

# Building a Budget



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# Session Objectives

- Develop an understanding of the role of the budget
- Understand the principles that guide the development of acceptable budgets
- Obtain the tools to develop accurate budgets



# Today's Agenda

- Introduction
- PowerPoint link:  
<http://resfacil.msu.edu/presentations>
- Why do budgets matter?
- Resources and tools needed to prepare a budget
- Budgeting tips



# Introduction

Question and Answer Opportunities

Assessing Participant Interests

Flow of Proposal Process:

Update: OSP's new 10-6-3 deadline policy  
effective December 1, 2014



# Why is the budget relevant to you?

- The budget helps to guide the scope of your project.
- If your budget is too low for the amount of work you are proposing, your proposal may be too ambitious for the funding available.
- If your budget is too high, then your funding request may be perceived as unreasonable.
- The budget should not be a distraction.



# Guiding Principles



Office of Management and Budget

Federal cost principles provide that costs charged to a federal grant or contract must be:

- Allowable
- Reasonable
- Allocable

[http://www.whitehouse.gov/omb/circulars\\_a021\\_2004](http://www.whitehouse.gov/omb/circulars_a021_2004)



# Typical Budget Categories

- Personnel
- Equipment
- Travel
- Other Direct Costs
  - Supplies
  - Publication Costs
  - Consultant Services
  - Subcontracts
  - Graduate student tuition
  - Animal costs
  - Services



# Personnel

**Personnel should reflect the people and time needed to complete the scope of work.**

Who will be key personnel?

PIs and Co-Investigators, Consultants

Who will be other personnel?

Post docs, graduate students, technicians,  
research assistants, undergraduate students

How much time will be needed to do the work?





# Budget Builder Demo and Screenshot

Project Start Date

AN, AY or SU

% of Effort on Project

1<sup>st</sup> Year Salary

Starting Calendar Year: 2014 Starting Month: October

Recalculate Click [here](#) to start a new worksheet Lookup Person Output Excel

Action	Name	Title (Appt Length)	Department (CUC)	Current Salary	PostDoc	Effort % on Project	Person Months	Salary % Incr	Subject to retirement? (Y or N)	Emp Status (F = 90-100%, 3/4 = 65-89%, H = 50-64%)	Project Year 1(2014)		
						Only one input needed below					Requested Salary / Project Salary	Fringe Amount	Fringe Rate
Remove		AN		\$156,074	<input type="checkbox"/>	10 % =	12 m	2	Y	FT	\$156,074 / \$15,607.4	\$4,001	25.64%
Remove		Professor-Tenure S (9 Month)		\$156,074	<input type="checkbox"/>	10 % =	0.9 m	2	Y		\$156,074 / \$15,607.4	\$4,001	25.64%
Remove		Professor-Tenure S (Summer School)		\$156,074	<input type="checkbox"/>	10 % =	0.1 m	2	Summer	One Month	\$17,342.00 / \$1,734.2	\$133	7.65%





## Budget Development Tools - Personnel

- **HR Resources – technical support staff:**  
Job Classification Search:
- <https://jobclassifications.hr.msu.edu/application/jobClassificationSearch.jsf>
- Salary Ranges:
- <http://www.hr.msu.edu/recognition/supportstaff/payrates.htm>





## Budget Development Tools - Personnel

**HR Resources – Post Docs:**

NIH NRSA Suggested Stipend Levels:

<http://grants.nih.gov/grants/guide/notice-files/NOT-OD-14-046.html>





## Budget Development Tools - Personnel

**Salary Budget Builder – MSU employees  
and fringe benefits:**

<https://www.osp.msu.edu/PL/Portal/LegacyAppViewer.aspx?Application=Fringe.asp>





## Budget Development Tools - Personnel

### HR Resources – graduate students:

Graduate student stipend ranges:

<http://www.hr.msu.edu/hiring/studentemployment/gradasst/stipendRanges.htm>

Graduate student tuition and health costs:

[www.osp.msu.edu](http://www.osp.msu.edu)

Click on Fringe Benefits, scroll to the bottom of the page, then proceed to link to Final 2014 Grad Fringe Chart 14-20.pdf at the bottom of the page.



# Questions - Personnel



# Ten Minute Break



# Equipment

## Federal Cost Principle:

- Equipment is an item costing at least \$5,000 with a useful life of one or more years. Items that cost less than \$5,000 are not considered equipment, and are assessed F&A (indirect costs) and belong in the supplies category of the budget.







## Travel and Demo of MSU Travel Website

<http://www.ctrl.msu.edu/cotravel/>

- Budget foreign travel using U.S. air carrier rates
- Look for required travel to be budgeted from the RFA
- Be as detailed as possible with your travel plans in the budget justification
- International travel – consider unique costs





## Budget Development Tools – International Travel

International Sponsors

<https://cga.msu.edu/PL/Portal/DocumentViewer.aspx?cga=aQBkAD0AMQA3ADQA>



# Other Direct Costs

## Materials and Supplies:

- Laboratory supplies
- Printed materials needed for the project
- Sampling kits

Supplies that are often unallowable that require additional justification:



- Computers
- Toner, paper, pens and pencils, general office supplies
- Food, meals




# Other Direct Costs

## Consultant Services

- If included in the budget, consultants may not usually be an MSU employee
- Specify an hourly rate for services – a *reasonable* rate is required for the services being rendered
- Paid consultants are usually paid individually and not through institutional salary



# Subawards

- Subawards are used to include and fund collaborators from other institutions in a proposal as key personnel.
  - The subaward budget usually includes direct costs such as salary, travel, and supplies, and F&A (indirect costs).
  - Budget requirements from the solicitation or sponsor also apply to subawardees.
  - Please be aware of required documentation for subawards.
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# Questions



# Direct vs. F&A (indirect costs)

- **Direct Costs** – Specifically identifiable to your project
  - Ex. Salaries, fringe benefits, tuition remission, consultants, equipment, supplies and materials, travel, and subawards
- **F&A Costs** – **NOT** specifically identifiable to your project
  - Ex. Buildings, utilities, administrative support (OSP)
  - Check your solicitation for the amount that should be charged to your project.



# MSU's Federally Negotiated Indirect Cost Rate

- Our federally negotiated rate uses the MTDC base, which excludes grad tuition and fees, equipment, subcontract payments over \$25k, and other costs.
- If your project is more than 50% off campus, you should use the 26% off campus rate.





Project Nature	Current Rates	Past Rates				
	7/1/11 - 6/30/15	7/1/08 - 6/30/11	7/1/04 - 6/30/08	7/1/03 - 6/30/04	7/1/02 - 6/30/03	7/1/01 - 6/30/02
Research	53.5%	52%	51%	49.50%	49%	48.50%
Other Sponsored Activities	36%	41%	40%	38%	38%	38%
*Off-Campus	26%	26%	26%	26%	26%	26%
Testing	26%	15%	15%	15%	15%	15%

See the attached file below for a copy of the actual F&A Agreement dated 6/23/11 (Agency Name, POC Name, and POC Phone Number: DHHS, Arif Karim, 214-767-3261)

**\*Off-Campus** : For all activities performed in facilities not owned by the institution and to which rent is directly allocated to the project(s), the off-campus rate will apply. Grants or contracts will not be subject to more than one F&A cost rate. If more than 50% of a project is performed off-campus, the off-campus rate will apply to the entire project.



# The Budget Justification

- Will highlight, explain, and provide rationale for each budget category entry, and how the PI arrived at certain cost estimates
- Used to justify the expenses included in the detailed budget
- Watch for page limitations - check your solicitation
- Stay away from including dollar amounts for categories unless the sponsor requires it
- Be very detailed when justifying certain categories of expense such as foreign travel and consultants
- Watch for agency rules on justifying effort – percentages vs. person months
- Don't include more effort than what you are budgeting



# Budget Justification – Examples

- Personnel – may be expressed in person months or in percentage of time (one example is in person months, the other is in percentages)
- Numbers may or may not be used depending on the sponsor requirements – if possible it is best to use a description and a total rather than subtotals



# Cost Sharing

**Cost sharing** is that portion of the project costs that are paid from sources other than the sponsor.

## Include only when required

- Many federal agencies that previously required cost sharing have reduced or eliminated the requirement and instead are basing their funding decisions on the technical merits of the proposal.

## Mandatory vs. Voluntary

- Mandatory cost share is a requirement of the solicitation. Voluntary cost share is NOT a requirement of the solicitation, but is a quantifiable amount identified in the proposal that we are not requesting the sponsor to pay for.



# Budgeting Tips

## 1. Look for requirements in your solicitation

- Budget Caps
- Limits to F&A
- Required travel
- Required cost share (match)

## 2. Use round numbers

## 3. Start with salaries

## 4. Subawards? Get budgets early!



# Questions



Thank You

