

Budget and Budget Narrative/Justification

Most grantmakers will want to see two budgets: one for the proposed project and your organization's annual operating budget. In this article, we'll assume you already have an annual operating budget and concentrate on how to develop the project budget.

Start preparing your project budget by taking an imaginary shopping trip: purchase whatever you need for this project and don't tie your hands by thinking too small. Have fun as you consider the possibilities.

Make a list and don't forget to include salaries, consultant fees, office space, postage, travel, supplies, insurance, printing, and publicity. For instance, will you need to install a new phone line or lease equipment? Include administrative fees (indirect rate), usually 10-18% of the project budget. Keep this list for reference as you build the budget.

You won't think of everything the first time you make the list. You'll need to revisit the budget several times as you continue to develop the proposal, adding, and sometimes deleting, items.

Refer to the Plan of Action worksheet you developed earlier and go through every single action step. Add budget items to support the tasks. Can you account for all the salaried time, equipment, travel, and other expenses identified in the plan of action? Almost every task has an associated cost, so going over this worksheet is a great way to make sure you're covering all costs affiliated with the project.

If you think of a cost that you are sure to incur but that doesn't tie in with any of the plan of action items, then you've missed something in your plan of action. It's a good way to double check that everything is covered in both the plan of action and the budget.

As you build your budget, strive to show community support in the form of in-kind contributions of time, services, space, supplies, and so on. In-kind gifts refer to non-cash donations made to your organization, such as land, buildings, goods, and services. Note the estimated value of these commitments in the budget.

At this point, you will also need to consider evaluation costs. Though you have yet to design the evaluation component of the proposal, you will know by now whether it is needed to strengthen your project and make it adhere to the grantmaker's guidelines. Evaluation costs can include consultants' fees, testing, printing, attending a conference to disseminate results, or release time for staff to be trained or interviewed.

Make sure that the budget clearly differentiates costs to be met by the grantmaker from those covered by other parties. In addition, the budget should:

- Tell the same story as the proposal narrative, but in numbers, not in language.
- Be detailed in all aspects.
- Contain no unexplained amounts for miscellaneous or contingency items.
- Include all items paid for by other sources.

- Reflect volunteers' contributions and in-kind gifts.
- Detail fringe benefits, separate from salaries.
- Include all consultants' fees.
- List all non-personnel costs separately.
- Include indirect or administrative fees when appropriate.
- Be sufficient to perform the tasks described in the narrative.

Make notes explaining who provided you with quotes or how you reached a certain figure. This will help when developing the budget narrative and it strengthens your credibility with the reader.

The budget narrative is yet another place to reinforce everything you've explained in the grant request. It places all of the budget line items in context. Go through the entire budget and write one or two sentences to clarify how you determined the cost for each line item.

The most important thing to remember when developing the budget is that the more information you include in this section of the grant proposal, the less likely it is that questions will come up as the review board discusses your request.