as noted above. This may be used to communicate on any questions or issues with the budget.
- **ORGANIZATION EXECUTIVE DIRECTOR PHONE NUMBER** – Enter the phone number for the Executive Director as noted above. This may be used to communicate on any questions or issues with the budget.

BUDGETED DIRECT COSTS

Program Expenses as defined in your SAPC’s agreement(s)/contract(s) are direct costs that are used to implement the program/activities and can be identified with a particular cost objective. These can include, but are not limited to:

- Salaries, including associated employee benefits, of those personnel whose effort can be directly identified to a particular program or cost objective.
- Cost of materials and other supplies acquired, consumed, or expended specifically for the purpose of the program or cost objective.
- Travel costs, equipment costs, contract costs, and other costs which can be directly identified to a cost objective.

1. SALARIES TAB

This section captures the costs associated with the needed personnel to implement the contracted services. It is essential that providers take special care in developing their staffing plans. Before completing this section, providers should conduct a thorough analysis of the needed actions and roles to successfully implement the goals and objectives of the contracted programs and deliverables and then develop a staffing plan that ensures these goals are met while paying staff competitive wages and avoiding burn-out. Having an adequate and productive workforce is key to ensuring the success of all County’s contracted programs.

- **Title** – List each position (including vacant positions). If there are multiple positions with the same title, please list each one separately. For instance, if there are five (5) Counselor positions, list the position five (5) times. Do not include names of staff holding these positions, as this may change throughout the year. Ensure you include all the needed items as described above.
- **Total Annual Salary** – Input annual gross salary for each position that will be associated/used for the administration of the contract. To determine salaries, providers must consider the cost of living for a specific geographic location and competitive salaries exist for the same or similar work.
- **% of Time Employed by Agency** – Enter the percentage of time employed by the agency. In this section, only include staff employed by the organization. Because staffing plans may call for both full-time (100%) or part-time (less than 100%) staff, this section identifies the percentage of time this item will be employed by the organization.
- **% of Time in (B) Spent on This Contract** – Enter the projected percentage time that will be allocated to this contract. Some providers may have multiple funding streams or contracts that support the salary of a particular staff. In this section, include the percentage of time that a staff will work on

this program. When a staff salary amounts various between funding streams, ensure that the total amount does not exceed 100% to avoid fiscal compliance issues.

- **Note:** Actual % FTE and FTE Budgeted Expenditures will be calculated automatically. Salaries/Wages total will auto-populate to the Summary tab.

2. POSITION JUSTIFICATION TAB

This section offers providers the ability to expand and share information on how their public funds will be used to meet the staffing needs of this program. This section is essential for SAPC to understand the needed staffing resources and to ensure the provider has the adequate workforce to meet the goals and objective of the contract. This section offers providers an opportunity to justify employee numbers and salaries.

- **Title** – Each position will be auto-populated based on staffing items entered on the “Salaries Tab” and based on the assessment described above.
- **Justification** – Provide a description detailing the daily functions of each position. The descriptions should clearly connect the goals and objectives of the contract or agreement. Additionally, provide information on how salaries were determined to ensure public funds are going toward fair and living wages.

3. EMPLOYEE BENEFITS TAB

A skilled workforce with adequate staffing levels is critical to ensure the successful completion of your contract goals and objectives. Providers must ensure they are paying staff competitive wages and benefits to support a positive work environment. Establishing a robust and rewarding Employee Benefits Package is essential to worker recruitment and retention. It also helps create and support positive employee/employer relationships and creates a positive work environment. This section is designed to capture the associated costs needed to support these efforts.

- **Federal and State Taxes and Worker’s Compensation** – Enter the percentage to be paid by the organization for mandated federal and state taxes and worker’s compensation as applicable. These amounts are what is to be paid by the organization, not the employee.
- **Medical/Dental Insurance** – Determine the amount the organization pays by percentage of salary for providing medical and dental insurance. Providers should recognize the cost of healthcare and how critical it is for some individuals and their families. A robust and comprehensive healthcare insurance benefit is a great asset when recruiting and retaining staff.
- **Retirement Benefit** – Another important recruitment and retention tool is a retirement benefit. Employers should consider establishing retirement benefits for employees (401K, etc.) as a way to further create an attractive employer identity. The costs associated with these benefits, including employer matching contributions, should be included in this line item.
- **Other** – Please include any other fringe benefits that are relative to administration of the contract that are not listed. Also, please describe the benefit to allow for a complete review and analysis. This information may inform future SAPC guidance to other providers.

4. **OTHER EXPENSES TAB**

In this tab, you will capture costs associated with SAPC-approved sites where staff work to implement and/or manage the program. Additionally, any equipment that is used by staff or is needed for the effective administration of the contract and the implementation of the program may be included.

- **Note:** For contracts that allow direct billing of costs (Prevention, Harm Reduction, etc.), only SAPC approved contracted sites listed in your agreement/contract may be included in the program budget.

FACILITY/FACILITIES

This section is designed to capture costs associated with organizational facilities that support the program and have been approved by SAPC. The sections below provide additional guidance on how to complete this section.

- **ADDRESS** – List facility address(es) to be used in the administration of this contract and are needed for the successful implementation of the program. If applicable, only sites that meet all relevant certifications, licensing (if applicable), and are listed in the contract may be added to this budget.
 - **Note:** Any facility used for the purpose of this contract that is owned by a person who is associated with the agency can be consider a related-party transaction and only the cost of ownership can be charged to the program (depreciation, maintenance, insurance, interest, etc.). Additionally, providers must conduct a fair market analysis to ensure the County is not being overcharged.
- **SQUARE FOOTAGE** – Determine the amount of actual space that is used to support or to implement the program. Providers must consider the use of other program(s) that are also shared at and/or use this facility. Only the actual square footage allocated to this program can be claimed in this budget. Once identified, the square footage based on actual space used should be entered in this field.
- **BUDGETED AMOUNT** – Enter projected and allocated (based on equitable allocation methodology) rent/lease expenses to be charged to the program. Amounts entered should cover the period of the contract (typically 12 months/1 fiscal year) and must include the appropriate cost allocation based on the use of other programs to ensure the cost is distributed equitably as previously stated.
 - **NOTE:** Total will be calculated automatically and auto-populate to the Summary Tab.

EQUIPMENT AND/OR OTHER ASSETS

Equipment is a key component to ensure that organization and staff have the needed equipment to deliver the services described in your SAPC Contract. Equipment may go beyond computers, printers, and furniture, but may also include items that are specific to a program or items that increase program effectiveness, enhance service deliveries and/or improve aesthetic outlook and appearance of the facility(ies). However, the purchase of a refrigerator, printer, software, or any other asset that costs \$5,000 or more, and costs incurred for improvements that add permanent value and increase the

useful life of an asset are considered capital expenditures and must be capitalized. This means that providers may only claim on an annual the depreciated amount of the asset.

- **ITEM/DESCRIPTION** – Enter Item(s)/Description(s) of the equipment used to implement the contracted services. Equipment includes basic office furniture like computers, desks, and chairs, but may also include other items that are as important to the delivery of the program and services. Providers must carefully review their SAPC contract and identify all the equipment, tools, and other items that staff use while conducting contract-related services and/or those that would greatly increase the likelihood of the successfulness of service delivery. Providers should make every effort to create a safe environment that promotes healing and growth for program participants.
- **JUSTIFICATION** – Provide detailed usage of equipment/asset in relation to administration of this contract. SAPC recognizes the criticality of having the appropriate equipment and tools in the delivery of services and programs. This needs to be balanced with responsible stewardship of public funds. This area allows providers to provide additional information to ensure SAPC has enough context to justify the expenses. Additional context may increase understanding and help connect the cost with the programmatic value. Providers are highly encouraged to leverage this space to advocate for these costs.
- **BUDGETED AMOUNT** – Enter the projected cost to be charged to the program. Amounts entered should cover the period of the contract (typically 12 months/1 fiscal year). If the equipment is being used by various programs, ensure that the cost is adequately divided into those programs based on an analysis of their use.
 - **NOTE:** Total will be calculated automatically and auto-populate to the Summary Tab.

5. **SERVICES & SUPPLIES TAB** **SERVICES & SUPPLIES**

The successful implementation of programs requires providers to secure various resources, including staff, equipment, supplies, and even services from other organizations. In this tab, providers list out what additional services and supplies are needed for the agency and their staff to achieve the goals and objectives of their SAPC contract.

- **ITEM/DESCRIPTION** – Identify the services and supplies that are needed for the successful delivery of the program and services. Providers should assess the needs of staff, community consumer, and program participants to determine what other services and supplies are needed to ensure, support and/or enhance the goals of the program. Some common services and supplies that often are included in this category include:
 - **Accounting/Fiscal Monitoring:** The use of public funds comes with increased transparency and accountability. Providers must adhere to accounting principles as described in the [County of Los Angeles Department of Auditor-Controller's Contract Accounting and Administration Handbook](#) and have systems set up to ensure accurate tracking and reporting of revenue and expenditures.

- **Consultants:** Consultants may offer an opportunity to bring extra skills and experiences not currently within the organization. Consultants are usually hourly contract staff with specific knowledge, skills, formal trainings and/or experiences that are needed to advance the organization with the agency’s program implementation.
 - **Trainings/Education:** Ongoing trainings and development of staff are key to ensuring that staff evolves and expand their knowledge to ensure positive outcomes and the successful delivery of their roles and responsibilities.
 - **Maintenance/Equipment Expenses:** The cost of repairing and maintaining relevant equipment may be included as an expenditure under this program budget as long as the equipment is clearly needed for the successful implementation of the contracted services.
 - **Outreach:** Organizations must develop and implement effective outreach plans to promote and increase visibility of their program to ensure positive satisfactory participation levels. Costs associated with promotional material and outreach efforts may be included in this section.
 - **Capacity Building and Incentives:** If eligible and participating in Capacity Building and Incentives, providers must include their anticipated funding amount under Services and Supplies. Note: Capacity Building and Incentives is not eligible for the Indirect Cost Rate (ICR).
 - **Utilities/Organizational Expenses:** Housing a program will add expenses to any organization. These expenses are allowable under the contract as long as they are allocated among other programs as needed.
- **JUSTIFICATION** – This area allows providers to provide additional information and context needed to support the approval of the expenditures as well as ensuring responsible stewardship of public funds. Providers must add descriptions and details on how the usage of these services/supplies are needed to ensure the successful delivery of the contracted services and the achievement of program goals. Please ensure all services are supported by service agreements when applicable.
 - **BUDGETED AMOUNT** – Enter projected cost (based on equitable allocation methodology) of Service and Supply expenses to be charged to the program. Amounts entered should cover the period of the contract (typically 12 months/1 fiscal year).

SERVICES & SUPPLIES INDIRECT COST EXCLUSION

There are various services and supplies costs that must be excluded when determining the Indirect Cost amount. Exclusion rules apply based on the type of Indirect Cost Rate (ICR) used to determine Indirect Costs and to Capacity Building and Incentives related items. The exclusions must be entered in this section. More information regarding ICR is provided in the following section 6. **INDIRECT COST RATE (ICR) TAB.**

6. INDIRECT COST RATE (ICR) TAB

Often, organizations have various programs and different funding sources that benefit from organizational management and infrastructure and can be difficult to cost out to a specific dollar amount or percentage. These items can include critical oversight like the percentage of time the Executive Director spends on a particular program or more routine costs such as cleaning and maintenance. In those instances, providers may simply use the amount allocated under their indirect cost rate. An indirect cost rate is a percentage (indirect cost pool / direct cost base) used to distribute

indirect costs to all cost centers benefiting from those costs. Contract providers use these funds for administrative and organizational activities associated with program implementation. SAPC offers two ICR Options:

INDIRECT COST RATE OPTIONS

SAPC allows for two (2) Indirect Cost Rates options. An indirect cost rate is a percentage (indirect cost pool / direct cost base) used to distribute indirect costs to all cost centers benefiting from those costs. Contracted providers use these funds for administrative and organizational activities associated with program implementation. Options include:

OPTION A: Federally Approved Indirect Rate

Providers who receive direct federal funds may qualify for a Federally Approved Indirect Cost (FAIC) rate. Provider with a FAIC must use that rate as described in their approval letter. To qualify for this option, providers must attach a copy of their FAIC approval letter when submitting their budget. Please check with your assigned Contract Program Auditor to confirm SAPC has a copy of your approval letter.

OPTION B: 15% De Minimis Rate

If a Provider does not have a FAIC, the standard 15% De Minimis Rate must be used as the indirect cost rate. When completing the budget, simply select this option in the tool and no additional information is required. Please note that effective July 1, 2024, the De Minimis Rate increased from 10% to 15%. This rate may only be applied to budgets effective July 1, 2024 and after.

If the standard 15% de minimis Indirect Cost Rate (ICR) (Option B) is used to calculate ICR, some costs must be excluded from the total direct costs, which is referred to as the Modified Total Direct Cost (MTDC). MTDC **includes** all direct salaries and wages, applicable fringe benefits, materials and supplies, services, and travel costs. MTDC **excludes** equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs. If using the standard 15% de minimis ICR (Option B), list MTDC cost exclusions in this section (2 CFR §200.1).

- Costs **related** to patient care include all necessary and proper costs that are appropriate and helpful in developing and maintaining the operation of patient care facilities and activities. Necessary and proper costs related to patient care are usually costs which are common administrative costs, costs of employee pension plans, normal standby costs, and others. Allowability of costs is subject to the regulations prescribing the treatment of specific items under the Medicare program.
- Costs **not related** to patient care are costs that are not appropriate or necessary and proper in developing and maintaining the operation of patient care facilities and activities. Costs that are not necessary include costs that usually are not common or accepted occurrences

in the field of the provider's activity. The following are examples of costs **not related** to patient care:

- Cost of meals sold to visitors
 - Cost of drugs sold to other than patients
 - Cost of operation of a gift shop
 - Cost of alcoholic beverages furnished to employees or to others regardless of how or where furnished, such as cost of alcoholic beverages furnished at a provider picnic or furnished as a fringe benefit
 - Cost of gifts or donations
 - Cost of entertainment, including tickets to sporting and other entertainment events
 - Cost of personal use of motor vehicles
 - Cost of fines or penalties resulting from violations of Federal, State, or local laws
 - Cost of educational expenses for spouses or other dependents of providers of services, their employees, or contractors, if they are not active employees of the provider or contractor
 - Cost of meals served to executives that exceed the cost of meals served to ordinary employees due to the use of separate executive dining facilities (capital and capital-related costs), duplicative or additional food service staff (chef, waiters/waitresses, etc.), upgraded or gourmet menus, etc.
 - Cost of travel incurred in connection with non-patient care related purposes
- Additional information on costs related to patient care can be found in the Centers for Medicare & Medicaid Services Provider Reimbursement Manual-Part 1, Chapter 21: (<https://www.cms.gov/regulations-and-guidance/guidance/manuals/paper-based-manuals-items/cms021929>).

PART I: Budgeted Direct Costs

The following sections are used to determine your ICR. These fields are auto-populated from other sections of the budget. No action is needed from the provider other than to ensure the other sections of the budget are accurately completed.

1. Salaries/Wages & Employee Benefit
2. Facility/Facilities
3. Equipment and/or Other Assets
4. Services and Supplies
 - 4.1 Services & Supplies (part 2 of MTDC)
 - 4.2 Services & Supplies Indirect Cost Exclusions

PART II: Budgeted Indirect Costs

Contracted SAPC providers have two options to claim and calculate indirect cost rates (ICR): Option A - Federally Approved Indirect Cost Rate or Option B - the standard De Minimis rate of 15%. If you have a

valid federally approved ICR, use Option A; otherwise, use Option B based on the De Minimis rate of 15% of Modified Total Direct Costs (MTDC).

A. OPTION A: Use Valid Federally Approved Indirect Cost Rate (ICR) x Approved Base

Providers with a Federally Approved Indirect Cost Rate **MUST** use this rate. Federally Approved rates are limited to providers that receive DIRECT funding from the federal government. They have gone through an application process and have been issued an approved rate. These rates do have restrictions so providers may only claim allowed expenditures towards their rate. These restrictions are described in the federally issued approval letter. NOTE: You must attach a copy of the Federally Approval Letter to the budget summary and narrative.

a1. FEDERALLY APPROVED ICR – Enter approved ICR rate percent (you must attach a copy of Federally Approval Letter to the budget summary and narrative).

a2. ENTER BASE OF ICR APPROVED LETTER – Enter Base of ICR from approved letter.

NOTE: Refer to the “BASE” definition stated in your Federally Approval Letter to determine which cost categories are allowed in your base. For most organizations (but not all), the base is the total direct costs. Please adjust the formula to exclude costs not allowed in your base.

a3. INDIRECT COST = a1 x a2 – Indirect Cost (a1 x a2) = 5A is calculated by a formula and locked in a3.

NOTE: Enter “0” in b2 so two (2) ICR rates will not be calculated.

B. OPTION B: Use De Minimis ICR of 15% x MTDC

Providers without a Federally Approved Rate must opt for a standard 15% rate (De Minimis) to be applied to a broader group of budget items. The 15% De Minimis rate allows providers to claim 15% of the overall costs in the budget to be used for general administrative purposes. It offers a quicker and easier method for providers to support these costs and has been pre-formulated in the budget.

b1. DE MINIMIS ICR – 15% is the default rate that is formulated and locked in b1.

b2. ENTER MTDC (Part 1 of MTDC + Part 2 of MTDC) – Enter Modified Total Direct Cost (MTDC) = Part 1 + Part 2 of MTDC. Note that this section excludes expenses listed in Section 4.2 of the budget to ensure only allowable costs are included in the MTDC.

b3. INDIRECT COST = b1 x b2 – Indirect Cost (b1 x b2) = 5B is calculated by formula and locked in b3.

PART III: Income & Revenue Tab

This section is designed to summarize and capture revenue that supports the organization in addition to the funds generated by the program. There may be entries in this section that do not apply to all programs as fees are strictly prohibited. However, this section will highlight how the program and funds will be used to implement the program.

TOTAL BUDGETED EXPENSE – This amount represents the total expense as captured by other sections of the budget and is auto-populated. This can serve as a check for the provider to review the total organizational costs of implementing the program.

- **SAPC CONTRACT AMOUNT** – Enter the total maximum allocation amount as identified in your most current SAPC Contract/Agreement. If this action is budget related to a pending augmentation to increase the funding amount, then please enter the new amount.
- **PARTICIPANT/CLIENT FEES** – Some programs/services may allow for participants to pay for services (i.e., DUI). This field is used to capture any funds collected from participants that support the program. Note that the majority of SAPC contracted programs do not allow fees to be charged to program participants, including those funded by Drug Medi-Cal (DMC) except under very limited circumstances where a patient has a State-mandated share-of-cost. Enter participant/client fees that can be collected for similar services provided by this contract (if applicable).
- **(OPTIONAL) PROGRAM INVESTMENT FUND** – Providers must continue to evaluate their programs and organizations as part of continuous process improvement and identify investments that improve service outcomes and support the overall look and feel of the program. Investments can range from equipment, furniture, to minor remodeling; and may also include efforts to support staff development and retention. Providers may use this section to establish a savings fund to support these future investments. Program Investments must be exclusive to the services funded under this contract and must be clearly described. Note: Providers may not hold unreasonable reserves that negatively impact or impede the ability to deliver quality and outcome-focused services. Funds associated with this contract must be used to support the program, and as such the amount allocated under this budget may not exceed 1% of the total contract amount.
- **(OPTIONAL) SIXTY (60) CALENDAR DAY OPERATING RESERVE** – Government contracts may be impacted by a budgeting or contracting cycle that occurs with the end and start of every fiscal year. Though SAPC is committed to efficient and timely processes, there may be instances where providers may see interruptions in the timing of payments and reimbursement. To avoid cash flow issues, providers must maintain a 60-day operating reserve to avoid interruptions of services to patients, participants, or communities. Additionally, a 60-day operating reserve will allow the provider to better meet organizational requirements, such as salaries and facility costs. Providers may include in this section a portion of the funds needed to establish a 60-day operating reserve. Note: Providers may not hold unreasonable reserves that negatively impact or impede the ability to deliver services. Funds associated with this contract must be used to support the program, and as such the amount allocated under this budget may not exceed 1% of the total contract amount.

LIST OTHER INCOME/REVENUE SOURCES

Many organizations establish various funding and revenue streams to ensure fiscal viability and reduce reliance on a single source. This strategy is effective at establishing stable and successful service providers. However, it does require that organizations establish appropriate and accurate systems to

track and allocate costs and other financial activity. In this section, providers must enter all other revenue sources received by the provider. This information will help interpret other items in this section as well as facilitate the fiscal compliance review.

Enter all other income/revenue sources that can be collected for similar services provided by this contract. Examples may include, but not limited to:

- Private Funding/Donations
- Public Assistance
- Other government contracts/programs
- Private Insurance