

Budget Narrative Guidance for all Department of Transportation (DOT) Notice of Funding Opportunities (NOFO) in *GrantLens* Discretionary Awards

Rev: 06/01/26

The following text will be posted on the Office of Grants and Financial Assistance's (GFA) externally facing site:

[DOT Budget Narrative Guidance | US Department of Transportation](#)

The link must be included in all NOFOs to provide applicants additional guidance for application submission. This standard guidance will support DOT's determination of cost reasonableness and allowability of proposed costs under 2 CFR 200 and facilitate the future use of AI tools for this activity.

Revised: 06/01/2026

1. Budget Narrative Overview

The Budget Narrative (Narrative) explains how each amount in the SF-424A and SF-424C budget categories supports the proposed work and the total estimate to achieve the project goals and objectives. DOT Operating Administrations (OA) will use the Narrative to:

1. Support application evaluation.
2. Determine if additional documentation is needed to support a more detailed cost analysis in accordance with 2 CFR 200, Subpart E, if selected for award.

Only the SF-424A or SF-424C and the Budget Narrative are required at application submission. If the application is selected for award, the OA will conduct a more detailed cost analysis in accordance with 2 CFR Part 200, Subpart E to ensure proposed costs are reasonable, allowable and allocable to the award. The OA may request additional information or documentation pertaining to the application during the application review and evaluation process, or as part of the more detailed cost analysis in preparation for award. **All proposed costs are subject to negotiation.**

A well-developed Narrative also serves as an effective post-award monitoring tool for both DOT and the recipient, if the application is selected for award. Actual costs will be

monitored through post-award oversight activities to ensure reasonableness, allowability and allocability in accordance with 2 CFR 200.

The Narrative must describe how the proposed costs were calculated. The resulting costs must be summarized (rolled-up) using the SF-424A or SF-424C budget categories (Object Classes), depending on the nature of the proposed work. Unless otherwise specified in the Notice of Funding Opportunity (NOFO), applications should select the budget format based on the predominance of work being proposed to help ensure the most appropriate method of evaluation is used. **However, the “Construction” cost category on a non-construction application must not exceed 50% of the total proposed costs.**

2. Budget Review Process

DOT reviews applications using either construction or non-construction evaluation criteria. However, both the SF-424A and SF-424C include construction and non-construction budget categories, respectively. For example, renovations to space can be proposed in a non-construction application. Likewise, a construction application often includes related but technically non-construction activities such as development and design. In both cases, these activities should be relatively small portions of the overall planned project budget in accordance with the additional guidance provided in Sections 4 and 5 below.

A “Project Narrative” or “Project Management Plan” may be required by the OA as described in the NOFO, particularly for construction. The Narrative should complement these documents by providing any necessary additional information and summarizing the various project components into the standard budget categories (Object Classes) to support DOT review and analysis.

Core Requirements:

- Narratives must be clear, specific, detailed, and mathematically correct leading to proposed costs that are well-documented, accurate, credible and comprehensive.
- All proposed costs must be necessary to complete the proposed activities.
- Costs prohibited under 2 CFR Part 200 or applicable federal, state, or local laws and regulations must not be included.
- Applications should include reasonable contingency amounts to address foreseeable and quantifiable project risks within the applicant’s control. Contingency amounts must not include allowances for undefined scope changes, unforeseen events lacking a reasonable basis of estimate, or future appropriations risk.

DOT understands that proposed costs are generally based on estimates. The precision of the figures included in the SF-424A or SF-424C and the Narrative should reflect the associated cost uncertainty of these estimates.

The following are plain language definitions related to 2 CFR 200:

1. **Reasonable:** The proposed cost reflects what a prudent entity would incur under similar circumstances. In other words, the proposed costs are not too high.
2. **Allowable:** None of the proposed costs are disallowed by the NOFO, regulation, DOT policy or statute.
3. **Allocable:** All proposed costs can be assigned or attributed to the proposed activities in proportion to the benefits received.

The following plain language definitions of the estimate characteristics are used to determine cost reasonableness:

1. **Well-documented:** The Narrative includes sufficient information, logically and clearly presented, that illustrates how the estimate was derived.
2. **Accurate:** Calculations, assumptions, and supporting figures are internally consistent and mathematically correct.
3. **Credible:** The estimate appropriately considers the risks and uncertainties in the cost categories.
4. **Comprehensive:** No elements necessary for completion of the proposed activities have been omitted.

3. Funding Sources and Cost Sharing

Applicants must show how all funding sources (federal and non-federal) contribute to each of the proposed project activities, presenting data in both dollars and percentages. Cost sharing categories should include:

- Current Application: The specific amount requested in the application
- Other Federal Funds: Other federal grants awarded, applied for, or intended to be used
- Non-Federal: State funds, local funds, or private funds

If a project is planned to be completed in phases or contains multiple components, the Narrative should describe the approach, illustrate the cost for each phase, and describe how the costs are captured in the SF-424A or SF-424C. These details can instead be included in the “Project Narrative” or “Project Management Plan”, if required by the OA.

4. Non-Construction Budget Categories (SF-424A)

For proposed non-construction projects, the following additional DOT guidance is provided to supplement the standard SF-424A instructions posted on *Grants.gov*:

| | |
|-----------|--|
| Personnel | Salaries for employees working directly on the project. List each position by title and name (if available), including the percentage of time dedicated, the wage/salary, and total cost |
|-----------|--|

| | |
|------------------|---|
| Fring Benefits | FICA, health insurance, and workers' compensation. Must be calculated based on actual known costs or an established formula and only for the percentage of time devoted to the project. Personnel and Fringe categories must correspond; fringe cannot be paid for positions not listed in the Personnel section. |
| Travel | Itemize expenses by purpose (e.g., training, meetings). Include the method of travel, number of travelers, duration, and estimated costs (airfare, lodging, subsistence). |
| Equipment | Tangible property with a useful life of over one year and costs more than \$10,000 unless the applicant's policy states otherwise. Applicants should analyze the cost-benefits of purchasing versus leasing high-cost items and describe the results in the Narrative. |
| Supplies | Expendable items or those below the equipment threshold. Larger items like computers require quantity and unit costs. |
| Contractual | Services carried out by an individual or organization, other than the applicant, in the form of a procurement relationship, or project activities carried out by another entity through a subaward agreement. |
| Construction | The amount in this budget category shall not exceed 50% of the total proposed direct costs. Details must be provided in the Narrative. The SF-424C is not required but use of similar budget categories is encouraged, where applicable. |
| Other | Costs that do not fit any of the other categories include building rents, utilities, leased equipment, employee training tuition, etc. All budget contingency for lines (d), (f) and (g), if proposed. "Other" direct costs must be itemized. |
| Indirect Charges | See Section V below. |

5. Construction Budget Categories (SF-424C)

For proposed Construction projects, only the SF-424C is required. **For pass-through entities, an SF-424C is required for each planned subaward for construction.** The following additional DOT guidance is provided to augment the standard SF-424C instructions posted on *Grants.gov*:

| | |
|---|---|
| Administrative and legal expenses | Include estimated costs for local government staff or outside counsel supporting construction |
| Land, structures, rights of way, appraisals, etc. | Include site acquisition costs, including purchase, lease, or easements. |
| Relocation expenses and payments | Include advisory assistance and payments to displaced persons/businesses. |
| Architectural and engineering fees | Include engineering fees for construction, surveys, and tests |

| | |
|--|--|
| Other architectural and engineering fees | Include project management costs and all stages of development and design (e.g., conceptual, preliminary, final and production). |
| Project inspection fees | Include monitoring and audit costs. |
| Site work | <i>[None]</i> |
| Demolition and Removal | <i>[None]</i> |
| Construction | All labor, equipment rental, and materials necessary to execute the construction project beginning with the clean site. |
| Equipment | Purchase of equipment in lieu of rental; describe cost-benefit of purchase in the Narrative. |
| Miscellaneous | |
| Contingencies | Budget contingency only, which may include the cost impacts of schedule delay. Scope and schedule contingencies (if proposed) should be included in the Project Description. |
| Project (Program) income | <i>[None]</i> |

6. Indirect Costs (IDC)

Indirect costs are allowable for common objectives benefiting more than one project. Applicants must provide a current, fully executed indirect cost rate agreement with their cognizant agency or use the de minimis rate as described in the NOFO. Applicants that have never received a federally negotiated rate may elect to charge a 15 percent (15%) de minimis rate on the modified total direct costs. To use this rate, include a statement verifying that the organization has never received a negotiated rate and has elected the de minimis option.

7. Procurement Contracts and Subawards

Applicants should indicate whether they follow their own procurement policies or the Federal Acquisition Regulation (FAR). Applicants should reference internal policies and procedures for executing subawards.

For all procurement contracts, provide a description of the product or service, an estimate of the contract price, and, if available, the proposed vendor(s).

For all subawards, provide a description of the activities to be conducted by the sub-recipient, an estimate of the proposed cost, and, if known, the proposed sub-recipient(s). This information should align with the SF-424C for the proposed subaward.

Thresholds for DOT approval of procurement contracts and subawards will be provided in the award terms and conditions, if selected for award. In general, a separate justification will be required for sole-source contracts exceeding \$100,000.

8. Multi-Phase Funding Profile

For large, complex projects that require a multi-phase funding profile to meet objectives, either by separate fiscal year appropriations or project component under a single appropriation, the Multi-Phase Funding Profile table shall be provided with the application.

Multi-Phase Funding Profile Table

| | Phase 1: [Descriptor] | Phase 2: [Descriptor] | Phase 3: [Descriptor] | Phase 4: [Descriptor] | Phase 5: [Descriptor] | Total |
|---------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|-------------|
| FUNDING | | | | | | |
| Grant Funds | \$X,XXX,XXX | \$X,XXX,XXX | \$X,XXX,XXX | \$X,XXX,XXX | \$X,XXX,XXX | \$X,XXX,XXX |
| Other Federal Funds | \$X,XXX,XXX | \$X,XXX,XXX | \$X,XXX,XXX | \$X,XXX,XXX | \$X,XXX,XXX | \$X,XXX,XXX |
| Non-Federal Funds | \$X,XXX,XXX | \$X,XXX,XXX | \$X,XXX,XXX | \$X,XXX,XXX | \$X,XXX,XXX | \$X,XXX,XXX |
| Total | \$X,XXX,XXX | \$X,XXX,XXX | \$X,XXX,XXX | \$X,XXX,XXX | \$X,XXX,XXX | \$X,XXX,XXX |
| | | | | | | |
| Previously Incurred Costs | | | | | | |
| Federal Funds | | | | | | \$X,XXX,XXX |
| Non-Federal Funds | | | | | | \$X,XXX,XXX |
| Total Previously Incurred Costs | | | | | | \$X,XXX,XXX |
| | | | | | | |
| SCHEDULE | | | | | | |
| Planned Completion Date | mm/dd/yyyy | mm/dd/yyyy | mm/dd/yyyy | mm/dd/yyyy | mm/dd/yyyy | |
| Budget Period End Date | mm/dd/yyyy | mm/dd/yyyy | mm/dd/yyyy | mm/dd/yyyy | mm/dd/yyyy | |
| Period of Performance End Date | mm/dd/yyyy | mm/dd/yyyy | mm/dd/yyyy | mm/dd/yyyy | mm/dd/yyyy | mm/dd/yyyy |

Note: Examples of Descriptors may include Environmental Assessment, Development, Design, Construction, etc. If funding is proposed to be phased by separate fiscal year appropriations (as opposed to project phases under a single appropriation), this should be noted.