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## A GUIDE TO PREPARING GRANT BUDGETS

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### Where do I start?

This guide will walk you through the process of developing a budget for grant proposals. To begin, here are a few basic guidelines:

- Always follow the directions of the funding organization, who may have a specific budget form or template that it wants you to use.
- Base the budget on real costs as much as possible. Sometimes you'll have to estimate what something might cost, but you should aim to use figures that are reasonably realistic. For personnel costs, work with your HR office to get figures you need. For materials, supplies, and equipment, research the cost of similar items or get quotes from vendors if applicable.
- Make sure that any activities you've outlined in the proposal narrative are represented in the budget.

### What format do I use?

If the funder does not have a specific budget form, you can create your own format or use the VSC Budget Template.

### How do I determine salaries for staff?

Figure out approximately how much time the person will devote to the grant-funded activities described in the proposal and come up with a percentage (salaried staff) or number of weekly hours (hourly staff). If a new position is proposed for the grant, talk with HR to get an estimate for an appropriate salary level.

For salaried staff, multiply the annual salary by the estimated percent to be spent on the grant.

**EXAMPLE:**

Staff Person A has an annual salary of \$60,000 and will devote 20% effort to the grant for one year:

→  $\$60,000 \times .20 \text{ effort} = \$12,000$  to be charged to the grant

For hourly staff, multiply the hourly rate by the estimated number of hours to be spent on grant activities.

**EXAMPLE:**

Staff Person B, with an hourly wage of \$15.00/hour, will devote 8 hours per week to the grant for 50 weeks:

→  $\$15.00 \times 8 \text{ hours} \times 50 \text{ weeks} = \$6,000$  to be charged to the grant

Sometimes you may need to calculate a bi-weekly amount. In this case, divide the annual salary by 26 (the number of pay periods per year).

**EXAMPLE:**

Staff Person C, with an annual salary of \$60,000, will devote 20% effort to the grant for six months (13 pay periods):

→  $\$60,000 / 26 \text{ pay periods} = \$2,308 \text{ per pay period} \times .20 \text{ effort} \times 13 \text{ pay periods} = \$6,000$  to be charged to the grant.

**How do I determine salaries for full-time faculty?**

First, determine the person's institutional base salary. This is defined by federal grant regulations as the annual compensation paid by an institution of higher education for an individual's appointment, whether that individual's time is spent on research, instruction, administration, or other activities. For faculty, a faculty member's contracted salary for the academic year is considered the institutional base pay.

During the academic year:

If the faculty is getting release time to perform grant-funded activities, first figure out what percentage of time will be spent on the grant. Faculty are typically required to teach 24 credits during the academic year, so divide the number of release time credits by 24 to get the percentage of effort. Then multiply the person's salary by that percentage to arrive at the salary amount to charge to the grant.

**EXAMPLE:**

Professor D has a salary of \$60,000 and will get 3 credits of release time during the academic year:

→  $3 / 24 = 12.5\%$  of time spent on grant activities  
→  $\$60,000 \times 12.5\% = \$7,500$  to be charged to the grant

The National Science Foundation (NSF) and the National Institutes of Health (NIH) require faculty time to be calculated in person months. To do this, divide the person's salary by 9 academic months to determine the monthly salary. Multiply 9 months by the percent funded by the grant, which will give you the number of person months. Then multiply the person months by the monthly salary. The following example uses the same figures as above but shows how to calculate this by person months.

**EXAMPLE:**

Professor D has a salary of \$60,000 and will get 3 credits of release time (12.5% of effort) during the academic year:

→  $\$60,000 / 9 \text{ months} = \$6,667 \text{ per month}$   
→  $9 \text{ months} \times 12.5\% = 1.125 \text{ person months}$   
→  $\$6,667 \text{ per month} \times 1.125 \text{ person months} = \$7,500$  to be charged to the grant

If you use the budget template, the formulas will calculate this for you.

Outside the academic year:

Calculate the monthly salary as explained above. Then multiply this by the number of months the faculty member will spend on the project outside the academic year and the percentage of effort.

**EXAMPLE:**

Professor D has a monthly salary calculated at \$6,667 and will spend 100% effort for two months in the summer.

→  $\$6,667 \times 100\% \times 2 \text{ months} = \$13,334$  to be charged to the grant

**How do I determine salaries for part-time faculty?**

Most part-time faculty are not funded by grants, but there are some instances where this is the case. For example, instructors in apprenticeship programs or other workforce development courses might be grant funded. Their salary should be determined according to the established agreements for part-time faculty. In other words, their grant-funded salary shouldn't be higher or lower than the salary they would normally receive for teaching a course if they were institutionally funded.

**How do I determine benefits?**

Different people on a grant may have a significantly higher or lower percentage of benefits than others, based on things like their bargaining unit and the number of dependents they have. That's why it's always a good idea to use actual figures in your proposals if possible, to make sure that you don't underestimate the amount of benefits you'll need.

- FICA: Make sure you include 7.65% of each person's salary for FICA, even if they don't have other benefits.

**NOTE:** *If students are included in your proposal, you do not need to include FICA for them during the academic year. If students are enrolled at least part-time at your institution, they are exempt from FICA. However, if they are working on a grant during the summer and aren't enrolled in at least six credits, FICA is charged.*

- TIAA: Members of the Staff Federation, PAT/SUP units, and non-bargaining units receive 10% of TIAA on the first \$40,000 of their earnings, and then 8% on earnings after this. Members of the Full-Time Faculty Federation receive 10% of TIAA on the first \$60,000, and then 8% on earnings after this. Members of the Part-Time Faculty Federation receive a maximum of 7% contribution, matched \$1 to \$1 of employee contribution.

**NOTE:** *Faculty do not receive TIAA benefits for work performed outside their academic year contracts.*

- Other Benefits: This includes medical, dental, and other insurance. It also includes the tuition waiver benefit. However, the tuition waiver benefit is not charged to grants.

Add the amount of the person's FICA, TIAA, and other benefits. Then divide this amount by the annual salary to get a percentage of benefits.

Once you know the approximate percentage of someone's benefits, you can multiply it by their salary to get the amount of benefits to include in the proposal. If you use the budget template, this will calculate for you.

**EXAMPLE – Salaried Staff:**

Staff Person F has an annual salary of \$60,000, with 45% in benefits and 20% effort:

→  $\$60,000 \times .45 \text{ benefits} \times .20 \text{ effort} = \$5,400$  in benefits to be charged to the grant

**EXAMPLE – Hourly Staff:**

Staff Person G, who earns \$20.00/hour, is estimated to spend 400 hours on grant activities and has 30% in benefits:

→  $\$20.00 \times 400 \times .30 = \$2,400$  in benefits

**EXAMPLE – Faculty:**

Professor H has an institutional base salary of \$60,000, with 50% benefits and 12.5% effort during the academic year:

→  $\$60,000 \times .50 \times .125 = \$3,750$  in benefits for the academic year

Professor H will also spend two months during the summer at 100% effort; the monthly salary is \$6,667. FICA (7.65%) is the only benefit charged.

→  $\$6,667 \text{ per month} \times 2 \text{ months} \times .765 \text{ FICA} = \$1,020$  in benefits for the summer

**How do I estimate salaries for multi-year grants?**

For estimation purposes only, you may want to increase salaries by 3% each year. However, this is solely a planning tool and is not an institutional commitment to a salary increase.

**What's the difference between equipment and supplies?**

As explained in Uniform Guidance, which provides regulations for federal grants, equipment is defined as items having a useful life of more than one year and a per-unit cost of \$5,000 or more. Supplies are defined as items with a per-unit cost of under \$5,000.

Private funders may use a different distinction, so follow their guidelines. Some funders may also want you to separate computer supplies from other supplies.

**What purchasing policies do I need to be aware of?**

See VSC Policy 429, which establishes purchasing thresholds. If the aggregate dollar amount of any goods, services, or equipment will be between \$25,001 and \$100,000, you will need to get a price quote from at least three qualified sources. If the aggregate dollar amount is over \$100,000, you will need to get a publicly solicited bid. If your proposal includes purchases that fall in these categories, you do not need to do any of this before submitting the proposal; however, it's important to know about the policy at this stage so you can be prepared to follow the applicable procurement process if you receive funding.

**How do I estimate travel costs?**

Travel costs include transportation to your destination, lodging, expenses for meals, and local transportation.

- Mileage: The VSC system follows the federal mileage reimbursement rate determined by the IRS. As it may vary slightly year-to-year, check the IRS website for the most recent amount: <https://www.irs.gov/tax-professionals/standard-mileage-rates>

- Flights: You must use economy class for any flights.
- Meals: You can use the GSA per diem rate to estimate the amount for meals on a daily basis. However, per VSC Policy 424, meals will be reimbursed at their actual cost (up to the GSA rate for Vermont). See: <https://www.gsa.gov/travel/plan-book/per-diem-rates/per-diem-rates-lookup>
- Conferences: Follow the funder's directions, as some might include conferences with travels and others might list them as a separate line item.

### What are participant support costs?

This refers to stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of students or non-employees in connection with conferences, training projects, or other grant activities. You'll often see this as a line item in TRIO, NSF, and NIH proposals, or other grants where student participants might travel or receive a stipend for their participation.

### What are indirect costs?

Indirect costs are costs that are incurred for common objectives and can't clearly be identified with a particular project or activity. Examples include rent, utilities, administrative support, and accounting services. These costs are sometimes referred to as "facilities and administrative" costs or "F&A."

### Why do I need to include indirect costs in my proposal?

Grants add to infrastructure costs borne by your institution. There are numerous costs associated with managing grants which aren't covered by grants, which is why it's important to collect indirect costs on grants whenever possible.

### How much indirect can I include on a grant?

It depends on the funder. Federal and state grants typically allow for indirect, while private funders rarely do. Federal regulations specify that if an institution has a federally negotiated indirect rate, this rate can be used unless the funder has mandated another rate. For example, many U.S. Department of Education grants only allow for an 8% indirect rate.

Each institution in the VSC has a federally negotiated indirect rate. Unless otherwise specified by the funder, you should use your institution's rate, as it's important to capture the full amount of allowable indirect whenever possible.

Indirect Rates		
<i>Institution</i>	<i>On-Campus</i>	<i>Off-Campus</i>
Community College of Vermont	58%	35%
Castleton University	70%	45.7%
Northern Vermont University	50%	20%
Vermont Technical College	58.6%	39.6%

### When should I use the off-campus rate?

The off-campus rate should be used for all activities performed in facilities not owned or leased by the institution and to which rent is directly allocated to the grant. If the institution pays for the site where the activity takes place, it can't be considered off-campus. For CCV, CU, and VTC: If more than 50% of the activities take place off-campus, the off-campus rate will apply to the entire project. For NVU: Costs must be apportioned between off-campus and on-campus activities, per the indirect rate agreement.

### How do I calculate indirect?

All VSC institutions have indirect agreements that are based on salaries and wages. This means that indirect costs can only be collected against salaries and wages. All grant-funded salaries and wages are included when calculating indirect, even if the employees don't have fringe benefits.

To determine the indirect costs to be charged to the grant, multiply the total of all wages (faculty, staff and students) by your institution's indirect rate. Do not include fringe in your calculation for the indirect costs.

#### **EXAMPLE:**

Castleton submits a proposal to Funder X that has \$100,000 in direct charges. The grant activities will take place on campus, so an indirect rate of 70% is used. Salaries make up \$50,000 of the grant costs.

→ \$50,000 of salaries x .70 indirect rate = \$35,000 of indirect charges

→ \$100,000 of direct charges + \$35,000 of indirect = \$135,000 for the full proposal