



Developing a Grant Budget

Office of Sponsored Programs

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! **Need – Have = 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*

Know the Sponsor's Budget Maximum

- 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 (\geq \$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**
 - Computing devices must be essential to the project and charged only if the project doesn't have reasonable access to other similar devices
- **Equipment**
 - Equipment is defined by Federal sponsors as \Rightarrow \$5,000
 - WKU defines equipment as \Rightarrow \$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 (non-WKU personnel, tuition, cell phone allowance)
 - 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 07/01/15 to 06/30/19):
 - 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, tuition, and that portion of each subaward in excess of \$25,000

Calculate Total Project Costs

Total cash costs requested from a sponsor =

$$\begin{array}{r} \text{Direct Costs} \\ + \text{Indirect Costs} \\ \hline \text{Total Cash Requested} \end{array}$$

What is Cost Sharing?

“... that portion of the project or program cost NOT borne by the sponsor ...”

“...must be explicitly described in the notice of funding opportunity ...”

“...voluntary committed cost sharing is not expected... and cannot be used as a factor during the merit review of proposals...”

– OMB Uniform Guidance (2 CFR 200)

Cost share must be ...

- Necessary and reasonable for accomplishment of the project objectives
- Verifiable from the recipient's records
- Allowable under OMB Uniform Guidance (2 CFR 200)
- Contributed to only ONE award
- Provided in the approved budget when required by the agency

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
- Use only if the sponsor requires cost sharing
- If you must include it, there are two kinds of cost sharing: **Cash** and **Non-cash** (or “In-kind”)
- 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 \$5,000 totally dedicated to the project
 - volunteer salaries and fringes (excluding WKU personnel)

What is the Cost Sharing Problem?

- 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....
 - does not increase chances of an award and may indicate WKU does not need sponsor's funds.

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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