Budget Basics for Grant Writing

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A HANDBOOK OF BUDGET BASICS FOR WRITING GRANT PROPOSALS

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Contents

Presented by FHSU Office of Scholarship and Sponsored Projects

FORT HAYS STATE UNIVERSITY
OFFICE OF SCHOLARSHIP
AND SPONSORED PROJECTS

Topics we will cover in this handbook:

- Developing a budget
- Direct costs
- F&A costs
- Cost Sharing and Matching
- Budget justification
- FHSU procedures for proposal submittal, including paperwork and special approvals

WHY DO YOU NEED A BUDGET?

What is a Budget?

Can you live with it?

- Estimated financial plan for a project
- Anticipated expenses
- Specified period of time
- Represents a financial picture of the project.

- The project budget is a document that will live with you for the entire duration of the project.
- Preparing it accurately, and presenting it as a well-organized component of the proposal is essential in applying for grants.

STEP 1: DETERMINE THE GROUND RULES

Find out the established budget regulations, including:

- allowable costs
- F&A rate
- cost sharing requirements
- limit on amount of request in certain budget categories
- minimum/maximum funding request
- required budget items

Allowable vs. Unallowable costs

HOW DO WE KNOW WHAT IS ALLOWABLE?

- FHSU/ State of Kansas policy
- Guidelines, Program Announcement, Request for Proposals, etc.
- [2 C.F.R. 200 Uniform Administrative Requirements](#), Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)

Allowable vs. Unallowable costs
Reasonable
      Allocable
      Consistent
      Conform to limitations or exclusions

Unallowable Costs

- Always check for special instructions in RFP
- Examples of unallowable costs:
  - Advertising and public relations costs (may be exceptions)
  - Fundraising costs
  - Alcoholic beverages
  - Entertainment costs
  - Subscriptions & memberships (may be exceptions)

RFP Examples

RFP EXAMPLE

US Department of Education, Title III Strengthening Institutions

- **Estimated Range of Awards**: $400,000-$450,000 per year.
- **Estimated Average Size of Awards**: $425,000 per year.
- **Maximum Award**: We will reject any application that proposes a budget exceeding $450,000 for a single budget period of 12 months. The Assistant Secretary for the Office of Postsecondary Education may change the maximum amount through a notice published in the Federal Register.

ALLOWABLE COSTS

National Collegiate Inventors & Innovators Alliance – Course & Program Grant Guidelines

- Eligible line items include: supplies, travel, technical services, expenses related to students' performing patent searches or creating marketing analyses, business plans, or prototypes.

- Ineligible expenses include overhead, faculty salaries, wages for students during the academic year, publicity expenses, and legal and other expenses of business formation or operation.

F&A RATES

- Kansas Health Foundation
    - 10% of total direct cost
- Murdock Charitable Trust, Research Grant
    - No indirect project costs.

COST SHARING REQUIREMENTS

- ABC Partnerships for Innovation
    - Cost sharing at a level of 10% of the requested total amount of grant funds is required for all proposals submitted in response to this announcement.
- DOE Implementation Awards Program
    - Funding: cost sharing on a minimum one-to-one ratio is a requirement for the implementation grants, i.e., for every dollar provided by DOE, the recipient must provide a dollar in cost share.

LIMITS ON CATEGORIES

NIH Centers of Biomedical Research Excellence

- An applicant must request a project period of five years and may request a budget for direct costs of up to and no more than $1.5 million per year, excluding facilities and administrative (F&A) costs on consortium arrangements. The applicant may also request additional direct costs in year one only of up to $500,000 as a one-time expenditure for Alteration and Renovation of laboratory or animal facilities.

REQUIRED BUDGET ITEM

NSF Biocomplexity in the Environment: Integrated Research and Education in Environmental Systems

- Budgets should include travel funds for Principal Investigators (PIs) to attend a workshop or meeting of those supported in this program every 2 or 3 years.

Read the application guidelines carefully.

STEP 2: IDENTIFY THE TOTAL COST OF THE PROJECT

Developing the budget is an excellent test of how clearly and completely the project has been described. The PI should be able to work through the narrative of the proposal and identify the costs to be included in the budget.

BASIC COST CATEGORIES

- Personnel (Salaries and Fringe Benefits)

- Consultant Costs
- Equipment
- Supplies and Materials
- Travel
- Other Expenses/Costs
- Facilities and Administrative Costs (F&A)

DIRECT COSTS VS. F&A COSTS

- **Direct costs** are those which can be readily identified with the project (i.e. PI salary, materials & supplies).

  - **F&A costs** cannot be specifically associated with one particular project (i.e. electricity, access to the library, your departmental secretary) Also known as:
    - facilities & administrative costs
    - indirect costs
    - overhead

Direct Costs

Diect Costs

SALARIES & WAGES

- Include any FHSU personnel who will be involved in the project and paid with the grant funds, including:
    - ◦ Faculty
    - ◦ Graduate and undergraduate students
    - ◦ Post-docs, technicians and other researchers

Do NOT include consultants and other non-FHSU employees as personnel.

SALARY AND FRINGE

- Employee benefits and payroll taxes must be included as part of personnel costs.
- include fringe benefits.
    - social security taxes
    - health, life & disability insurance
    - retirement
    - unemployment insurance
    - sick leave assessment

Salary – Show your work

- **Show calculations for salary**
    - FTE – Full Time Equivalent
    - Length of work
        - Academic year
        - Summer
        - 12 months
- **If less than 1.0 FTE, need to prorate fringe**
    - .25 FTE = 25% fringe

Summer Salary

- Applies to academic year (AY) faculty.
- Can be claimed only during the period when PI is not on regular AY appointment with the university.
- To calculate:
    ◦ 60% of 1/9 base AY salary
    ◦ Confirm agency policy.

Salary Increases

- You may factor in an annual increase (COL).
- Sorry – you can't get a raise just because you budgeted for it!

Fringe Benefits

- Rates are subject to change.
- Always check OSSP web site

STUDENT LABOR

Exceptions to the standard wage for student employees requires approval from the Vice President of Administration and Finance.

Email a request for a higher wage

- Include a brief summary including the funding source and justification

Detailed job description required to justify a higher wage

TRAVEL

- Itemize the cost of each trip, per person: airfare, lodging, meals, ground transportation, mileage, etc.
- FHSU/State of Kansas guidelines:
- FHSU mileage

Travel Rates

Use state rates for lodging, per diem and transportation
Use federal per diem rates if allowable

Show your work

Year 1: 3 staff to Washington DC for required project meetings
Airfare $400 x 3 = $ 1,200
Lodging $120 x 3 nights, 2 rooms = $720
Per Diem $ 39 x 5 days x 3 = $585
Total travel Year 1 federal meeting = $2,505

EQUIPMENT (CAPITAL OUTLAY)

- Tangible nonexpendable personal property having a useful life of more than one year and an acquisition cost of $5,000 or more per unit.
- If it doesn't fit this description, budget it under materials & supplies, or other.
- Attach quote(s) if possible.

MATERIALS & SUPPLIES (EXPENDABLES)

Include enough to supply funding for all activities in the project.

Examples

- laboratory & field supplies
- desktop computers
- software

SUPPLIES

- Office supplies
- Test protocols/commercial surveys
- Materials
- Computers
- Desks/chairs
- Books, cd-roms, dvds

CONSTRUCTION/RENOVATION

- Bids / estimates
- Dana Cunningham must be involved
- University procedures
- Federal Regulations

Dana Cunningham

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SERVICES

Include all expenses to be incurred for services during the project period, such as:

- media services
- consulting
  - clear statement of work
  - timeline
  - budget (usually just hourly rate)
- sample analysis

Contractual

Justify

- Who
- Why
- What
- When
- How
- Where

Other

- Keep this small
- What isn't covered in other line items
    - Examples
        - required fees, communication costs, printing costs

~~Training Stipends~~*
PARTICIPANT SUPPORT

- Number of trainees
- Time in training
- Obligations of trainees
- Evaluation – training outcomes
- How pay
- Show calculations

SUBAWARDS

- Whenever possible, identify in proposal; subject to sponsor approval.
- For all subawards, provide:
    - clear statement of work
    - budget detail

- Strongly recommended: involve OSSP early

F&A Costs

INDIRECT – F&A

Project budgets may include items for overhead costs.

Administrative costs of the day-to-day operation.

- percentage of the bookkeeper's salary
- cost of of facility
- electricity, heat, building maintenance
- the formula is usually based on federally negotiated indirect cost rate

F&A Costs

- F&A costs are not a just a charge the FHSU adds to proposals to make extra money.
- Rates are negotiated with a federal agency.
- F&A costs must be requested

F&A WAIVERS

- Must request permission to waive or reduce the F&A rate for a proposal.
- If the agency has a formal, written policy reducing or disallowing F&A costs, include documentation.
- Waiver request should be included with the internal approval

NON-FEDERAL BUDGETS

When Non-federal sponsors, such as foundations and non-profits, do not allow inclusion of F&A costs or include F&A at a greatly reduced rate, we may be able to include certain costs (that are normally considered F&A) as direct costs in our request

- Administrative/Clerical Salaries
- Postage
- Photocopy Costs
- Local Phone Service

COST SHARING AND MATCHING

The terms are usually used interchangeably:

Cost Sharing – agencies require that some part of the cost of a project be borne by the applicant institution.

Matching – Commitments by the university to spend its funds in a certain proportion to funds provided by the granting agency.

In kind/match/cost share

Costs of the project not paid by the grant:

- Mandatory vs. Voluntary
- Donated services or property
- In Kind – salaries/fringe, supplies
- Unrecovered indirect – with approval from funder
- Cash
- Third party contributions
- [The value of volunteers](#)

Mandatory Cost Sharing

Do NOT offer cost sharing unless required by the funding agency.

- Don't offer more than is required!

- **Do not quantify** FHSU commitment in budget or elsewhere in proposal—this is cost sharing and must be treated as such!

- Some agencies (NSF) do not allow cost sharing

CRITERIA FOR COST SHARING

The cost **must meet all of the following criteria** to be allowed as cost sharing:

- Verifiable – must track
- not counted as cost sharing on another project,
- necessary for the project,
- allowable under the terms of the award, and
- not paid with federal funds
- must be documented and auditable!!!

DOCUMENT COST SHARING

- Provide itemized description of costs.
- Identify the sources:
    - For cash contributions (i.e. salary, fringe benefits) identify budget number(s) & provide signature(s).
    - For in-kind contributions (i.e. discount on rental of conference facilities), include the basis for

value used.

◦ For third party contributions (i.e. salary of subcontractor), provide a letter of commitment with itemized description of costs.

STEP 3: PREPARE THE FINAL BUDGET AND BUDGET JUSTIFICATION

Budget

Proposal reviewers often look at the budget first.
Is it a reasonable representation of costs for your program?

Budget Narrative

- Basis for estimating the costs of personnel salaries, benefits, project staff travel, materials and supplies, consultants and subcontracts, indirect costs, and any projected expenditures

- How the major cost items relate to the proposed activities
- Makes your case for the specific items and requested amount

Budget Justification

BUDGET JUSTIFICATION

Gives rationale for items in the budget, including:

- The basis on which each cost was developed
- (i.e. identifies that a PI's base AY salary is used to calculate one month of summer salary).

The project narrative should support what is in the budget. Otherwise, explain here why the expense is relevant.

BUDGET NARRATIVE

- Clarify expenses
- Include calculations
- Justify unusual costs
- Use charts, tables, spreadsheets
- Include within the narrative or as a specific section

Reviewers Look For:

- How carefully you plan
- How much attention you pay to details
- How thoroughly you document and explain
- How realistic you are
- Assumes you manage time and personnel the same way you manage money

What are they looking for?

- accuracy
- compliance
- necessity
- reasonableness
  - agency's available funds
  - proposed scope
  - project tasks

WHO LOOKS AT THE PROPOSED BUDGET?

- The University
  - Chair, Dean, Provost
  - OSSP and Grants Accountant
- The reviewers
- The agency's program staff

• The agency's grants & contracts financial department

Ask yourself:

- Does the size of the budget match the size of the project?
- Is the addition correct?
- Is everything included?
- Is every item justified?
- Is the budget in line with similar projects
- Is the budget comparable to others awarded by the funder?

WORKSHEETS

Budget items and calculations for each item should be summarized on worksheets.

- reminder how the numbers were developed
- assists with funder discussions and reporting

Do not under or over estimate

Project your expenses as accurately as possible.

- Be certain that the expense estimates are neither too low nor too high.

- If underestimate costs -may not able to operate within the budget.

    ◦ have to go back to funders already supporting the project and ask for additional assistance or underwrite part of the cost of general operating funds.

- overestimating costs can mean returning unexpended funds

> **Don't Forget**
>
> - Check your calculations
> - Make sure any $$ changes are reflected in the narrative and/or budget justification
> - Link narrative and budget
> - Explain any unusual expenses

BUDGET AND JUSTIFICATION

- Be realistic for the scope of the project
- Explain costs in justification
- Take extra care with subawards
- Address cost share requirements
- **Contact for budget assistance:**

Rachel Depenbush
rdepenbu@fhsu.edu 628-4454

Prepare the Final Budget

Think ahead

- Don't forget inflation or increases in costs

    ◦ rent or annual salary increases

- A certain degree of variation is acceptable

    ◦ However if there's no way of knowing how much something is going to cost — tricky!

TERMINOLOGY HEAD'S UP

- Grants language
    - Honorarium, stipends, scholarships
- FHSU
    - Employee, independent contractor, scholarships

This becomes relevant after you have received your grant award!

PRE AGREEMENT COSTS

Costs incurred prior to effective date are not allowed.

BUDGET REVISIONS

- Before issuing an award, the agency may reduce or increase the amount of support for the proposed project.
- A change in budget should lead to a change in scope of work and vice versa.
- Requires FHSU approval of a revised budget.

What happens after the proposal is approved?

- Required to report back to the funder on a line item basis.
- Track expenses in WorkDay – time and effort
- Shifting money
    - 10% rule
- Good communication with grants officer

PREPARE THE FINAL BUDGET

- Use the agency's form, if they have one.

- Keep careful track on a spreadsheet of all calculations and rationales for budgeting decisions – you will be glad you did when you receive the award!

This is where you can add appendices or other back matter.