



Helping you to be successful

Grant Proposals: The Budget Narrative

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Justify your costs

The budget narrative is a verbal justification for your line item costs. Requested budgets should be realistic and justified by the goals of the project. Once your ideas have begun to jell, budgetary elements such as personnel, materials/supplies and other relevant expenses will become evident. The budget narrative should show a relationship between the requested funds and project activities and outcomes. The text of the narrative should match the requested funds in the budget and should justify how the money requested for each budget item will be spent.

Important Notes

Be realistic. Request only enough money to do the work. Significant over or underestimating suggests that you may not understand the scope of the project.

Grants are not revenue! Expenses that exceed the budget approved by the funding agency must be absorbed by the grantee. Grant money not spent at the end of the project must be returned to the funding agency, although the funding agency might make an exception, especially if you are able to say that you will use the funds to continue working on the project.

Reasonable, appropriate and allowable. The budget narrative should “justify” all expenses as reasonable and appropriate for the project. Only request funds for items the agency allows.

Budget categories. The budget narrative should be developed in a parallel fashion to the budget detail and budget summary, showing the same major categories. Examples of typical budget categories are: personnel, supplies and materials, travel, equipment, contractual costs.

In the budget narrative, include the following information for each budget category:

Personnel Costs (includes salary and fringe benefits)

- Provide the title and duties of each position to be compensated by the project and explain why this position is necessary for the project.
- Provide the salary for each position. If fringe benefits are being requested, include the type of fringe benefits, the percentage rate, and the base on which they are calculated.
- Provide how much time each position will spend on the project.
- Show the math. Example: An individual budgeted at an annual salary of \$45,000 and working on the grant for 25% of his/her time, would equate with $(\$45,000) \times (0.25) = \$11,250$ for the first year. For a multi-year project, indicate if you are using a cost of living increase for subsequent years.

Supplies and materials

- Itemize the supplies by nature of the expense or by the general category (e.g. instructional materials, project supplies, etc.).
- Provide an estimate of the cost of each item.
- Explain the purpose of each item and how it relates to the success of the project.
- Show the math. Example: (15 TI-265 math calculators) * (\$23 per unit) = \$345.

Travel

- Explain the purpose of the travel and how it aligns with the project goals.
- Include an estimate for how many trips, who will attend, points of origin and destination.
- Explain the costs (e.g. airline tickets, hotel expenses, meals, etc).
- Show the math. Example: (120 miles/month on average) * (12 mos) * (\$0.585/mile) = \$842.40.

Equipment

- Identify each piece of equipment and indicate the estimated cost.
- Adequately justify the need for each item.
- Explain the purpose and how it relates to the project.
- Keep in mind the funding agency's definition of equipment. Example: The federal government defines equipment as unit pieces with a life of a year or more valued at \$5,000 or greater; however, your agency and/or the funding agency may have a different dollar figure for equipment. In your budget to the funding source, you will need to adhere to their definition of equipment.

Contractual Costs

- Provide the purpose and the relationship to the project.
- Describe the professional services to be provided and why this service must be used for successful completion of the project.
- Explain how much time the contractor will spend on the project.
- Show that the cost for the contractual service is in-keeping with local rates for similar services. If the contractor is nationally-based, then show that the contractual rate is the established rate the contractor uses for similar services in the nation.
- Show the math. Example: (5 days of professional development consultation) * (\$560 per day) = \$2,800.
- Note: Like equipment, the funding agency may specify a maximum allowable daily rate for consulting services.

Construction Projects

The budget narrative for Construction projects can vary significantly among funding agencies. Some larger projects may require more than one funding source. It is very important to carefully read the agency instructions to ensure submission of all the required information and materials.

Funding agencies will want to know the total cost of the project and what other sources of funds, if any, have already been secured. Identify all sources of construction income (including donations and gifts) that have been secured for the project, and include a detailed accounting of construction expenditures to date, if any.

Visual aids may be acceptable if supplemental materials are allowed by the agency. Supplemental items should complement the project; they should not be a distraction to the reviewers. Keep these items to a minimum, but provide enough information so that the reviewers can envision your project. Examples of supplemental materials include:

- photos of the landscape where the project will take place
- photos of current structure(s) if funding is for building renovations
- design plans
- architectural drawings

Note: Some agencies (i.e. government) require a design plan and certain specifications. Read and follow their instructions very carefully.

Indirect Costs (aka Facilities and Administration)

If your agency has an established indirect cost rate that it applies to grant proposals, indicate what this rate is and how the rate was derived. For instance, the federal government recognizes 'cognizant' agencies that have the function of establishing indirect cost rates for agencies submitting grant proposals. In North Carolina, the cognizant agency for a school district is the NC Department of Public Instruction which annually calculates the indirect cost rate for each school district in the state. A nonprofit agency may have their accountant establish an indirect cost rate for the agency which you could 'propose' to include for the purpose of your budget preparation. In the budget narrative, explain how you have applied your agency's rate to the budget. The rate may be applied to some budget line items (e.g., salary or materials) but not other budget line items (e.g., equipment or contracts of a certain size). Indirect cost rates are tricky...consult with your accountant!

Narrative Examples

The following examples illustrate how a justification for particular line item expenses might be written in a budget narrative:

- You want to pay \$1,700 for contractual services to design your website. In the budget narrative you would explain that the \$1,700 is based on an hourly rate of \$85/hour for approximately 20 hours of work. Note that the rate is commensurate with prevailing rates in your region of the country for this type of work.
- You want to reimburse personnel for travel. In the budget narrative you would justify this expense as deriving from your agency's rate for travel for the approximate number of miles to be traveled over the course of the grant ($\$0.585/\text{mile} \times 275 \text{ miles} = \160.88). Linking your

agency's established rate for mileage justifies for the funder that the reimbursement is in keeping with these standard rates.

- You want to hire someone to work on the project. In the budget narrative you would explain that the salary you intend to pay the individual is based on your agency's established salary schedule for this type of work, the degree required of the individual, and years of experience sought in the individual. If the position is a new position for your agency, you could show in your budget narrative that you have researched the salary for similar positions in agencies comparable to yours.

Helpful hints

- Tie your budget justification back to the project and to the budget detail ensuring that all costs and explanations are consistent.
- Always check and double check your math!
- Costs are easy for a funding agency to verify. Don't make them up!