

---

## Building Fundable Budgets

I have been writing grants for more than fifteen years. During that time, I have secured more than \$138 million in grant funds for my clients. I also work as a proposal reviewer for a variety of state and federal funding agencies. Some of the agencies for which I review grant proposals include the United States Department of Agriculture Rural Utilities Service, Department of Energy, Department of Education, Department of Health and Human Services, Administration for Native Americans, the U.S. Treasury, and more.

Over the last six years, I have reviewed well over one hundred grant proposals, most of which were not funded. Overall, only about three percent of the proposals that my teams have reviewed have been awarded funding. In my experience as a reviewer, the budget and budget narrative are both key areas where many grant proposals fall short. Based on my experiences as a reviewer, it seems that a lot of writers view the budget as an afterthought, rather than the 'heart' of the proposal as it should be.

I frequently encounter poorly developed budgets that ruin otherwise good proposals. These budgets often contain mathematical errors, are loaded with expenses that aren't clearly related to the achievement of the project's goals and objectives, have ill-defined cost share or matching funds, or just do not follow the requirements outlined in the instructions.

Even the most well-written proposal narrative will not receive funding if the budget and associated budget narrative do not demonstrate that the applicant has carefully considered and defined the costs associated with the proposed program or request.

## Tips for Writing Fundable Budgets and Responsive Budget Narratives

### Build the Budget from the Bottom-Up

For applications to state or federal funding agencies, always build the budget from the bottom-up, not top-down. When developing a program budget for a grant proposal, many grant writers look at the maximum allowable grant request and then start building their budget, working backward from the maximum amount until they reach zero.

When this approach is used, there is a tendency to add unnecessary expenses to the grant

---

request just make certain that the maximum amount of funding is requested. For smaller requests, this is not usually a major issue. As long as the expenses are allowable and appropriate, this is generally acceptable for smaller requests. But for larger grant requests, budgets should be built from the bottom-up.

All funding requests should include the actual amount of funds required to carry out the program. They should not be inflated just to maximize the grant award—even if the request falls far short of the maximum allowable amount. With the grant seeking environment more fiercely competitive than ever before, reviewers are keenly on the lookout for bloated budgets that don't reflect actual, necessary expenses directly tied to the project's goals and objectives.

### **Link Budget Line Items**

Link Budget Line Items to program activities, objectives and outcomes. Don't make the reviewers try and guess how expenses support attainment of project goals and objectives. Clearly spell it out for them. Show that there is a clear linkage between individual line item expenses and your project activities and goals.

If there is space, I usually include a statement such as "supports attainment of objective X by facilitating activity Y." It is important that the reviewers understand that the expense is necessary and is not merely included in an attempt to increase the grant award.

My fellow reviewers and I have spent hours scrutinizing budgets in order to determine whether expenses were appropriate and necessary. Valuable points were lost in cases where there was no clear linkage established between certain expenses and project activities.

### **Clearly Explain How Costs Were Calculated**

A well-developed budget narrative clearly explains how the cost of each line item was calculated. This information is necessary in order for the reviewer to determine whether or not the cost is reasonable and appropriate to the size and scope of the project and its objectives.

For personnel costs, I like to show both an annual salary and hourly wage (e.g., 1 FTE @ \$52,000 per year or \$25 per hour). Travel costs should be broke down by air travel, hotel, per diem, and ground transportation. Consultants' fees should be broken down into an hourly rate (e.g., 250 service hours per year @ \$125 per hour). When costs are based on estimates or quotes received from potential vendors, be sure to mention that fact.

---

## **Pay Attention to Categories**

Be sure to read the funder's guidelines before preparing your project budget and to use the same budget categories that are outlined in the instructions. Miscategorized expenses appear unprofessional and show that the preparer was not familiar with the program guidelines.

For nearly all federal grants, standard categories include: personnel, fringe benefits, travel, equipment, supplies, contractual, and other. Some state funding agencies use the same categories while others use their own. If the federal categories are used, remember that any individual piece of equipment under \$5,000 should be listed under the 'supplies' category. Only individual items costing \$5,000 or more are to be listed under the equipment category. Also, any person for whom you will be withholding taxes should be listed under 'personnel,' not 'contractual.'

## **Cost Share or Matching Funds**

If the funder requires cost share or matching funds, the sources and uses of the cost share or match must be itemized and based upon current market prices (as are all other budget items). Cost share or match can either be cash or in-kind donations.

All items that require the exchange of money are regarded as a cash match or a cost share. This includes the costs of any salaries, supplies, travel, or other expenses that will be paid for by the applicant.

Any items that do not involve the transfer of money are classified as in-kind matches. In-kind contributions include donations of time, services, supplies, or equipment. However, not all funders or funding programs allow in-kind contributions to meet match or cost share requirements. Be sure to check the guidelines before listing in-kind contributions in your budget.

Also, read the guidelines to determine if the cost share or match must be based on the total grant request or the total cost of the project. Different funders and programs use various formulas to determine the amount of cash match or cost share required.

## **Adhere to the Regulations**

Budgets for many state and nearly all federal funding opportunities are subject to regulations that impact consulting services, the selection of services or products, discounts, and products

---

or services that will be provided by program partners. For example, Sections 80.36 and 74.40-74.48 of the Education Department General Administrative Regulations (EDGAR) state that applicants must use procurement procedures that support full and open competition. Thus, vendors cannot be selected prior to submission of the funding proposal. Once the funds are awarded, providers of the goods and services outlined in the budget must be selected using an open bidding process that permits all qualified parties to compete for the contract.

Before developing the budget the first step should be to read the proposal guidelines and follow them to the letter. Be sure you understand award parameters (e.g., minimum request, maximum award, eligible and ineligible expenses, match requirements, etc.). And when developing the budget narrative do not feel that you necessarily have to provide lengthy explanations—a five word response can be just as effective as a twenty-five word response.

Also, when justifying personnel, contractors, or vendors, if the necessary information is located in the proposal narrative, attachments, or appendices, it is perfectly acceptable to reference them instead of rewriting the information. For example, instead of rewriting information you have already presented, you could write “One full-time (1 FTE) Data Administrator to oversee and manage data collection, input and analysis as outlined in the proposal narrative on page XX.”

### **In Conclusion**

Using these suggestions as a guide and paying close attention to the instructions outlined in the request for proposals will get you on your way to developing a fundable budget.