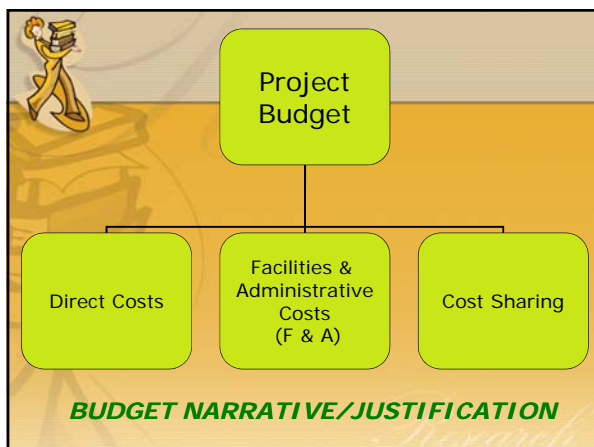





Budget Purpose & Elements


- Present & justify financial needs to fulfill the scope of the project
- Provide a roadmap for successful progress of work
- Reflect project goals financially
- Be clear & realistic
- Conform to regulations & policies
 - Federal
 - Agency
 - Institutional
 - Program specific






Where to begin...

- Review Agency Guidelines
 - Determine Allowable & Unallowable costs
 - Determine the F&A (Facilities & Administrative) Cost Rate Allowed by the Guidelines/Agency
 - Determine if Cost Share is Required



Next, think about the Project

- Operationalize the project
 - Think "Direct Costs"
- What will it take to get the work done?
 - Time & Effort
 - Equipment
 - Supplies
 - Travel
 - Support



Budgeting Basics: Direct Cost Budget Sections



Budget Sections

- Direct Costs
 - Personnel/Labor Costs
 - Salary, Wages
 - Fringe Benefits
 - Non-Personnel Costs
 - Equipment
 - Travel
 - Subcontracts
 - Consultants
 - Commodities & Supplies
 - Other
- Indirect Costs



Direct Costs: Salary & Wages

- Determine the appointment type:
 - Academic Year
 - Calendar Year
 - Summer Appointments
- Consider other staff:
 - Undergraduate Students
 - Graduate Students
 - Post-Docs
- Use Person Months and/or Effort %
- Include Cost of Living increases
- Ask about potential pay increases due to Promotion and tenure



Direct Costs: Fringe Benefits

- Know your current institutional rates
- Know how rates are applied



Direct Costs: Equipment

- Be aware of the differences in definitions between your institution and the sponsor.
- Apply the Federal Government's current defining threshold: minimum of \$5,000 for equipment
- Consider Maintenance Contracts for purchased equipment



Direct Costs: Travel

- Review Institutional Policy and Agency Guidelines
- Distinguish between Domestic & Foreign Travel
- Use Federal International Per Diem Rates for federally sponsored foreign travel

http://aoprals.state.gov/content.asp?content_id=184&menu_id=78



Direct Costs: Subawards

- Definition: An agreement with a third party for conducting a portion of a project's scope of work
- Ensure costs are reasonable, allocable, and consistently treated
- Include Scope of Work, a detailed budget, and an institutional letter of commitment signed by the Authorizing Organizational Representative from the subcontracting entity



Direct Costs: Consultants

- Definition: Individuals retained by the project to provide professional advice or services for a fee and not responsible for a portion of the project/research (helping)
- Obtain a projection of costs for the services provided and a letter of intent to work with the project




Direct Costs: Supplies

- Ensure items are Program/Project related
- Verify costs are reasonable and consistently applied
- Apply inflationary adjustment for multi-year projects




Direct Costs: Other

- Potential other costs to include:
 - Communications
 - Publications
 - Animal Care Costs
 - Human Subject Costs
 - Maintenance & Service Contracts
 - Rental/lease of facilities
 - Graphic Arts/photographic services
 - Construction/renovation/remodeling costs
- Must be allowable, allocable, reasonable




Budgeting Basics: Cost Sharing



Cost Sharing: Definitions


Cost Sharing: The portion of the project/program costs shared by the institution

- Required/Mandatory: Required by the sponsor
 - ❖ Recipient must provide a percentage of the project's budget
- Voluntary Committed: Offered by the Grantee, but not required by sponsor




Cost Sharing: Definitions (cont.)

- Matching: A type of cost sharing, where the institution will match the financial value of the sponsor's grant to help fund that specific project
- In-Kind: A type of cost sharing, where costs are borne by an external organization, for example when individuals at another organization volunteer their time.




Cost Sharing: Examples

- Academic Time & Effort not budgeted in the proposal
 - Salary over the Cap
- Un-Recovered F & A
 - Difference between the Institution's rate and the agency's allowed rate
- Equipment purchased during project period
- In-kind services, Volunteers



Budgeting Basics: Indirect Costs

Research




Indirect Costs (F&A): Definition

Facilities and Administration Costs:
Costs incurred for common or joint activities and that cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity.

Associated with the institution's real costs to conduct research


Research



Indirect Costs (F&A)


- F&A costs are applied as a percentage of direct costs
- The percentage applied (F&A rate is typically federally negotiated by a cognizant agency
- Modified Total Direct Costs (MTDC): Common Base method for calculating the F&A Amount on a proposal
 - All direct costs minus exclusions

Research




Indirect Costs (F&A)

- MTDC exclusions
 - o Equipment (\$5,000+)
 - o Subcontracts greater than \$25,000
 - o Tuition Remission
 - o Participant or patient care costs
 - o Space Rental
 - o Construction
 - o Alteration
 - o Scholarships & Fellowships
 - o Renovations




Indirect Costs (F&A)

- MTDC Example:
 - o Salaries = \$50,000
 - o Equipment = \$25,000
 - o Supplies = \$5,000
 - o Subcontract = \$35,000
- Total Direct Costs = ?
- MTDC = ?
- F & A costs = ?
- Total Budget Requested = ?




Budgeting Basics: Other Budget Considerations




Budget Justification

- Financially operationalize the project in narrative form
 - Scope of Work
- Detail costs clearly explaining how costs were calculated
- Compare justification with the budget
- Explain all proposed expenses and verify that all expenses are allowed



Finally...

- Double check the math
- Double check the F&A Rate Calculation
- Double check the Subcontract information: Scope of Work, Budget, Institutional Letter
- Double check the Budget Justification for clarity and alignment with numbers



Closing Thought

The National Institutes of Health website states:

"We do not expect your budget to predict perfectly how you will spend your money five years down the road. However, we do expect a reasonable approximation of what you intend to spend. Reviewers want to see that you understand the scope and breadth of your project."

<http://nexus.od.nih.gov/nexus/nexus.aspx?ID=256&Month=06&Year=2009>

