



# Don't Fudge It – Budget!

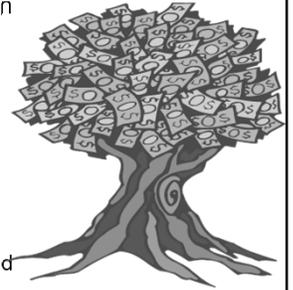
Presenter

Debra W. Posey, Grant Analyst  
Charles County Government

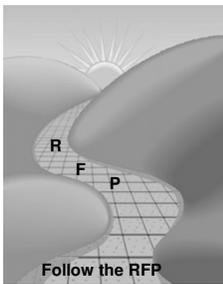
Aug 28, 2015

## What is a grant budget?

- Spending plan that breaks down how the funds will be used.
  - Broken out by revenue and expenses
  - Should be well thought out and reasonable
  - Should match your narrative
  - Presented in an easy to understand format
  - Should not be padded but should take into consideration inflation
  - Balanced



## Planning for the draft budget



- Restrictions / requirements outlined in the following:
  - Request for Proposal (RFP);
  - Request for Applications (RFA); or
  - Notice of Funds Availability (NOFA)
- Utilize application forms provided
- If no forms provided - use a spreadsheet
- Review any exclusions

## Planning for the draft budget

- If in doubt, call or e-mail funding agency - ASK
 

*Note: Each funder's requirements may be different*
- Work with your internal departments – utilize experts
  - Budget Department
  - Human Resources
  - Payroll



### Planning for the draft budget



- The Budget is one of the most important pieces of the grant proposal
- Consider
  - Who will work on the project
  - What resources are needed to support each task
  - Partner Agencies who will supply cash, items, or services

### Components

- Grant Funds
- Donations or other income source
  - Reliable Source
  - Used for program
- Earned Income
  - Interest
  - Membership Fees
  - Ticket/Publication sales
  - Other fees

### Revenue



### Components

### Revenue



- Matching Funds
  - The dollar amount that the grantee or other outside party agrees to contribute to the project.
  - Generally calculated on total project costs.

### Components

### Revenue



- Matching Funds
  - Source:
    - Cash – actual dollars contributed by the grantee.
    - In-kind – may consist of services, equipment, or products contributed to the project.
    - Program Income – income generated as a result of the award.

### Types of Matching Funds

- Cash
  - Approved by your organization
  - Not used as a match on another grant
  - Not federal to federal funds except where authorized by federal statute
  - If provided by partner agency, letter of commitment from appropriate authority



### Matching Funds



- In-kind
  - Services
  - Space
  - Waived indirect
  - Volunteers
  - Leveraged Resources
  - Other

### In-Kind Match

- Services:
  - Professional services to which a dollar value can be easily assigned?
  - Established tracking mechanism in place
- Space – use of office space at no charge – going rate and letter of donation of space
- Local volunteers from your community
  - [http://www.independentsector.org/programs/research/volunteer\\_time.html](http://www.independentsector.org/programs/research/volunteer_time.html)
- Indirect
  - Cost Allocation Plan is current and approved

Note: Completed sign in sheets need to be retained for the entire record keeping period required by the grant. To include Value of Services backup documentation.

**In-Kind Sign in Sheet**

Grant: \_\_\_\_\_

Date: \_\_\_\_\_

Meeting/Purpose of services: \_\_\_\_\_

Please print name legibly and sign.

	<u>Last Name</u>	<u>First Name</u>	<u>Signature</u>	<u>Time - In</u>	<u>Time Out</u>
1					
2					
3					
4					
5					
6					

*This tracking log can be established by individual or by quarterly period.*

In-kind Tracking Log						
Date	Individual	Start Time	End Time	Net Time		Net In-kind Contribution
				Spent	Cost/Hr	
9/16/2009	SAMPLE	08:00 AM	02:30 PM	6.50	\$ 60.25	\$ 391.63
				0.00	\$	-
				0.00	\$	-
				0.00	\$	-
				0.00	\$	-
				0.00	\$	-
				0.00	\$	-
				0.00	\$	-
				0.00	\$	-
				0.00	\$	-
				0.00	\$	-
				0.00	\$	-
				0.00	\$	-
				0.00	\$	-
				0.00	\$	-
				0.00	\$	-
				0.00	\$	-

In-Kind Work Report						
Name	Date	Start Time	End Time	Net Time		Net In-kind Contribution
				Spent	Cost/Hr	
John Doe	9/16/2009	08:00 AM	02:30 PM	6.50	\$ 60.25	\$ 391.63

Work Performed: 
*Sample: Work performed can be typed into this cell and it will automatically wrap the information. You can then make the row height to be set to the full length of the text and keep the log electronically. Once completed-hide any rows not completed then print and sign at the bottom.*

Name	Date	Start Time	End Time	Net Time		Net In-kind Contribution
				Spent	Cost/Hr	
				0.00	\$	-

Work Performed:

In-kind Value of Services by Individual
Name: _____
Title/Profession: _____
Company Name _____
Street Address _____
City _____
State _____
Zip Code _____
Value of Professional Service/Hr. _____
Signature: _____

Please provide backup documentation on official letterhead for value of professional service/hr.  
The volunteer agrees to keep a written log of work performed if for professional services.

Volunteer labor will be valued at the prevailing rate for the work being performed

**NOTE:** If services performed as a volunteer are not related to their profession, value should be based on general volunteer.

### Calculate Match

Column A	Column B	Column C	Column D
Grant Funds	Matching Funds	Total Funds	Match % of Total
<i>Amount you are requesting from grantor</i>	<i>Amount you are committing to the program by other means</i>	<i>Total of Grant Funds + Match Funds</i>	<i>Column B / Column C X 100</i>
\$ 50,000	\$ 16,650	\$ 66,650	24.98%

## Components

### Expenses

- Expenses must meet all of the following criteria:
  - Allowable – permitted under terms of grant agreement.
  - Allocable – chargeable to the grant in relation to the benefit received.
  - Applicable / Necessary - appropriate to the goals and objectives of the program.
  - Reasonable – not inflated or overcharged.

## Types of Expenses

- Personnel Services
- Fringe Benefits
- Travel
- Equipment
- Supplies
- Contractual
- Construction
- Other
- Overhead or Indirect Cost Recovery



## Personnel Services

- Key personnel
  - Who will be working on the program?
  - How much are they paid – salary / wages?
  - How much time will each work on the program?
  - What type of fringe expenses can we expect?

## Personnel Services

- Key personnel
  - Employment status
    - Independent contractor
    - Employee

<http://www.irs.gov/pub/irs-pdf/p1779.pdf>



## Personnel Services

- Employee
  - Will employment overlap fiscal years?
    - Have you budgeted for cola and step increases?
  - Differential for special skills or work load
    - Speak a foreign language
    - Work shifts
    - Position will require overtime
  - How will you sustain employment once grant funding is no longer available?
  - Notification that employment is dependent on grant fund
  - Is there space for the new worker(s)?

## Employee

- List personnel by job title.
- Calculate amount of effort.
- Will the position(s) need to be advertised or filled from within?
- Do not supplant with federal funds.



## Calculating Personnel Costs

Position	Annual Base Salary	Effort as a %	Total Cost
Case Manager	\$45,000	50%	\$22,500
Data Clerk	\$35,000	25%	\$ 8,750

## Fringe Benefits

- Consider fringe benefits at the maximum in the event of turnover

- Fringe Rate

- ✓ Pension/Retirement
- ✓ FICA & FICA/Medicare
- ✓ Health/Dental Insurance
- ✓ Disability Insurance
- ✓ LT Disability Insurance
- ✓ Unemployment Insurance
- ✓ Workman's Compensation
- ✓ Other

*Only fringe required on part time personnel*



### Calculating Fringe Benefits

SALARY	Rate	45,000	35,000	80,000
Pension	11.34%	5,103	3,969	9,072
FICA/Medicare	7.65%	3,443	2,678	6,121
Life Insurance	0.29%	131	102	233
Work Comp	0.18%	81	63	144
Long Term Disability	0.46%	207	161	368
Health/Dental	*	15,000	15,000	30,000
<b>TOTAL FRINGE</b>		<b>23,965</b>	<b>21,973</b>	<b>45,938</b>
<b>Fringe Factor = Total cost of fringe benefits / total salary or wages</b>				
<b>Fringe Factor</b>		= \$45,983 / \$80,000		57.42%

\*Not a factor but a fixed amount based on selection of benefits / year.  
Budgeted at maximum selection in event of turnover.  
If no turnover occurs, excess fringe will be reprogrammed to services.

### Total Cost of Personnel and Benefits

SALARY		45,000	35,000	80,000
Pension	11.34%	5,103	3,969	9,072
FICA/Medicare	7.65%	3,443	2,678	6,121
Life Insurance	0.29%	131	102	233
Work Comp	0.18%	81	63	144
Long Term Disability	0.46%	207	161	368
Health/Dental	*	15,000	15,000	30,000
<b>TOTAL FRINGE</b>		<b>23,965</b>	<b>21,973</b>	<b>45,938</b>
	<b>Fringe Rate</b>	<b>53.26%</b>	<b>62.78%</b>	<b>57.42%</b>

\*Not a factor but a fixed amount based on selection of benefits / year.  
Budgeted at maximum selection in event of turnover.  
If no turnover occurs, excess fringe will be reprogrammed to services.

### Total Cost of Personnel and Benefits

Position	Annual Base Salary	Effort as a %	Total Cost
Case Manager	\$45,000	50%	\$22,500
Data Clerk	\$35,000	25%	8,750
<b>Total Salaries</b>			<b>\$31,250</b>
Fringe Benefits	@ 57.42% rate		\$17,944
<b>Total Expense for Personnel and Fringe Benefits:</b>			<b>\$49,194</b>

Position	Annual Base Salary	Effort as a %	Total Cost	Fringe Rate	Fringe Benefits
Case Manager	\$45,000	50%	\$22,500	53.26%	\$11,983
Data Clerk	\$35,000	25%	8,750	62.78%	\$5,493
<b>Total Salaries</b>			<b>\$31,250</b>	<b>Total Fringe</b>	<b>\$17,476</b>
<b>Total Expense for Personnel and Fringe:</b>					<b>\$48,726</b>

### Travel



- Ensure Conference & Travel are an approved expense
- Local Travel
- Domestic Per Diem Rates  
<http://www.gsa.gov>
- Baggage Fees
- Taxi Fees
- Parking

## Equipment

- Has a useful life of more than 1 year and therefore is capitalized
- Value of \$5,000 or more
- Office furniture
- Computer equipment
  - Hardware and software approved by your IT department
  - Compatible with current system(s)
  - Internet Connection
- Vehicle
  - Purchase or Lease



## Supplies and Materials

- Value is usually less than \$5,000
- Expendable items that are not normally depreciated
- Examples:
  - Office Supplies
  - General Supplies



## Contractual

- For Services
  - Support Services
    - Legal
    - Accounting
    - Marketing
    - Consultant
  - Program Services
    - Client Services
  - Subrecipient(s) vs. Vendor
    - Determination
    - Letter of Commitment for grant application
    - If awarded, agreement between grantee and subrecipient(s)



## Contractual

- Contractor
  - Internal procurement policy on hiring of contractors?
  - Have you considered grant procurement limitations?
  - Will hiring require an RFP?
  - If sole sourcing, can you justify?
  - Link to IRS site for determination Independent Contractor (Self-Employed) or Employee?
   
<http://www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Independent-Contractor-Self-Employed-or-Employee>

## Vendor / Contractor or Subrecipient

**SUBRECIPIENT AND VENDOR DETERMINATION CHECKLIST**  
OMB Circular A-133.210

Contract Number: \_\_\_\_\_ Responsibility: \_\_\_\_\_ DUNS Number: \_\_\_\_\_ Date: \_\_\_\_\_

**Subrecipient and Vendor Determination**  
 (a) General: An auditor may be a recipient, a subrecipient, and a vendor. Federal awards expended as a recipient or a subrecipient would be subject to audit under this part. The guidance provided for goods or services provided. An award would not be considered a Federal award. The guidance in paragraphs (b) and (c) of this section should be considered in determining whether payments constitute a Federal award to a subrecipient or a vendor contract for payment of goods and services.

**SUBRECIPIENT (check YES or NO for each statement)**  
 (b) Federal Award Characteristics indicators of Federal award received by subrecipient are when the organization:  
 1. Determines who is eligible to receive what Federal financial assistance?  Yes  No  
 2. Has its performance measured against whether the objectives of the Federal program are met?  Yes  No  
 3. Has responsibility for programmatic decision-making?  Yes  No  
 4. Has responsibility for adherence to applicable Federal program compliance requirements?  Yes  No  
 5. Uses the Federal funds to carry out a program of the organization as compared to providing goods or services for program of the pass-through entity?

**VENDOR (check YES or NO for each statement)**  
 (c) Payment for goods and services:  
 1. Provides the goods and services within a normal business operation?  Yes  No  
 2. Provides similar goods and services within normal business operation?  Yes  No  
 3. Operates in a competitive environment?  Yes  No  
 4. Provides goods and services that are ancillary to the operation of the Federal program?  Yes  No  
 5. Is not subject to compliance requirements of the Federal program?

(d) Use of judgment in making determination. There may be unusual circumstances or exceptions to the listed characteristics. In making the determination of whether a program exists, the substance of the relationship is more important than the form of the agreement. It is not expected that all of the characteristics will be present and judgment should be used in determining whether an entity is a subrecipient or vendor. Judgment notes:

**Determination (check one)**  
 Subrecipient  Vendor  
 Organization Name: \_\_\_\_\_ DUNS: \_\_\_\_\_ ClogCode: \_\_\_\_\_  
 Contract Number: \_\_\_\_\_ Contract Manager Name: \_\_\_\_\_ Contract Manager Signature: \_\_\_\_\_  
 Date of Signature: \_\_\_\_\_  Yes  No Organization has not been suspended or debarred per verification in https://www.sam.gov/portals/pubs/GSAM as attached.

If the county enters into an agreement with a sub-recipient for greater than or equal to \$2,000 and the original grant award was a direct award from a Federal grant agency, the sub-recipient agency must complete the County's FICIS reporting form and the Department in charge of the grant must return to the Grant Analyst within 15 days of award to ensure timely reporting.

## Construction

- Made to Existing Capital Assets
  - Additions
  - Improvements
  - Renovations / Modifications
  - Replacements
  - Rearrangements
  - Installation
  - Alterations
- Acquisition or construction of new Capital Assets

## Other



- Advertising Costs
- Telephone(s)
  - Land Lines
  - Cell Phones
- Printing
- Postage
- Rent / Insurance
- Vehicle Repair
- Vehicle Fuel

## Budget Narrative

- Details behind your budget line items
- Written on pages immediately following your budget
- Should be in same order as your budget
- Keep notes as you build your budget and use to write narrative



## Facilities & Administrative (F&A)

### Indirect Cost Rate Overview

### Definition

- A Facilities and Administrative (Indirect) Cost Rate is a device for determining the proportion of an organization's general expenses each of its projects should bear.
- Consists of expenditures that cannot be associated with a specific grant or contract, but are inherently needed for support, development, and maintenance of the institution.
- It is a percentage rate negotiated with an institution's cognizant agency – the federal agency with the largest dollar value of awards to the institution.

Simplest approach - the simpler the approach, the easier to complete, but the less likely the resulting calculation will approximate the true indirect cost of your organization. But trade off is that it requires less accounting effort and supporting documentation and are more easily approved. Will probably result in a lower than actual indirect rate.

### Calculation

- The calculation is:  

$$\frac{\text{F\&A (indirect) Costs}}{\text{Direct Cost Base}} \times 100 = \text{F\&A Rate (\%)}$$
- More simply, the rate is the total F&A costs per major function divided by the direct cost base for that major function.

### Application of the Rate

- Not all grant awards allow for the recovery of indirect cost expenses.
- Awards do not necessarily allow recovery at an institution's approved rate.
- Application rates on grants are typically based on salaries/benefits or total direct expenses.

#### Disclaimer:

Under the new Federal Guidance, Federal agencies have to accept indirect rate, as approved, unless there is a federal statute to the contrary.

There is a new de minimus rate: Non-negotiated rate of 10%, For non federal agencies, Have never had a negotiated rate, Can be used indefinitely IF chosen, must be used across all federal grants until the non-federal entity decides to negotiate an indirect rate.

Organization cannot receive more than \$35 Million in federal funding . Under the new guidance, if you have a subrecipient under a federal grant, you must accept their federally approved indirect cost rate, or if there is no rate, then negotiate an indirect cost rate or permit the new de minimus rate of 10%. Can negotiate for an extension of your indirect cost rate for up to 4 years. (one-time)

## Considerations

- Most importantly, the first requirement for preparing an acceptable F&A cost rate proposal and maintaining supporting records, is an adequate accounting system.
- Although indirect cost recovery is a revenue to the institution, it is not guaranteed and should be not too heavily relied upon.

## Considerations

- When preparing grant budgets, the importance of recovering indirect costs should be weighed against direct program costs.
- A majority of funding sources restrict indirect cost recovery. [See disclaimer on previous page!](#)
- When a grant match is required, in many instances, uncollected indirect cost recovery is an allowable match.

## Other Issues



- Prepare a time line for spending that is aligned to programmatic time line
  - Mechanism for tracking need for extension or budget amendment
- CHECK computations
- Independent review
- Keep Working Papers

## Other Issues

- Last but certainly not least – consider:
  - Start-up grant - how will the services be sustained after the grant funds are no longer available?
  - Is commission/council/board aware that there may be a commitment to continue after funding subsides?
  - Do you really want to provide a service that you may discontinue?

## Other Issues

- Your grant gets approved:
  - You will be required to follow your budget and report on it accordingly
  - Budget modifications may be required if you anticipate overages in budget categories PRIOR to spending
  - You should review your budget to the program provided throughout the grant life cycle

## Budget Templates/Examples

Sample - Budget Worksheet				
(Insert project title)	YEAR 1	YEAR 2	Year 3	Amount
<b>Category: Personnel</b>				
Project Manager (-5% yrs 2&3)	\$ 30,677	\$ 32,211	\$ 33,820	\$ 939,360
Instructional Technology Coord. (-5% yr2)	\$ 10,000	\$ 11,188	\$ -	\$ -
Support Specialist (-5% yrs 2&3)	\$ 25,000	\$ 26,250	\$ 27,563	\$ -
Part-time Instructors	\$ 5,000	\$ 10,000	\$ 9,000	\$ -
Stipends	\$ -	\$ -	\$ -	\$ -
<b>Subtotal</b>	\$ 77,229	\$ 89,449	\$ 69,383	\$ -
<b>Fringe Benefits</b>				
Permanent staff (\$197,300 x 35%)	\$ 23,215	\$ 24,276	\$ 21,486	\$ 79,996
Part-time instructors (\$24,000 x 9%)	\$ 490	\$ 900	\$ 640	\$ -
<b>Subtotal</b>	\$ 23,695	\$ 25,176	\$ 22,126	\$ -
<b>Travel</b>				
Conference 1 (Insert \$5k)	\$ 2,400	\$ -	\$ -	\$ 14,175
Conference 2 (Insert \$5k)	\$ 1,500	\$ -	\$ -	\$ -
Conference 3 (Insert \$5k)	\$ -	\$ 1,050	\$ -	\$ -
Conference 4 (Insert \$5k)	\$ -	\$ 2,400	\$ -	\$ -
Conference 5 (Insert \$5k)	\$ -	\$ -	\$ 3,000	\$ -
Conference 6 (Insert \$5k)	\$ -	\$ -	\$ 1,800	\$ -
Local staff travel	\$ 375	\$ 375	\$ 375	\$ -
<b>Subtotal</b>	\$ 4,275	\$ 4,725	\$ 5,175	\$ -
<b>Equipment</b>				
Forklift purchase	\$ -	\$ 10,000	\$ -	\$ 145,445
Computers/hardware/software/connectors	\$ 99,350	\$ -	\$ -	\$ -
Software	\$ 5,700	\$ -	\$ -	\$ -
HP 4650 printer	\$ 1,450	\$ -	\$ -	\$ -
Global Positioning System (8420 x 15)	\$ 1,500	\$ -	\$ -	\$ -
Simulators (\$1500 x 15)	\$ 22,500	\$ -	\$ -	\$ -
<b>Subtotal</b>	\$ 135,445	\$ 10,000	\$ -	\$ -
<b>Supplies</b>				
Industry Forums	\$ 1,500	\$ 1,500	\$ 1,500	\$ 11,000
Career Counselor Forums	\$ -	\$ 2,500	\$ 2,500	\$ -
SkillsUSA workforce materials	\$ -	\$ 750	\$ 750	\$ -
<b>Subtotal</b>	\$ 1,500	\$ 4,750	\$ 4,750	\$ -
<b>Contractual</b>				
Consultant (curriculum design)	\$ 25,000	\$ 25,000	\$ -	\$ 140,000
Student Assessments	\$ 10,000	\$ 15,000	\$ 15,000	\$ -
Travel	\$ 10,000	\$ 5,000	\$ 5,000	\$ -
CLT Module production (81 @75 x 9 courses)	\$ 7,500	\$ 7,500	\$ -	\$ -
Counselor Forum speakers	\$ 57,500	\$ 57,500	\$ 25,000	\$ -
<b>Subtotal</b>	\$ 107,500	\$ 109,500	\$ 55,000	\$ 80,000
<b>Other</b>				
Marketing	\$ 17,500	\$ 30,000	\$ 32,500	\$ -
<b>Total Direct</b>	\$ 222,000	\$ 222,000	\$ 222,000	\$ 697,366
<b>Total Indirect</b>	\$ 34,999	\$ 34,999	\$ 34,999	\$ 34,999
<b>Grand Total</b>	\$ 256,999	\$ 256,999	\$ 256,999	\$ 732,365
<b>FORECASTED CASH NEEDS</b>				
Personnel	\$ 77,229	\$ 89,449	\$ 69,383	\$ -
Fringe Benefits	\$ 23,695	\$ 25,176	\$ 22,126	\$ -
Travel	\$ 4,275	\$ 4,725	\$ 5,175	\$ -
Equipment	\$ 135,445	\$ 10,000	\$ -	\$ -
Supplies	\$ 1,500	\$ 4,750	\$ 4,750	\$ -
Contractual	\$ 107,500	\$ 109,500	\$ 55,000	\$ 80,000
Other	\$ 17,500	\$ 30,000	\$ 32,500	\$ -
<b>Total Direct</b>	\$ 312,844	\$ 322,120	\$ 198,934	\$ 80,000
<b>Indirect</b>	\$ 15,993	\$ 11,090	\$ 7,047	\$ -
<b>Grand Total/Year</b>	\$ 328,837	\$ 333,210	\$ 205,981	\$ 80,000

Sample-Budget Narrative	
(Insert Project Title)	Amount
<b>Total Request</b>	\$732,366
<b>Personnel:</b>	\$236,360
<b>Project Director</b> – Mary Smith will devote 50% of her time to serve as project director. Current salary \$61,353 x 50% = \$30,677 year one; a 5% salary increase for year two \$30,677 x 5% = \$32,211 and a 5% salary increase for year three \$32,211 x 5% = \$33,822.	
<b>Instructional Coordinator</b> – Joe Smith will devote 20% of his time to the project during years one and two. Current salary \$53,257 x 20% = \$10,652 year one and a 5% salary increase for year two \$10,652 x 5% = \$11,188.	
A full-time <b>Support Specialist</b> will be hired for \$25,000 year one; a 5% salary increase for year two \$25,000 x 5% = \$26,250; and a 5% salary increase for year three \$26,250 x 5% = \$27,563.	
<b>Part-time Instructors</b> will be hired at \$30/hour x 800 hours of instruction = \$24,000.	
<b>Stipends</b> will be paid to instructors when they are learning to teach with technology and online. Calculation: \$100/day x 5 days x 30 instructors = \$15,000.	
<b>Fringe Benefits:</b>	\$79,996
Fringe benefits for permanent staff ( <b>Project Director, Instructional Coordinator</b> and <b>Support Specialist</b> ) were calculated at 35% of total salaries (\$197,300 x 35% = \$69,076). This amount was distributed as follows: Year 1- \$23,215, Year 2-\$24,276, and Year 3-\$21,485.	
Fica and workman's compensation for <b>Part-time Instructors</b> was calculated 8% of total salaries (\$24,000 x 8% = \$1,920). This amount will be distributed as follows: Year 1-\$480, Year 2-\$806, and Year 3-\$634.	