NEVADA GRANT LAB

Quick Guide to Preparing a Federal Grant Budget

8 Best Practices for Developing a High-Scoring Federal Grant Budget

About Nevada GrantLab

Nevada GrantLab supports nonprofit organizations and their government partners to access and administer federal grants that benefit Nevadans. Our work is backed by a network of passionate experts who provide guidance and technical assistance, and is made possible by generous philanthropic support.

Developing a federal grant budget and writing a corresponding budget narrative can be challenging– especially while navigating all the finance jargon, inconsistent formatting requirements, and rigorous scoring rubrics.

This guide will help you through it by sharing **8 best practices** to adopt in the budgeting process:

1. **Start Thinking About and Building Your Budget Early**
2. **Do Not Over- or Under-Budget**
3. **Calculate Your Budget Allocations**
4. **Go "All-in" on Cost Calculations**
5. **Use Estimates, Not Guesses**
6. **Identify and Avoid Unallowable Costs**
7. **Connect Costs to Outcomes**
8. **End by Checking Your Budget**

About the Expert

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1 Start Thinking About and Building Your Budget Early

When reviewing a Funding Opportunity and starting a grant application, the budget is one of the first and most important things to consider.

Read the Funding Opportunity announcement to identify all budget guidelines. Specifically, highlight details like the maximum and minimum award amounts, expenses that are allowable and unallowable, and expenses that are prioritized or discouraged.

Prepare a summary of key budget information that you can review throughout the grant development process.

2 Do Not Over- or Under-Budget

It is a common misconception that federal grant reviewers favor applications that promise big results from minuscule budgets. In fact, grant reviewers are skilled in detecting when budgets do not realistically support the proposed program. Reviewers are also trained to score unrealistic budgets poorly. Similarly, grant reviewers watch for and penalize budget requests that are excessive for the proposed program. Since federal grants require detailed documentation of expenditures, grant reviewers have ample opportunity to detect bloated budgets.

Equally important, should you somehow be awarded a grant despite over- or under-budgeting, you will be faced with a difficult long-term challenge. An under-budgeted grant can lead to program cuts or the need to raise more funds to fill the gaps. An over-budgeted grant can result in a surplus that must be returned or repurposed through a tedious amendment process. Each of these scenarios also risk a negative funder experience that can damage the odds of securing future grant awards.

Correctly calculating costs, including "allocations" and "all-in" costs, along with developing estimates and showing your work, are the best strategies for preventing over- or under-budgeting.

3 Calculate Your Budget Allocations

"Allocations" refer to the percentage of a general organizational expense, such as office space, that is needed to support a proposed program.

Allocations allow an organization to include the full cost of program implementation in a grant budget. For example, if a proposed program requires your organization's existing full-time bookkeeper to spend 2-hours per week for 26 weeks, and the bookkeeper's all-in cost is $60,000 annually, the allocation will be:

$$\frac{\text{2 HOURS PER WEEK}}{\text{40 HOURS IN A WEEK}} \times \frac{\text{26 WEEKS}}{\text{52 WEEKS IN A YEAR}} \times \$60{,}000 = \$1{,}500$$

**If allowable by the funding agency, include health coverage, workers comp, payroll taxes, or merit increases for an all-inclusive annual salary amount. See #4 below for more information.*

***Not sure exactly how many hours an employee might spend on a project? Use your best judgement to create an estimate. Then, if awarded, carefully track the actual hours spent to gain a greater understanding for the next grant cycle.*

When it comes to salaries, this calculation is also known as full-time equivalent hours (FTE). Table 1 provides more examples of calculating various expense allocations beyond salaries.

TABLE 1: Example Budget Allocations

EXPENSE	UNIT	ALLOCATION METHODOLOGY
Vehicle repair	Miles driven	A van is used for multiple programs. It drove 2,500 miles for the grant-funded program, and 7,500 miles total. Allocate expenses at 33%.
Facility	Square footage	The grant-funded program uses half the building. Allocate expenses at 50%.
Salaried employee	Hours worked	The bookkeeper works on the grant-funded project 2 hours of each 40-hour week. Allocate expenses at 5%.
Copier lease	Pages printed	3,800 of the 16,000 pages printed on the copier are for the grant-funded program. Allocate expenses at 24%.
Recruiting costs	Number of employees	8 of the 12 employees recruited in the funding period were recruited for this grant program. Allocate expenses at 67%.

NOTE: Your accountant or bookkeeper may already be using allocations for the organization's functional expense statement and can help determine allocations for various expenses.

3 Calculate Your Budget Allocations (continued)

When presenting your budget, be sure to show your math for how the allocation was calculated, instead of merely listing the cost.

EXAMPLE:
Don't: Postage: $275
Do: Postage for 500 letters sent with $0.55 first class postage: $275

4 Go "All-in" on Cost Calculations

Calculating "all-in" costs ensures a budget accurately accounts for all program costs. "All-in" costs refer to the total of all expenses that are related to an item.

Examples of all-in costs:
- An employee's salary includes health coverage, workers comp, payroll taxes, overtime, and bonuses.
- A vehicle includes insurance, fuel, registration, repairs, and maintenance.
- A facility includes insurance, utilities, repairs, and maintenance.

Depending on the funding agency requirements and the nature of the program being funded, intangible factors such as depreciation may also be incorporated into all-in costs.

5 Use Estimates, not Guesses

Federal grant budgeting is not a guessing game. Most expenses can be reasonably estimated by thinking carefully about what inputs and costs go into the expense.

For example, if a bookkeeper needs to dedicate hours to a project each month, but you are not sure exactly how many, discuss and assess the bookkeeper's scope of work to estimate the number of hours required. You may also identify a cost range, then calculate the average of the low and high ends of that range.

Expenses that have been thoughtfully estimated are not likely to end in round numbers, like $10,000, $25,000 or $50,000; those numbers are often the result of guesses. Revisit any expenses that have round numbers and develop a more informed and precise estimate.

6 Identify and Avoid Unallowable Costs

The Code of Federal Regulations (CFR) provides explicit guidance on which expenses are allowable and unallowable across all federal grants. Applicants are expected to understand and abide by this guidance. Further, each Funding Opportunity may also specify additional unallowable expenses for a specific grant.

Requesting funds for unallowable expenses will cost you points, reduce your chances of receiving an award, or even disqualify your application.

It is crucial to pay attention to any special guidance included in a Funding Opportunity, such as preference for proposals that limit personnel costs. In practice, that would mean leaving personnel costs out of the budget.

7 Connect Costs to Outcomes

An important and often missing component of a federal grant budget is an explanation of why each expense is necessary, and how each expense relates to achieving the proposed program outcomes.

For example, if the budget lists part of an employee's time, describe how that employee's time will be spent working on the program and helping achieve the desired outcomes. This rationale should be made clear in both the grant narrative and the budget sections of the application.

8 End by Checking Your Budget

Developing a grant application is an iterative process, often culminating with a final program proposal different from the original idea. Changes made to the grant narrative may affect the budget (and vice versa), so it is important to regularly review and update the budget to ensure it matches the evolving program narrative. **Be sure that the final budget clearly and realistically supports the final program proposal.**

Simplify the post-award management process by planning ahead and developing a strong budget up-front.

Developing a high-potential federal grant application requires time and intention. Avoiding common mistakes and adopting best practices will not only earn you more points on your application, it will also position you for successful post-award management.

For more information, visit www.ecfr.gov (2 CFR 200 Subpart E).

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