BEHAVIORAL HEALTH Fiscal Academy

CalMHSA
California Mental Health Services Authority

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Behavioral Health Fiscal Academy

BHFA Session 2

CalMHSA

Developing Grant Budgets

Grant Budgeting Fundamentals & Strategic Fiscal Alignment

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Learning Objectives

- Apply budget strategies based on the type of project
- Develop grant budgets that align with fiscal planning needs
- Learn grant budgeting fundamentals using a real-world example

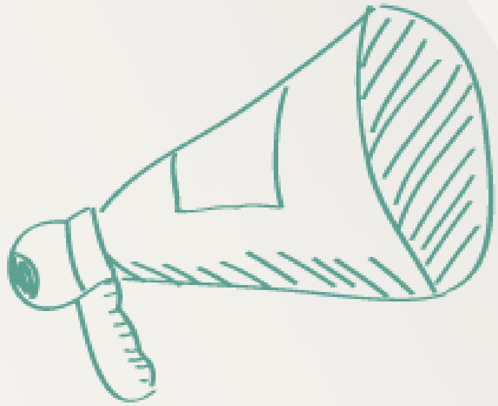
Session Roadmap

1. Grant Budget Fundamentals
2. Grant Categories and Types
3. Budget Line Items Across Grant Types
4. Program Income & Federal Match
5. Capital Budgeting
6. Strategies & Common Mistakes
7. Applying Concepts: BHCIP Bond R2
8. Pro Forma Deep Dive
9. Q&A

Grant Budget Fundamentals

BUILDING THE FOUNDATION FOR EFFECTIVE GRANT BUDGETING

Grant Budgets



The budget is an essential component of a grant proposal that presents a strategic narrative in numbers, showing the grantor:

- What you plan to do
- How you'll do it
- What it will cost
- Why it's worth funding and how it's sustainable

A well-crafted budget demonstrates:

- Alignment with the grantor's goals
- Feasibility of implementation
- Stewardship of the funds being requested

Grant Budget Fundamentals

1. **Collaborate Early & Often**
   A grant lead should be assigned, collaborate closely to ensure your budget matches exactly the vision for the grant-funded project.
2. **Read Guidelines Carefully**
   Start with mapping out (1) allowable costs, and (2) any match requirement.
3. **Use Detailed Line Items With a brief Narrative**
   Justify each budget item by linking it to the project's objective, even when narratives aren't required.
4. **Incorporate Administration/Overhead Costs Thoughtfully**
   Indirect costs are often limited by grant terms.
5. **Plan for Sustainability Beyond Grant Period**
   Consider what happens when grant funding ends and budget for future sustainability.

Grant Budget Categories & Types

EXPLORE COMMON GRANT CATEGORIES AND MAIN GRANT BUDGET TYPES

Common Grant Categories

Understanding the type of grant is essential for fiscal analysts to shape the budget. Below are several key grant categories commonly available to California counties.

Formula Grants

Formula grants are distributed to eligible recipients based on predetermined formulas,
which may include factors such as population size, need, or prior performance.

Competitive Grants

Competitive grants require applicants to submit proposals that compete for limited funding. Awards are based on merit, project design, and alignment with the grantor's priorities.

Performance-Based Grants

Performance-based grants allocate funding based on achieving specific outcomes or performance targets rather than expenditure alone.

Set-Aside Grants

Set-aside grants reserve a portion of funding for specific uses, populations, or programs as mandated by the grantor.

Grant Examples by Category

Formula	Competitive	Performance-Based	Set-Asides
- Mental Health Block Grant (MHBG) - Substance Use Prevention, Treatment, and Recovery Services Block Grant (SUBG) - McKinney Projects for Assistance in Transition from Homelessness (PATH)	- Homekey - Behavioral Health Continuum Infrastructure Program (BHCIP) - Certified Community Behavioral Health Clinic (CCBHC)	- Behavioral Health Bridge Housing (BHBH) - BH-CONNECT Incentive Payment (IP) for EBP Adoption	SABG - Perinatal - Prevention - Adolescent & Youth Treatment - Friday Night Live/Club Live/Prevention Services MHBG - Crisis Services - Early Serious Mental Illness (ESMI)
Predictable funding; ideal for baseline services.	**Requires strong proposals and readiness; often time-limited.**	**Tied to outcomes; demands robust data systems.**	**Targeted use; specialized design; reserved within larger grants.**

Types of Grant Budgets

Understanding grant categories is the foundation; the next step is exploring types of grant budgets. Below are key examples:

Startup Grant Budgets – Used for launching new programs or facilities. Includes initial hiring, training, equipment, and outreach.

Planning Grant Budgets – Supports activities like needs assessments, stakeholder engagement, and system design. Typically includes consultant fees, staff time, and travel.

Service Program Budgets – Tailored to fund direct client care (clinical FTEs, operations). Other funds drawn down from grant activities requires special considerations.

Capital Budgets – Focused on infrastructure, buildings, renovations, and equipment. Include soft costs (e.g., permitting, consultants) and hard costs (e.g., construction).

Startup Grant Budgets

Common Line Items to Plan For

Line items commonly included in startup grants:

- **Personnel** – Administrative support, outreach and engagement staff.
- **Short Term Operations** – Three or six months of program operating expenses.
- **Consulting & TA** – Planning consultants, evaluation & data specialists, legal or compliance advisors.
- **Training & Capacity Building** – Staff training (clinical, cultural competency, systems), certifications, technology onboarding.
- **Infrastructure & Equipment** – Office setup (furniture, computer, phones), EHR or billing systems, secure data storage.

Remember:
Startup grants may be offered as standalone opportunities or embedded within broader funding programs.
📌 *Example: CHFFA Round 3 allowed counties to fund capital projects **and** include up to three months of startup costs post-construction.*

Planning Grant Budgets

Common Line Items to Plan For

Line items commonly included in planning grants:

- **Community Engagement & Outreach** – Stakeholder meetings, focus groups, stigma reduction campaigns.
- **Needs Assessment & Data Collection** – Surveys and interviews, community mapping, gap analysis for behavioral health services.
- **Strategic Planning** – Development of integrated behavioral health plans, facilitation and consultant services, planning retreats or workshops.
- **Capacity Building** – Training for county staff and community-based organizations (CBOs), technical assistance, sustainability planning.
- **Evaluation & Reporting** – Development of performance metrics, data analysis and visualization, final planning report preparation.
- **Logistics & Materials** – Printing & translation of materials, venue rental for planning events, supplies for engagement activities.

Note: Examples only; always consult the specific grant documents for full budget line items.

Service Program Grants Budgets

Common Line Items to Plan For

- **Personnel** – Direct service providers (e.g., clinicians, counselors).
- **Supplies** – Medical or treatment-related supplies.
- **Equipment** – Specialized treatment equipment.
- **Training** – Professional development and certification.
- **Travel** – Client outreach, training, or interagency coordination.
- **Indirect Costs** – Administrative overhead.
- **Contractual Services** – Subrecipients or subcontractors providing services.
- **Data Collection/Reporting** – Costs related to monitoring outcomes and grant compliance.
- **Facilities/Lease** – Space rental for program delivery.
- **Community Engagement & Outreach** – Stakeholder meetings, focus groups, stigma reduction campaigns.

What If My Grant Funded Project Generates Income?

Program income is revenue earned from a grant-funded project. Grant documents typically outline how this income must be handled; if they do not, refer to applicable federal and state guidelines:

Federal Awards (2 CFR 200.307)

- Program income must be used for the original federal award purpose.
- Must be expended before requesting additional federal funds.
- Used during the period of performance or for allowable closeout costs.

State-Funded Awards (Standard Fiscal Practices)

- Program income isn’t governed by a single rule; each grant must be reviewed closely for individual terms.
- When program income guidance is not explicitly provided, BHT fiscal policy implies that revenue generated from state-funded activities should be managed under the same rules and objectives as the original funding source.

Leaning on BHT Fiscal Policy to Handle Program Income

Policy intent in Chapter 6: Establishes a “bill third-party first” expectation that functionally treats payer recoveries as revenue to be applied ahead of BHSA dollars for the same activity.

Operational requirements to secure third-party payment:

The Chapter 6 section **“Promoting Access to Care Through Efficient Use of State and County Resources”** includes two implementation areas:

C.2 – Securing Medi-Cal Payment (implementation expectations/steps for counties to obtain Medi-Cal payment before relying on BHSA).

C.3 – Securing Payment from Commercial Health Insurance (requires providers delivering **BHSA-funded services** that are **covered by commercial plans** to make a **good-faith effort** to meet specified billing requirements—again, operationalizing third-party-first).

Implication for “program income” in practice:

While Chapter 6 does **not** label this as “program income,” the combined effect of the **policy intent** (don’t use BHSA where other payers are primary) and the **operational sections** (C.2 and C.3) is that **revenues generated by BHSA-funded activities (e.g., Medi-Cal/commercial recoveries)** should be **captured first** and **used in alignment with BHSA rules and objectives**—which, in the absence of stated grant policy for handling state-funded program income, is a recommended approach.

Example for Handling Program Income

Scenario. Your county receives a **federal** workforce training **grant** to upskill behavioral health providers. You host quarterly trainings and charge **$75 per participant** to cover materials and venue.

- Those registration fees are program income because they are directly generated by an activity supported by the federal award.

Applying the uniform guidance under 2 CFR 200.307, you can:

- Collect the fees. 200 people register at $75 = $15,000 program income.
- Apply program income first. Use the $15,000 to pay allowable training costs (e.g., trainer fees, materials, room rental) before you request additional federal drawdowns for these same costs.
- Reduce the federal request (deduction method). Suppose the training's allowable costs total $60,000 this quarter. You must subtract the $15,000 program income and only draw $45,000 from the federal award for this cost period. (Net allowable costs = Total allowable costs − Program income used.)

Federal Dollars as a Federal Match

Federal funds cannot be used as a Title XIX match unless explicitly authorized.

Under Title XIX of the Social Security Act and 42 CFR Part 433, states and counties must provide a nonfederal share to draw down Federal Financial Participation (FFP) for Medi-Cal services.

The nonfederal share may come from:

- Patient care revenue
- State general funds
- Local funds
- Allowable non-federal grant sources

Real-World Example

MHBG is a federal grant designed to support non-Medicaid services for individuals with:

- Serious Mental Illness (SMI)
- Serious Emotional Disturbance (SED)
- Who may be ineligible for Medicaid or lack access to covered services

Meaning you cannot plan to budget your MHBG dollars to support Medi-Cal billable programs.

Key Takeaway: *Always verify whether a grant source is eligible to support Title XIX services—especially when planning match strategies.*

Capital Budgeting

Common Budget Line Items to Plan For

Soft Costs – Professional services, planning, design, legal, administrative, and related non-physical expenses.	**Hard Costs** – Primarily physical construction, property acquisition, and essential equipment.
• Legal fees • Insurance • Architectural and engineering design fees • Sustainable business plan/pro forma development • Stakeholder support and community engagement activities • Project management and administration • Technical assistance and consulting fees • Pre-application consultations and other application-related activities	• Construction expenses (building, rehabilitation, renovation) • Permitting and fees related to construction • Acquisition or purchase of property • Essential furniture and equipment (typically an allowable percent of total budget) • Site control costs (e.g., purchase and sale agreements, title reports)

Considerations for Developing Capital Budgets

Three Recommended Approaches

1. **Hire a Consultant / Architect**
   - Commission professional cost estimates tailored to project scope.
   - Estimates may be eligible sunk costs (pending award!)
2. **Leverage Historic County Capital Project Records**
   - Use past project budgets to estimate price per square foot.
   - Extract hard and soft cost components for similar facility types.
   - Adjust for inflation and unique project needs & add a buffer for unexpected costs.
3. **Use Publicly Available Data**
   - Reference state/local capital improvement plans and cost indexes.

Caution:
Your grant documents may specify how capital project estimates are derived, read them carefully to ensure your estimates follow the requirements.

Beyond Hard + Soft Costs

The fiscal analyst's role in budgeting for a grant-funded capital project goes far beyond estimating hard and soft costs or setting aside contingencies.

Establish a Pro Forma Budget – This is the financial blueprint for the facility's operations after construction is complete. It includes projected revenues, staffing, maintenance, and service delivery costs.

Demonstrate Long-Term Sustainability – Grantors want to see that the capital investment will result in a functioning, impactful facility—not just a completed building. A strong pro forma shows how the project will thrive beyond the grant period.

Integrate Business Requirements – Analysts must work closely with program leads and operational teams to understand service models, payer mix, and utilization assumptions that drive the budget.

Bottom Line: *A capital budget isn't just about building; it's about building something that lasts.*

Strengthening Your Grant Budgets

SMART STRATEGIES AND MISTAKES TO AVOID

Grant Budget Strategies

Budget planning tips counties can use to optimize budget design for project success:

Standards & Structure

- Use uniform accounting standards
- Integrate indirect cost rate principles
- Align budget structure with project type
- Document how the budget will be tracked and maintained

Planning & Forecasting

- Include reasonable contingency for unexpected costs
- Reference past county records to inform cost estimates.

Funding & Program Income

- Maximize funding sources to show efficiency
- Properly manage program income

Capital Budgeting

- Hire an architect when possible
- Treat estimates as sunk costs if allowed by the grant
- Invest time in developing a strong, sustainable operating budget for the facility post-construction
- Note: Professional estimates may be required by the grantor

Keep in Mind: *These strategies separate paper budgets from those that drive real project success and sustainability.*

Common Mistakes and Internal Controls

1. **Inaccurate Cost Estimates –** Budgets based on incorrect data or assumptions lead to funding shortfalls and credibility issues.
2. **Unrealistic Cost Estimates –** Budgets that overstate or understate true needs undermines confidence in fiscal management and may trigger audit findings.
3. **Match Requirements –** Confusing cash match for in-kind match, attempting to use an unauthorized source as a match, ignoring match timing requirements.
4. **Internal Assignments –** If you're one person tasked with managing outcomes, expenditures, reimbursements, and reporting, this is a potential red flag; role concentration poses risk. Where one-person coverage is unavoidable, implement strong internal controls.

Remember:
Strong budgets align with your project's goals, demonstrate readiness, and ensure sustainability.

Pause and Recap

CONSOLIDATING KEY POINTS BEFORE WE MOVE FORWARD

What We've Learned So Far

Before we move into applying these concepts to a read-world example, let’s pause and consolidate what's been covered:

- **Grant budgets tell a strategic story in numbers**—They communicate what you plan to do, how, at what cost, and why it's worth funding.
- **Understanding grant types is foundational**—Formula, Competitive, Performance-Based, and Set-Aside grants each shape budget design differently.
- **Different grant budgets serve different purposes**—Capital, Service Program, Planning, and Startup budgets each have distinct line items and planning needs.
- **Program income must be handled carefully**—Consider your project’s operations and whether it will draw down revenue.
- **Federal match rules matter**—Not all funding sources are eligible to be used as a match for Title XIX (Medi-Cal) services.
- **Capital budgeting goes beyond construction**—It requires highly informed budget estimates, sustainability planning & post-award operational design.
- **Strong budgets avoid common pitfalls**—Such as unrealistic estimates, misinterpreting match rules, and overloading single staff roles.
- **Strategic budgeting drives long-term impact**—Design the project with the grantor’s priorities in mind; clearly demonstrate how each dollar advances program goals and maximizes efficiency.

Putting It All Together

APPLYING GRANT BUDGET FUNDAMENTALS TO BHCIP BOND ROUND 2

Applying Fundamentals – BHCIP Bond Round 2

Now that we've covered foundational grant budgeting concepts, let's apply these principles to a real-world example: Behavioral Health Continuum Infrastructure Program (BHCIP) Bond Round 2 - Unmet Needs

Offers over $800 million to construct, acquire, and rehabilitate behavioral health infrastructure in California.

As fiscal analysts, your role is critical in developing compliant, realistic, and sustainable budgets that align with BHCIP requirements.

Let's find & cite our grant documents to identify:

- ❑ Allowable and special cost considerations
- ❑ The hard and soft costs to include
- ❑ General budget submission requirements
- ❑ The match requirements
- ❑ The expectations for a strong pro forma

Remember:
While this training aligns with BHCIP Bond Round 2, the budgeting principles and strategies can be applied broadly to future grant opportunities.

Allowable & Special Cost Considerations

Review grant documents and make note of allowable and special cost considerations

✅ ALLOWABLE COSTS

- Sunk costs to satisfy matching requirements if properly documented & approved (Bond R2 RFA, p.17-18).
- Pre-construction costs - permitting, surveys, engineering (Bond R2 RFA, p.18-19).
- Development costs involved in the planning and preparation of the project (Bond R2 RFA, p.18).

🚫 UNALLOWABLE COSTS

- Relocation
- Preservation of existing capacity
- Paying off loans/mortgages (BHCIP Bond Round 2 Informational Webinar Slides, p.46).

⚖️ CONSIDERATIONS

- Furniture, Fixtures, and Equipment (FF&E) capped at 10% of total budget and must be essential, permanently attached, and license-required (Bond R2 RFA, p.19; BHCIP Bond Round 2 Budget Glossary).
- Landscaping/hardscaping costs limited to 5% of total grant (Bond R2 RFA, p.17).
- Prevailing wage labor costs are allowable and **required** by CA Labor Code (Bond R2 RFA, p.19).

BHCIP Bond Round 2 Capital Budget: Allowable Hard Costs + Soft Costs

Not exhaustive, refer to the RFA and other grant documents for full scope of allowable hard + soft costs

Hard Costs

- **Land Acquisition**
  - Appraisal Fee
  - Land Cost or Value
  - Closing/Broker Fees
  - Legal
- **Rehab of Existing Facility or Ground Up Construction**
  - Legal
  - Construction Owner's Representative
  - Site Work
  - Materials and labor
  - FFE - 10% cap
  - Demolition
  - Builder's Risk Insurance
  - General Liability Insurance
  - Project Inspection
  - Urban Greening

Soft Costs

- **Feasibility/Due Diligence**
  - Insurance
  - Architect (schematic drawings/site study)
  - Engineering
  - Construction Owner's Representation
  - Prelim. Title report
- **Development Planning**
  - Legal
  - Architect (design & construction drawing)
  - Civil & MEP Engineer
  - Structural Engineer
- **Construction Permits/Fees**
  - P&P Bonds by General Contractor
  - Risk Insurance
  - Building Fees

BHCIP Bond R2 Budget Requirements for Estimates

Developing Hard + Soft Cost Estimates

- Use actual bid costs and/or professional estimates from your development team, which may include an architect, construction manager, general contractor, engineer, and/or attorney (BHCIP Bond Round 2 Budget Glossary).

- Accurate bids from qualified professionals are not optional—they're required for budget approval and project credibility.

- The budget instructions clarify that your budget submission must be accompanied by accurate bids from qualified professionals (Bond BHCIP Round 2 Form 2: Budget Template).

Understanding Match Requirements

Key rules for compliance and funding alignment

Match Obligation (Bond R2 RFA, p.15)

- Nonprofits and Local Governments (including Counties) must contribute a minimum 10% match, either in cash or in-kind, for the total Bond Funds requested.

Acceptable Match Source (Bond R2 RFA, p.16 - 17)

- Cash (strongest form) with documented availability (bank statements, grants)
- Real property used exclusively for the project with certified appraisal
- Sunk costs (capital expenses within one year prior to award date, properly documented)

Eligible Match Sources (BHCIP Bond Round 2 Informational Webinar Slides, p.24)	Not Permitted Match Sources (Bond R2 RFA, p.18)
• MHSA/BHSA • Local County Funds • Opioid Settlement Funds (verify use of OSF via BHIN 24-002) • Incentive Payments from Managed Care Plans	• **Services**: You cannot use the value of services (e.g., staff time, clinical services) as an in-kind contribution. • **Behavioral Health Subaccount**: Despite being a local funding stream, 2011 Realignment is not eligible as match for Bond BHCIP Round 2. • **State General Funds**: Any funding directly received from the State General Fund.

Pro Forma Budget Development for BHCIP Bond Round 2

General Requirements for the Pro Forma

- The pro forma must be a sustainable business plan with five-year projections showing income and expenses, reflecting future objectives and strategies for achieving them. (Bond R2 Form1 Application Questions, p. 8-9)
- The pro forma is a critical part of demonstrating operational sustainability post-construction and will be reviewed as part of the financial viability assessment. (Bond R2 RFA, p. 9, 14)
- It should demonstrate the capacity to sustain behavioral health services funded by the project, including Medi-Cal reimbursements and other payor sources expected for the facility. (Bond R2 Form1 Application Questions, p. 9-10)

Pro Forma Budget Development for BHCIP Bond Round 2

Content Considerations

- Include detailed revenue streams, such as Medi-Cal, private insurance, private pay, Mental Health Services Act (MHSA), Behavioral Health Services Act (BHSA), Substance Abuse and Mental Health Services Administration (SAMHSA) funds, and others. (Bond R2 Form1 Application Questions, p. 9-10)

- Provide anticipated percentages of individuals served by payor source to show expected funding mix for the duration of the 30-year service use restriction period. (Bond R2 Form1 Application Questions, p. 9-10)

- Demonstrate contingency plans for funding potential cost coverage beyond the grant award. (Bond R2 RFA, p. 9)

Bringing It All Together

FROM GRANT REQUIREMENTS TO FINANCIAL SUSTAINABILITY

What We've Learned So Far

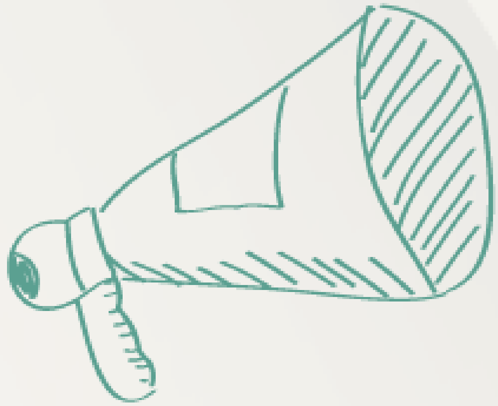
Before we move into a live demonstration of Pro Forma budget development, let's pause and consolidate what's been covered:

- **Reviewed BHCIP Bond Round 2** — a major capital grant opportunity with specific rules around allowable costs, match requirements, and budget structure.
- **Explored Hard and Soft Costs** — defining each and their role in capital budgeting.
- **Clarified Match Requirements** — including eligible and ineligible sources.
- **Introduced the Pro Forma Budget** — a five-year financial blueprint that demonstrates operational sustainability beyond the grant period.
- **Outlined Key Revenue Streams** — including Medi-Cal, MHSA, BHSA, SAMHSA, and private payor sources.

Putting It Into Practice

LIVE DEMONSTRATION OF PRO FORMA BUDGET DEVELOPMENT

Pro Forma Live Demo



We'll now switch screens and walk through how to apply the concepts from this entire session into a pro forma budget that reflects long-term operational sustainability for your program:

- Grant budgeting fundamentals
- Strategic alignment
- Compliance

This hands-on example will show how to:

- Build a realistic revenue and expense model
- Align service delivery with funding sources
- Demonstrate readiness for post-construction operations

Q&A

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Thank You!

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