



Building Communities: Sharing Strategies to Secure Stimulus Funding

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The Budget Purpose

The purpose of the budget is to explain how much the project will cost. It also conveys a message about the degree to which the organization is well managed. A poorly prepared budget may raise questions about the organization's capacity to manage funds in general. Unrealistic salaries for staff (too high or too low), excessive funds for administrative overhead, a budget that doesn't jibe with the proposed program, or a total grant request that does not match the RFP guidelines will be a cause for concern on the part of the reviewer.

Best Practice: Where to Begin?

If you are new to the world of budgets, here are a few additional tips to help you get started. Preparing a budget is a process that can be broken down into a series of smaller steps.

Consider the following ten steps for developing the budget of a proposal:

1. Review the maximum and minimum for the budget from the RFP.
2. Estimate expenses.
3. Obtain cost estimates as necessary and determine if some cost estimates will be at an expense to the organization (engineering, etc.).
4. Determine if there is a matching component required.
5. Determine whether the organization can and will provide matching funds.
6. Estimate the donated goods and services match, if any.
7. Determine budget period, which is the length of time the budget covers.
8. Decide whether and how to include overhead costs (Does grant allow).
9. Estimate anticipated revenues for the project.
10. Check that the budget as a whole makes sense and conveys the right message to the funder.

--Carlson, Mim, and the Alliance for Nonprofit Management, Winning Grants Step by Step. (San Francisco: Jossey Bass, 2002), p. 54. (With additions and alterations)

Additional Resources

Proposal Budgeting Basics, Council on Foundations,
http://foundationcenter.org/getstarted/faqs/html/proposal_writing.html

Writing a Successful Grant Proposal, Minnesota Council on Foundations,
<http://www.mcf.org/mcf/grant/writing.htm#budget>

Matching

Some RFPs require a matching component. This means that your organization must come up with a portion of the cost of the project. For example, if the total project will cost \$100,000 and the matching is 80/20, your organization must come up with \$20,000 and the grantor will cover \$80,000. A cash matching will always work.

Some RFPs will allow matching “In-Kind.” An example of an in-kind might be the donation of time by a retired school teacher helping with after-school tutoring. Depending on the RFP, the cost of her time may be allowed as a matching.

You may also be able to fulfill a federal grant matching requirement with foundation grant funds; but there are no guarantees with any grant submission. You need a backup plan for your match.

A good thing about matching – if the RFP does not require a match, but you are providing some funding for the project as a match anyway, that may help to sell your proposal. You can include a description of the optional match into your proposal if it is applicable. (Keep in mind that some grant program officers prefer not to include voluntary matching. Check with the program officers directly to see if they want voluntary matching on your specific proposal.)

Direct Costs

Direct costs are line items on your proposal budget. Examples might include project salaries, equipment, travel, supplies.

Indirect Costs

Indirect costs are additional operating costs not listed as direct costs. They are sometimes referred to as “facilities and administration costs.” Examples of indirect costs might include use of equipment, payroll, general administration, utilities, office space, etc. These costs are usually based on a percentage of your direct costs and are usually assigned to you by the federal government. Your grant program officer can assist you in the process. The following federal website gives detailed information. <http://www.whitehouse.gov/omb/grants/attach.html#cost>

