

DEVELOPING A GRANT PROPOSAL AT YC

BUDGETING GRANT-FUNDED POSITIONS

OVERVIEW

- It can be surprising to learn how much it costs to include personnel in a grant budget!
- In addition to hourly wages or salary, there are additional costs for **employment taxes** (everyone) and for **fringe benefits** such as insurance and retirement (full-time employees)
- These expenses are also called ERE (employee-related expenses)
- For grant funded positions, there is also a third component, called **indirect costs**

ERE & EMPLOYMENT TAXES

- Employers must pay **employment taxes** equal to the amount of employment taxes that are withheld from employee paychecks
- These taxes apply to everyone whether they are part-time or full-time employees, and include:
 - FICA at **6.2%**
 - Medicare at **1.45%**
 - The college also must pay for workers comp. insurance for all employees (at **0.44%**)
- Combined, the college pays **8.09%** of wages for FICA, Medicare, and Workers Comp.
- Thus, **8.09%** is the ERE rate for casual, part-time

ERE & FRINGE BENEFITS

- Full-time employees receive full **fringe benefits**, which include:
 - Medical, dental, and vision coverage (average cost \$10,400 per employee per year, but it varies by employee depending on the specific elections they make)
 - Long-term and short-term disability insurance (0.14% and \$126.48 per year)
 - Life insurance (amount varies by salary)
 - Retirement benefits (12.03%)
 - Employer contribution to employment taxes and workers comp. (8.09%)
- In total, the fringe rate for full-time employees is usually in the range of 30% - 60%; since health benefits are a fixed dollar amount, lower wages equal a higher fringe percent
- Example: an employee making \$55,000 per year has an avg. fringe rate of 39.8%

INDIRECT COSTS

- **Indirect costs** (also called Facilities & Administrative Costs, F&A, or overhead) are administrative costs that cover the institutional costs of doing business (e.g., heat, lights, facility maintenance)
- The indirect cost rate is the percentage a grantee uses to computing the dollar amount it charges to the grant to reimburse itself for the indirect costs of a grant project
- Yavapai College has a federally approved indirect cost rate of **28%**, which is applied to wages and fringe only
- Sometimes the allowable indirect rate for a particular grant award may be capped by the funder at a lower rate, in which case YC can only use the rate allowed by the funder

GF1. [Direct versus indirect](#)

GF2. [ERE and Fringe Benefits Tool](#)

GF3. [Partial FTEs versus part-time employees](#)

GF4. [Examples of indirect costs](#)
GF5. [NICRAs and capped indirect costs](#)

BUDGETING GRANT FUNDED POSITIONS

DIRECT VERSUS INDIRECT COSTS

- Grant budgets usually include two types of costs: *direct costs* and *indirect costs*
- *Direct costs* are costs that can be identified specifically with a particular activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy
- Most of the items people think of when they build a budget are direct costs (wages, travel, supplies, etc.)
- *Indirect costs* are those costs that benefit many activities, such as building operations and maintenance, administrative personnel and systems, and other similar costs
- Also see 2 C.F.R. §200.402-413 (2 CFR Part 200 of the Code of Federal Regulations, 2019 [2 CFR 200 Grants and Agreements](#))

NICRAs AND CAPPED INDIRECT COSTS

- Most institutions of higher ed. have an indirect cost rate that they negotiate with a federal agency, resulting in a negotiated indirect cost rate agreement (NICRA)
- The YC Business Office is responsible for establishing and maintaining YC's NICRA
- Per our NICRA, YC's approved indirect rate is **28%**, which is applied to wages and fringe only; however, the allowable indirect rate for a particular grant may be "capped" by the funder at a lower rate
- When the *allowable* indirect rate for a specific grant is capped by the funder, YC cannot charge the full indirect costs
- The difference between YC's approved indirect rate and the allowable indirect rate for a particular grant is referred to as "unrecovered indirect costs"
- In some cases, unrecovered indirect costs can be used to meet matching or cost sharing requirements

EXAMPLES OF INDIRECT COSTS

- Classroom and laboratory space
- Building and grounds maintenance
- Other facilities
- Security and Campus Police
- Furnished office space
- Computers, FAX machines, photocopiers
- Utilities, telephone service, and internet
- IT services and infrastructure
- Clerical support staff
- HR and Business Office services and staff
- Directors, Deans, and Administrators
- Advertising and marketing for the college

- **INDIRECT COSTS ARE REAL COSTS!**

BUDGETING GRANT FUNDED POSITIONS

PARTIAL FTEs VERSUS PART-TIME EMPLOYEES

- One full-time employee equals 1.0 FTE (full time equivalent)
- Because full-time employees receive fringe benefits, paying for a partial FTE (part of a full-time employee's time) is much more expensive than paying for a similar number of hours using a part-time employee (maximum hours for part-time casual employee is 19.5 hours per week)
- Sometimes it makes more sense to use a part-time employee rather than a partial FTE, especially if there is no additional non-grant work for the full-time employee or if the position will go away after the end of the grant

Scenario A: full-time employee with benefits, position is funded by a grant

Wages	\$55,000.00	Per year (which equals \$26.44 per hour)
Fringe	\$21,895.50	39.8% of wages (estimate, varies by employee)
Subtotal	\$75,895.50	Wages plus fringe without indirect
Indirect	\$21,530.74	28% of combined wages + fringe
Total	\$97,428.24	1.0 FTE = 40 hours per week
0.4875 FTE	\$47,982.79	0.4875 FTE = 19.5 hours per week of effort

Scenario B: part-time employee with no benefits, position is funded by a grant

Wages	\$26,810.16	\$26.44 per hour X 19.5 hours per week X 52 weeks per year
Fringe	\$2,168.94	8.09% of wages
Subtotal	\$28,979.10	Wages plus fringe without indirect
Indirect	\$8,114.15	28% of combined wages + fringe
Total	\$37,093.25	19.5 hours per week
Difference	\$10,889.54	Compare: about half of a full-time employee versus a part-time employee at 19.5 hours/week

MULTI-YEAR BUDGETS

- Multi-year grant budgets should include annual wage increases for both full-time and part-time employees
- An increase of +3% per year is a good estimate
- The **Wage Progression Tool** will help calculate wages for multi-year budgets

COST SAVINGS

- The difference in cost between 19.5 hours per week of a full-time employee (a partial FTE at .4875 FTE) versus a part-time employee at the same wage working 19.5 hours per week is significant
 - Part-time employees are not always the best solution, but sometimes they are worth considering