

Elements of a Budget

The development of a budget and budget justification are among the most important components of a grant proposal. This is true regardless of whether the proposal requests internal or external funds.

A proposal must include an estimate that reflects the cost required to perform the work proposed and a corresponding budget justification.

All budgets that are submitted must meet the 2 CFR 220 - COST PRINCIPLES FOR EDUCATIONAL INSTITUTIONS The tests for appropriateness under these principles are:

Reasonableness: A cost may be considered reasonable if the nature of the expenditure and the amount involved reflects the action that a prudent person would take under like circumstances.

Allocability: A cost is allocable if it is beneficial to the project.

Consistency: Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or facilities and administrative (F&A) costs. The method used to estimate, record, and report costs must be consistent.

Allowability: Costs must be allowed in accordance with the principles in A-21 or the terms of the sponsored agreement.

Conformity: All costs charged to sponsored agreements should conform to these principles and any specific conditions stated in the agreement.

The information included in this presentation provides a quick overview of what needs to be included in your proposal when developing your budget.

Common Budget Categories

- Direct Costs
 - Salaries and Wages
 - Fringe Benefits
 - Equipment
 - Materials and Supplies
 - Travel
 - Consultant Services
 - Participant Support Costs
 - Patient Care Costs
 - Subcontracts
 - Other Direct Costs
 - Tuition remission
 - Stipends
 - Rent
 - Human Subject Payments
- Indirect Costs / Facilities and Administrative (F&A)

Salaries and Wages

- Principal Investigator (PI) and Senior/Key personnel
- Technicians (programmers, scientists)
- Post docs
- Graduate Research Assistants
- Undergraduate Students
- Administrative support (direct charge only when allowable and justifiable)

To charge salary, individuals must be University employees.

External collaborators are not employees; correctly identify them as consultants or subawards.

Fringe Benefit calculations will depend of your appointment type, State or Research and when you will be charging your grant.

Funds requested for faculty and other key personnel must be in proportion to the effort devoted to the project.

Define effort in person months

To convert percent of effort to person months:

Utilize person-months/percent effort calculator found at:

grants.nih.gov/grants/policy/person_months_conversion_chart.xls

On internal budgets, note both person months and percent effort.

Check for agency limitations

Ex: For NSF, Summer salary across all NSF-funded grants may not exceed two-ninths of academic year salary (2 summer months)

NIH imposes a cap on salaries charged to awards; refer to

<https://grants.nih.gov/grants/guide/notice-files/NOT-OD-17-049.html>

The NIH salary cap is currently \$187,000 effective 1/8/17.

Post-docs

- Years of experience in field typically drives rates for post-docs.
- Check with Department Administrator or HR personnel for salary rates specific to your school/dept.
 - \$47,476 is the minimum annual base salary set by FLSA to be exempt for overtime
 - For NIH NRSA institutional training grants and individual fellowship applications
 - NIH sets rates, based on years of experience, for post-docs. This information can be found on the Ruth L. Kirschstein National Research Service Award (NRSA) information page <http://grants.nih.gov/training/nrsa.htm>.
- The Post-doc Fringe benefit rate is calculated using the current Research Fringe Benefit Rate schedule.

Graduate Research Assistants

- Check with Department Administrator or HR personnel for salary rates specific to your school/dept.
- NIH maximum: zero level postdoctoral stipend.
- The Graduate Fringe Benefit rate is calculated at the approved Graduate rate using the current Research Fringe Benefit Rate schedule.
- In addition to salary and fringe benefits, the current Tuition rate must be included in the budget.

Undergraduate Students

- Check with departmental administrator or HR personnel.
- The fringe benefits are charged at the undergraduate rate using the current Research Fringe Benefit Rate schedule.

Administrative Support

- Check with Administrator or HR personnel for salary rates specific to your school/dept.
- NIH Salaries of administrative and clerical staff:
 - Generally part of the administrative portion of the F&A/indirect cost pool and therefore not direct-charged as per 2CFR 200.413.
 - Exceptions:
 - (1) Administrative or clerical services are integral to a project or activity;
 - (2) Individuals involved can be specifically identified with the project or activity;
 - (3) Such costs are explicitly included in the budget or have the prior written approval of the Federal awarding agency; and
 - (4) The costs are not also recovered as indirect costs.

Equipment

Defined as:

- Acquisition cost of \$5,000 or more per unit with at least one year useful life.

Include fabricated items (even if individual components cost under \$5K).

Defined as sum of individual parts to procure and build workable equipment item.

- Exclude from Indirect costs.

Travel

- Airfare, lodging, car rental, mileage if using personal automobile, per diem for meals.
- Foreign travel: Fly America Act—use of U.S. air carriers required except in exceptional circumstances.
 - Refer to Fly America Act:
http://acquisition.gov/far/current/html/Subpart%2047_4.html
- Provide detailed estimate
 - Number of trips, number of days per trip.
 - Number of individuals traveling.
 - Destination and purpose.

Participant Support Costs:

What are Participant Support Costs?

- Participant support costs (as defined in 2 CFR 200.75) means direct costs for items such as stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with conferences or training projects. The Uniform Guidance (2 CRF 200) requires prior approval of the Federal Agency in order to incur Participant Support Costs under federally sponsored awards. The Participant Support Costs must be incurred within the period of performance of the project and be specifically allowed by the sponsoring agency.

Who is a participant?

- A participant is defined as a non-SBU employee who is the recipient, not the provider, of a service or training associated with a workshop, conference, seminar, symposium or other short-term instructional or information sharing activity. Participants do not perform work or services for the project or program unless it is for their own benefit. Participants may include students, scholars, and scientists from other institutions, representatives from the private sector, teachers, and state or local government agency personnel.

What costs are not considered Participant Support Costs?

- Participant Support Costs do not include honoraria for guest speakers, expenses for the PI, project staff or collaborators to attend project meetings, conferences, or seminars, payments to GRAs, or payments made to research subjects as an incentive for recruitment or participation in a research project.

Budgets and Participant Support Costs

- Participant Support Costs are listed as a separate category on the budget at proposal stage and award stage. A separate task specifically for Participant Support Costs will be created upon receipt of an award.

Participant Support Costs:

- Generally, facilities and administrative (F&A) costs are not allowed on participant support costs.
- Transportation, per diem, stipends and other costs of trainees for:
 - Conferences
 - Meetings
 - Symposia
 - Workshops
- Trainees are attending as trainees not as presenters.

Travel costs of participants may be allowable as outlined in the pertinent program solicitation and in the grant. If so, the restrictions regarding class of accommodations (see AAG Chapter V.B.4)

http://www.nsf.gov/pubs/policydocs/pappguide/nsf13001/aag_5.jsp#VB4 and use of U.S.-Flag air carriers (see AAG Chapter VI.G.1)

http://www.nsf.gov/pubs/policydocs/pappguide/nsf13001/aag_6.jsp#VIG1 are applicable.

Patient Care Costs

The costs of routine and ancillary services provided by hospitals to individuals participating in research programs.

Research patient care costs do not include:

- (1) the otherwise allowable items of personal expense reimbursement, such as patient travel or subsistence, consulting physician fees, or any other direct payments related to all classes of individuals
- (2) costs of ancillary tests performed in facilities outside the hospital on a fee-for-service
- (3) recruitment or retention fees
- (4) the data management or statistical analysis of clinical research results.

Consultant Services

- External collaborators.
- Provide expertise, service and support, and/or skills not found within university's permanent staff.
- Do NOT utilize University resources, space, facilities, etc. to conduct work.
- No employer/employee relationship exists.
- Identify name, affiliation, hourly or daily rate.
 - No maximum, but must be reasonable, based on market value.
 - Estimate number of hours or days necessary.

Sub-awards/ Sub-recipient

- Portion of the programmatic effort to another organization/institution.
- Statement of Work drives the budget.
- Determine \$ amount required by sub-recipient to conduct assigned portion of the work.
- Include direct and indirect costs at sub-recipient organization's rates.
 - Collaborating institution's total budget estimate (direct and indirect costs) is shown as a direct cost on university's proposed budget.
- Charge the indirect cost rate on only the first \$25K of each sub- award; remainder is excluded from indirect cost assessment.

	SUB-RECIPIENT	CONSULTANT	VENDOR/FEE FOR SERVICE
Characteristics	<ul style="list-style-type: none"> • Performs substantive programmatic work under a grant or contract • Bears responsibility for programmatic decision making and measurable performance requirements • Must adhere to Federal compliance requirements if the source is a Federal award 	<ul style="list-style-type: none"> • Not an employee of the institution • Proven professional or technical competence and provides this to your organization • Is not controlled with regard to the manner of performance or the result of the service • Considered a work for hire and does not retain any rights to the end product 	<ul style="list-style-type: none"> • The organization provides the goods and services to many different purchasers as part of its normal business operations within a competitive environment • Not subject to the same compliance requirements as a subcontractor if the source is a Federal award
Budget Considerations	F&A assessed on the first \$25,000 of each individual subcontract (depending on F&A rate agreement).	F&A assessed on entire contract amount.	F&A assessed on entire contract amount.
Typically provided by Sub/Consultant/Vendor at time of <u>Proposal</u>	<ul style="list-style-type: none"> • Statement of Work • Budget • Budget Justification • Indirect Cost Rate Agreement • Required Sponsor Forms 	Signed letter of intent outlining the following: <ul style="list-style-type: none"> ◦ Statement of Work ◦ Compensation Rate 	Quote

May 2013 SRA Meeting—Budgeting Basics (D. Jory, J. Cote)

Materials and Supplies

- Laboratory supplies
- Animals
- Software
- Training/curricula/workbook materials
- Publication/reprint costs
- On proposals to *federal sponsors*, do not request funds for general office supplies, local telephone charges, postage, etc. this is deemed to be part of F&A/ departmental research support, unless it is justifiable due to nature of project.

Other Direct Costs Other

- Tuition Remission
- Rental expense (only if off-site facility is to serve as project site)
 - Specify rate per square foot and size of space needed
 - Specify lease amount per month, annualize
- Human Subject Payments
 - Funds given to subjects for following protocol
 - Set amount for each visit
 - Can be lump sum based on completed participation
- Laptops Items that fall below the Equipment threshold

Facilities and Administrative (F&A) Costs

- **Definition of F&A Costs:** Facilities & Administrative (F&A) costs are real costs that the institution incurs in support of extramural activities but which cannot be directly charged to a specific grant or contract. The costs result from shared services such as libraries, physical plant operation and maintenance, utility costs, general, departmental and sponsored projects' administrative expenses, and depreciation or use allowance for buildings and equipment. F&A costs also are sometimes called indirect costs or institutional overhead.
- Costs that can't readily be identified with one specific project are called F&A costs, Indirect costs, or Overhead. They cover a portion of institution's operating costs including, but not limited to:
 - maintenance and management of research laboratories, libraries, and other facilities
 - departmental administration and support
 - central administrative support.
- Indirect cost rates are negotiated with the University's cognizant agency DHHS and based on costs for research operations incurred during the previous FY.
- The Rate applied to a modified total direct cost (MTDC) base
 - MTDC base = Total direct costs less:
 - Capital equipment
 - Tuition remission
 - Subawards beyond the first \$25,000
 - Participant Support Costs.
- Apply stated rate to all proposal budgets unless F&A/indirect cost limited to a set amount or percentage in sponsor guidelines (sponsor policy must be in writing).

Budget Justification

- Narrative to accompany the cost estimate.
- Breaks down each category of cost.
- Provides detailed explanation of how costs are derived.

Quantify total costs of each line item and document cost calculation.

Specify line items for each year and time frame during which you expect they'll be expended.

Elaborate on line items—use narrative form to justify necessity; how costs will be used for successful project implementation.

General Guidelines

- Costs must be allowable, allocable, and reasonable.
 - 2 CFR 200, Uniform Guidance Cost Principles under OMB.
 - Campus specific policies and sponsor policies.
- Read the guidelines as they relate to budget development.
 - Comply with sponsor-imposed limits based on funds available.
- Specify the budget period start and end dates.
- Rules for federal sponsors differ from rules of foundations, corporations, others.
 - Provides flexibility; it may be possible to direct charge items not normally allowable under a federal award.
- Agency specific instructions take precedence.
- Put cost estimates into agency specific language or budget format and forms as necessary.
- Justification of costs should follow the order listed on budget sheet.
- Make it easy for reviewers to understand how cost estimate derived by walking through details.

Reference for Unallowable Costs

Per 2 CFR 200, following are unallowable:

- Alcoholic beverages
- Alumni activities
- Bad debts
- Commencement or convocation costs
- Charitable contributions, donations, remembrances
- Development/fundraising costs
- Entertainment costs: tickets to shows or sporting events, meals, lodging, rentals, transportation, and gratuities associated with entertainment
- Fines and penalties
- Goods or services for personal use of employees (including gifts)
- Housing and personal living expenses of University officers
- Investment management costs
- Lobbying
- Cost overruns on other sponsored agreements
- Pre-award costs (unless approved)
- Selling and marketing costs of any products or services of the institution
- Student activity costs incurred for intramural activities, student publications, student clubs
- Travel: First class tickets (unless extenuating circumstances)

Please contact your OSP pre-award specialist if you have any questions. The OSP listing may be found at: <http://research.stonybrook.edu/whom-to-contact>

Budget tools and information can be found at the Sponsored Programs website

<http://research.stonybrook.edu/>