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	WKU

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!   **Need - Have = Ask**

- Make a "best estimate" of your needs

  - Don't leave any gaps between what you say you <u>need</u>, what you say you <u>have</u>, and what you are <u>requesting.</u>

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*

Know the Sponsor's Budget Maximum

- When the sponsor says it will award no more than $300,000, what does that mean?
  - $300,000 <u>including</u> indirect costs?
  - $300,000 <u>plus</u> 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 <u>directly benefit</u> the project, however, they are <u>calculated indirectly</u> (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% x Modified Total Direct Costs (MTDC)**
  - MTDC = Total direct costs minus equipment =>$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
+   Indirect Costs
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:

- <u>Necessary and reasonable</u> 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 <u>do not require</u> cost sharing first

- But if you must include it, there are two kinds of cost sharing: **<u>Cash</u>** and **<u>Non-cash</u>** (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)

What is the Cost Sharing Problem?

- Potential to <u>over commit</u>
  - 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:

Office of Sponsored Programs
Potter Hall 301
270-745-4652
sponsored.programs@wku.edu

www.wku.edu/sponsoredprograms