

# Creating a Budget for a Sponsored Research Project

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Office of Sponsored Projects Administration  
Office of Grants and Contracts Accounting



# What is a Budget?

- Best estimate of financial resources needed to accomplish a project
- Includes a Budget Justification which provides an explanation of included costs

$$\begin{array}{r} \text{Allowable Direct Costs} \\ + \text{Allowable Indirect Costs (F\&A)} \\ \hline = \text{Total Project Costs} \end{array}$$

Allowable means the costs are:

- Reasonable\*
- Allocable\*
- Consistently applied\*
- Agreeable with Sponsor specifications

\*These terms are taken from the Uniform Guidance

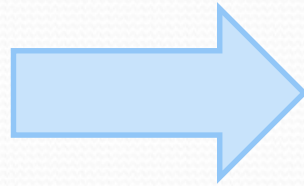
# Creating a Budget

- 1 Review solicitation and guidelines from the Sponsor
- 2 Determine and compute the allowable direct costs
- 3 Calculate the allowable indirect costs
- 4 Develop and format the budget
- 5 Create a Budget Justification

# Review Solicitation and Guidelines

## Review:

- Sponsor Guidelines
- The Solicitation
- Request for Proposal (RFP)



## Look for:

- Duration of the project
- Budget max amounts
- Budget limitations and restrictions

Specific Sponsor/application questions?  
Call your unit grant administrator or SPA

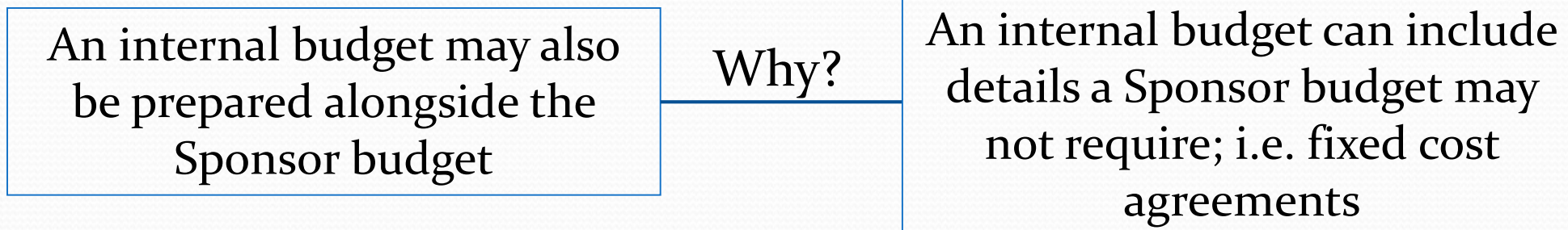


Having the program guidelines in the Cayuse file is necessary when developing budgets and other required proposal elements

# Review Solicitation and Guidelines

## Keep in Mind:

- You will need to create and submit any budget that is necessary for the Sponsor (formats/specifications vary from Sponsor to Sponsor)



- A budget justification will most likely need to be included with the budget.
- Check to see if the solicitation requires mandatory cost share. If not - do not include cost sharing as part of the budget

# Direct Costs

- Determine and specify what *direct* expenses fit within the Sponsor guidelines and are necessary to complete the project

## Common Direct Costs

- Salary/wages and fringe benefits for all personnel (including students)
- Travel costs (both domestic and foreign)
- Equipment (  $\geq$  \$5,000)
- Materials and supplies
- Subawards (including both direct and indirect costs)

## Other Direct Costs

- Tuition
- Participant support costs
- Publication costs
- Consultant services
- Patient care costs

*This list is not all-inclusive*

# Direct Costs

## Personnel Costs – *Salary/Wage Expenses*

- Salary is calculated using 3 basic salary/wage bases:
  - **Calendar Year (CY)** – 12 months
  - **Academic Year (AY)** – 9 months
  - **Summer Term** – 1-3 months

Sponsors may impose a salary cap. Check the Sponsor guidelines to be sure you do not exceed this amount

An effort-to-months conversion table is available in Cayuse SP

# Direct Costs

## Personnel Costs – *Effort Calculations*

### *(1) Principal Investigator (PI)*

- *AY appointment, Salary of \$63,000*
- *Monthly salary of \$7,000 (one-ninth of the AY)*
- *25% of the AY effort would equate to 2.25 AY months ( $9 \times .25 = 2.25$ )*
- *The budget figure for that effort would be \$15,750 ( $\$7,000 \times 2.25$  AY months)*

### *(2) Principal Investigator (PI)*

- *CY appointment, Salary of \$72,000*
- *Monthly salary of \$6,000 (one-twelfth of total CY salary)*
- *25% of the CY effort would equate to 3 CY months ( $12 \times .25 = 3$ )*
- *The budget figure for that effort would be \$18,000 ( $\$6,000 \times 3$  CY months)*



# Direct Costs

## Personnel Costs – *Salary Cap*

- Specific Sponsors or awards may limit personnel salaries
- It is recommended that salaries be increased at a rate of 3% per year when making future year budget estimates

## Example

PI salary: \$200,000/year

Salary Cap = \$189,600 (*subject to change*)

If the effort on the project is 25%, determine the amount of salary based on the Salary Cap, **not** the actual salary of the PI

$$\$189,600 \times 25\% = \mathbf{\$47,400}$$

NIH Salary Cap  
**\$189,600, effective 1/7/18**

# Direct Costs

## Personnel Costs – *Fringe Benefits*

Fringe benefits include:

- Social Security
- University Retirement Programs
- Life Insurance
- Health Insurance
- Disability Insurance

| Rate Pools          | FY 2018 |
|---------------------|---------|
| USA Faculty / Staff | 33.00%  |
| AY Faculty (Summer) | 20.00%  |
| Post Docs           | 20.00%  |

A full list of current Fringe Benefit rates can be found on the SPA and GCA websites

# Direct Costs

## Travel – Domestic and Foreign

The budget should specify the:

- # of trips/days/people
- meals (up to the maximum allowed)
- transportation costs
- destination(s)

*Note: Specifics may be unknown at time of proposal*

More information about specific costs, rates, etc.  
can be found directly from the Sponsor or at  
[southalabama.edu/departments/financialaffairs/travelandprocurement/  
travel/outofstatetravel.html](http://southalabama.edu/departments/financialaffairs/travelandprocurement/travel/outofstatetravel.html)

## Keep in Mind:

- Allowances for air travel should not exceed round trip coach accommodations
- Generally, only persons with effort on a funded project may travel on grant funds
- Sponsors require adequate justification on requested travel expenses – foreign travel, especially
- Foreign travel requires additional USA process – see the International Education website

# Direct Costs

## Equipment – \$5,000 or more

Equipment costs include expenses for equipment items that individually cost **\$5,000 or more and have a useful life of one year or more.**

Only allowable if it will be dedicated solely to the project. (Not intended for general office equipment, copiers, office furniture, etc.)

USA policy prohibits the recovery of F&A on direct costs classified as **equipment**



## Materials and Supplies

- The expendable equipment (equipment costing **less than \$5,000**) and supplies required for the project should be indicated with estimated costs
- There should be a breakdown of these items by general classification
- Sponsor guidelines usually indicate what needs to be itemized and justified

# Direct Costs

## Subawards:

A subaward is needed when there is collaboration with a colleague at a different entity to complete the goals of the project

Subaward Direct Costs + Subaward Indirect Costs = **Total Subaward**

- See Sponsor Guidelines or policy for any restrictions on F&A
- The USA is allowed to recover indirect costs (F&A) on the first \$25,000 of each individual subaward for **new or competitive** proposals
- Once the subaward's total costs (which includes direct and indirect costs) reaches \$25,000 the remaining subaward costs will be removed from the modified total direct costs bases (MTDC) in subsequent years.



The total subaward costs are included in the **USA Direct Costs**

# Direct Costs

## Subaward Example:

A subaward has the following amounts in the first 3 years of a Sponsored Project:

Year 1: \$12,000

Year 2: \$15,000

Year 3: \$17,000

What amounts would be included in the USA MTDC?

*In year 1 the full \$12,000 is included in the USA MTDC, but in year 2 only the first \$13,000 is included in the USA MTDC, and none of year 3 subaward costs would be included in the USA MTDC*



# Consultants

- Consultants are individuals or entities that provide services within normal business operations to many different customers. These individuals do not make decisions for the direction of the project.
  - If the Consultant is a USA employee, most likely there will not be any additional funding for this role.
  - If the USA employee is integral to the research, or if they would like publication recognition then the employee should be included in the Personnel section where the appropriate salary and fringe rates apply. This funding will come through University payroll.
- External Consultants are allowable under most circumstances

# Direct Costs

## Participant Support Costs

- Includes costs for non-USA participants to attend a sponsored training, symposium, meeting, or workshop
- Costs may include stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of the participants such as for a NSF Research Experiences for Undergraduates (REU) program
- Participant Support Costs are not to be included as part of the MTDC base for calculating F&A



Participant support costs do not include patient care costs or research subject compensation



# Direct Costs

## Patient Care Costs

These are costs of routine and ancillary hospital services provided to individuals participating in research programs

- These are **not** costs of care that are specifically requested for the project (e.g. lab fees for special screenings)
- Patient Care Costs are **not** to be included as part of the MTDC base for calculating F&A costs)



Patient care costs are separate from  
research subject compensation

# Direct Costs

## Subject Compensation

These are reimbursements given to human subjects for participating in a research project/study. Human Subjects are defined as living individuals about whom an Investigator conducting research obtains data or identifiable private information through an intervention or interaction with the individual.

- Payments may be made via check, cash, gift cards or any other item of value.
- Reimbursements for travel or other costs are not considered compensation and are not covered under the GAO policy for Subject Compensation.

Note: These costs are included in the MTDC



# Direct Costs

## Tuition

- Tuition costs for most Sponsors can be charged to a funding source **up to 100%** of the full amount of graduate tuition (this includes both grants and contracts)
- For Graduate Students, USA departments are required to budget at least the *minimum* levels for stipend and tuition costs established by departments.
- Tuition costs are **excluded** from MTDC

USA policy prohibits the recovery of F&A on **tuition**



# Indirect Costs

- Indirect costs are those costs that cannot be directly traced to a part of the project. These costs are also known as Facilities & Administrative (F&A) costs or overhead
- F&A or Indirect costs are REAL costs that the University of South Alabama incurs in order to operate

$$\begin{array}{r} \text{Allowable Direct Costs} \\ + \text{Allowable Indirect Costs (F\&A)} \\ \hline = \text{Total Project Costs} \end{array}$$

$$\text{Indirect Costs} = \text{Modified Total Direct Costs (MTDC)} \times \text{Appropriate F\&A Rate}$$

# Indirect Costs

## Determining the MTDC

- The first step in calculating total indirect costs (F&A) is to determine the Modified Total Direct Cost base (MTDC)

$$\text{Indirect Costs} = \text{Modified Total Direct Costs (MTDC)} \times \text{Appropriate F\&A Rate}$$

$$\text{MTDC} = \text{Total Direct Costs} - \text{Exclusions}$$

### Exclusions

- Equipment ( $\geq 5,000$ )
- Student tuition remission
- Subcontract costs above \$25,000
- Participant support costs
- Scholarships and fellowships
- Patient care costs
- Rental costs of off-site facilities
- Capital expenditures

# Indirect Costs

## MTDC Example

A budget is broken down as follows for a one year project.

What is the MTDC (Modified Total Direct Cost) base for the project?

|                                  |                       |
|----------------------------------|-----------------------|
| Personnel                        | \$37,000              |
| Travel                           | \$3,000               |
| Equipment                        | <del>\$10,000</del>   |
| Research Subject<br>Compensation | \$750                 |
| Materials/Supplies               | \$5,000               |
| Tuition                          | <del>\$8,500</del>    |
|                                  | <hr/> <b>\$64,250</b> |

Answer:

a) \$64,250

**b) \$45,750**

c) \$54,250

d) \$55,750

**Remember:** tuition, equipment, participant support costs, patient care costs, and subawards greater than \$25,000 of each subaward are excluded from MTDC, subject compensation is included.

# Indirect Costs

## F&A Rates

- Facilities and Administrative (F&A) **rates** are established for reimbursing institutional overhead and other expenses associated with Sponsored Projects

| PROJECT CATEGORY              | F&A RATE | BASIS |
|-------------------------------|----------|-------|
| Organized Research (others)   | 41.00%   | MTDC  |
| Organized Research (medicine) | 54%      | MTDC  |
| Other Sponsored Activities    | 37%      | MTDC  |
| Instruction                   | 52%      | MTDC  |
| Off-campus                    | 26%      | TDC   |

*Federally Negotiated F&A Rates as of 12/14/17*

**Indirect Costs = Modified Total Direct Costs (MTDC) x Appropriate F&A Rate**



Check to see if the Sponsor limits or restricts F & A costs from anything other than the USA's federally negotiated rates

You can submit a F&A waiver request form, but there is no guarantee it will be accepted. This must be filed before routing the proposal in Cayuse.

# Format the Budget

- Sponsors may require a specific budget format
- Check the solicitation and general guidelines well in advance of a deadline to determine if a definite program, form, or system is required for submission

## Remember:

- Apply correct fringe and F&A rates
- Assure all budget lines are acceptable under Sponsor guidelines
- Consult your unit Grant Administrator or SPA if you have questions in advance of routing your proposal in Cayuse



# Format the Budget

## Common Program Applications

Any Grant.gov submission ——— **Cayuse**

NASA ——— **NSPIRES**

American Heart Assoc /  
American Cancer Society ——— **Proposal Central**

Foundations/Private Funding ——— **Various forms and systems**

# Budget Justification

Budgets usually require justification that is a narrative explanation designed to help the Sponsor evaluate the expenses proposed for the project

## **Budget Justification writing tips:**

- Follow the Sponsor proposal instructions closely
- Organize and align budget items for ease of review
- Provide adequate detail for items on the budget
- Explain why every cost/cost category on the budget is needed to accomplish the proposed project
- Make it clear that all budget requests are reasonable and consistent with Sponsor and University guidelines

# Cost Share

**Cost Sharing**

\* Does this budget period include funds or contributions in the form of cost sharing or cash matching by USA or a third party?  
 Yes  No

If yes, please fill in below:

**Internal Cost Sharing**  
[Add Unit](#)

| Unit ↕            | Account | Commitment | Match Type | Current Period | Entire Project | Comment |
|-------------------|---------|------------|------------|----------------|----------------|---------|
| No records found. |         |            |            |                |                |         |

**Third-Party Cost Sharing**  
[Add Organization](#)

| Organization ↕    | Account | Commitment | Match Type | Current Period | Entire Project | Comment |
|-------------------|---------|------------|------------|----------------|----------------|---------|
| No records found. |         |            |            |                |                |         |



Sponsors may require cost share

# Summary

## 5 Steps for Creating a Budget

1. Review solicitation and guidelines from the Sponsor
2. Determine and compute the allowable direct costs
3. Calculate the allowable indirect costs
4. Develop and format the budget
5. Create a Budget Justification

$$\begin{array}{r} \text{Allowable Direct Costs} \\ + \text{ Allowable Indirect Costs (F\&A)} \\ \hline = \text{Total Project Costs} \end{array}$$

$$\text{Indirect Costs} = \text{Modified Total Direct Costs (MTDC)} \times \text{Appropriate F\&A Rate}$$



# Thank You

Our thanks to colleagues at the University of Iowa for an exchange of knowledge and for sharing this presentation template