Developing a Grant Budget

Office of Sponsored Programs
Potter Hall 301
Key Topics

- What is a grant budget?
- Budget components
- Direct costs
- Indirect costs (a.k.a. Facilities & Administrative costs or F&A)
- Cost sharing
- Budget justification (or narrative)
What is a grant budget?

When submitting a grant proposal for external funding, the budget:

- outlines the project costs, and puts a price tag on the items and activities described in the project narrative;

- puts all costs in one place to help facilitate proposal review; and

- tells the financial “story” of your proposal.
Why is the budget the centerpiece of a proposal?

- Often reviewed before any other part
- Summarizes the proposal
- Defines costs for each year of the project
- Provides a quick way for reviewers to tell if the grant guidelines have been followed
Budget Principles

Sponsor

› Think about the budget when searching for a sponsor

› Be sure to read the guidelines and know the sponsor’s budget limit and allowable/unallowable costs

WKU

› Think about the budget **early** in proposal development

› Communicate with OSP as soon as you know you are going to submit a proposal. *We provide assistance!*
**Getting Started:**
Assess the Infrastructure

- What do you already have on hand to support the grant project?
  - personnel
  - space in and out of facilities
  - supplies
  - equipment
  - travel funds
  - internal and/or external support
Getting Started: 
Project Needs

- What do you need?
  - Personnel
  - Space
  - Materials/Supplies
  - Equipment
  - Travel funds
  - Other?

Hint --
Look to the proposal narrative (or project plan) to determine budgetary needs
Getting Started:
Budget Estimate

- Do the math! \[ \text{Need} - \text{Have} = \text{Ask} \]

- Make a “best estimate” of your needs
  - Don’t leave any gaps between what you say you need, what you say you have, and what you are requesting.
Basic Components of the Grant Budget

- **Direct Costs**
  - Personnel (salaries and fringe benefits)
    - Generally 60%–70% of total direct costs
  - Operating Costs (materials, supplies, travel, consultants, etc.)

- **Indirect Costs** (or Facilities & Administrative costs)

- **Cost Share**: Cash and/or In-Kind

Direct + Indirect + Cost Share = *Total Project Costs*
When the sponsor says it will award no more than $300,000, what does that mean?

- $300,000 including indirect costs?
- $300,000 plus indirect costs?

If it’s unclear, best practice is to assume indirect costs are included in the maximum.

*Still in doubt?* Allow OSP to contact the sponsor for clarification.
Budget Line Items: Direct Costs

- Salaries
- Fringe benefits (health insurance, FICA, retirement, etc.)
- Materials & Supplies
- Equipment ($>5,000 for single item)
- Travel
- Participant Costs
- Subcontract(s) (a.k.a. subgrant, subaward)
- Other Direct Costs
  - Consultant(s)
  - Student Tuition
  - Publication Costs
  - Etc.
Direct Costs: Salaries

- Determine personnel needed to accomplish project objectives and activities
- Determine the amount of effort each person will dedicate to the project
- Obtain current salaries for all personnel from OSP
- Determine if there are cost sharing requirements from the sponsor’s guidelines
- Determine how much of personnel effort you want the sponsor to fund and how much you want to cost share (only if cost sharing is required)
Direct Costs: Fringe Benefits

- **Fringe rates include:**
  - KTRS or KERS (or Optional Retirement Plans)
  - FICA
  - Unemployment (provided, but not charged to grant)
  - Workers’ compensation
  - Disability
  - Life Insurance
  - Health Insurance

- Fringe rates change often; check OSP’s [website](#) for the most up-to-date rates

- Fringe rates differ based on the employee’s position and classification
Direct Operating Costs

*Operating costs are the second part of the budget*

- Operating costs consist of the costs of the materials, methods (like travel), equipment, and other costs that enable accomplishment of objectives to solve the problem.

- Operating costs need to be defined in the itemized budget and budget justification.
Direct Operating Costs

- **Materials & Supplies**
  - Cell phones and telephones must be itemized, 100% allocable to the project, and approved by the sponsor
  - Federal agencies require postage to be itemized

- **Equipment**
  - Equipment is defined by Federal sponsors as => $5,000
  - WKU defines equipment as => $2,000

- **Travel**
  - Include airfare, mileage, per diem/subsistence, lodging, registration fees (if allowable)
Direct Operating Costs

- **Other direct costs**
  - Any other allowable costs that do not fit in a prescribed category
  - Be sure to itemize

- **Participant costs**
  - May include stipends, subsistence, supplies, tuition and fees, and/or travel costs

- **Subcontract (subgrant, subaward)**
  - Typically awarded to another collaborating institution or entity with substantial involvement in the project
What are Indirect Costs?  
(or Facilities & Administrative costs)

- General costs that cannot be attributed to any one project
- Cost of items that directly benefit the project, however, they are calculated indirectly (through a formula)
- Indirect cost recovery is reimbursement for real costs that have already been incurred

Support and/or administrative staff are included in the indirect calculation
Why Include Indirect Costs in a Proposal Budget?

- It’s impossible to do research/scholarly activities without buildings, labs, administrative support, libraries, utilities, etc.

- Funds are reinvested in research/scholarly activities to improve the University

- It is WKU’s policy to include full indirect costs (if allowed by the sponsor)
Indirect Cost Rates
(or Facilities & Administrative costs)

- Are based on the total value of research (both sponsored and non-sponsored) conducted at the University
- Are negotiated with a Federal agency

Current rates (Effective 07/01/11 to 06/30/15):
  - On-campus Rate: 42% of Modified Total Direct Costs
  - Off-campus Rate: 14.5% of Modified Total Direct Costs
Calculate Indirect Costs

- 42% \times \text{Modified Total Direct Costs (MTDC)}
  - MTDC = \text{Total direct costs minus equipment}
    \rightarrow $5,000 and minus that portion of each subaward in excess of $25,000

Calculate Total Project Costs

Total cash costs requested from a sponsor =

Direct Costs + \frac{\text{Indirect Costs}}{\text{Total Cash Requested}}
What is Cost Sharing?

“. . . that portion of the project or program cost not borne by the sponsor . . .” – OMB Circular A–110

To qualify as cost sharing, a cost must be:

- Necessary and reasonable for accomplishment of the project objectives
- Verifiable from the recipient’s records
- Allowable under OMB Circular A–21 (Section 23)

Un–recovered indirect costs may be included only with prior approval of the sponsor (usually stated in guidelines)
Cost Sharing Principles

- Look for sponsors that do not require cost sharing first

- But if you must include it, there are two kinds of cost sharing: **Cash** and **Non-cash** (or “In-kind”)

- Use only if the sponsor requires cost sharing

- Meet the minimum amount required

- Cannot use an existing grant, or a grant you hope to get, as cash cost share
WKU Cost Sharing Sources

- Departmental salaries and fringes (faculty and students)
- Materials and supplies
- Travel
- Equipment
- Unrecovered Indirect Costs (if allowable by the sponsor)

Who to ask for cost sharing dollars?
- Your department
- Your Dean’s office
- External partners
- WKU’s central administration
In-Kind Cost Sharing

- Certifiable, non-cash costs not drawn from any WKU account
- Must obtain a letter of commitment from any third-party providing in-kind cost share
- Examples
  - indoor and outdoor space totally dedicated to the project
  - equipment depreciation for items over $5000 totally dedicated to the project
  - volunteer salaries and fringes (excluding WKU personnel)
Potential to over commit
- Grant funding is extremely competitive, so institutions often submit many proposals but receive few awards -- but what if we get lucky? *If we promise it, we must pay.*

Offering cost share, even if it’s not required....
- Sponsors may think, “Does the institution have so much money it doesn’t need the grant?”
The Budget Justification

- Is a narrative justification of your costs
- Should follow the format of your line-item budget
- Describes all costs in terms of WKU and/or the standards of the sponsor
- Must fit within the sponsor’s guidelines
- Is where you “show your work”

Refer to the budget periodically throughout your proposal, as well.
For assistance with your grant proposal budget, contact:

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