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

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
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

<table>
<thead>
<tr>
<th>Action</th>
<th>Name</th>
<th>Title (Appt Length)</th>
<th>Department (CUC)</th>
<th>Current Salary</th>
<th>PostDoc</th>
<th>Effort % on Project</th>
<th>Person Months</th>
<th>Salary % Incr</th>
<th>Subject to retirement? (Y or N)</th>
<th>Emp Status</th>
<th>Project Year 1(2014)</th>
<th>Requested Salary / Project Salary</th>
<th>Fringe Amount</th>
<th>Fringe Rate</th>
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<tbody>
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<td>AN</td>
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<td></td>
<td>$156,074</td>
<td></td>
<td>10</td>
<td>12 m</td>
<td>Y</td>
<td>FT</td>
<td></td>
<td>$156,074 / $15,607.4</td>
<td>$156,074 / $15,607.4</td>
<td>$4,001</td>
<td>25.64%</td>
</tr>
<tr>
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<td></td>
<td>$156,074</td>
<td></td>
<td>10</td>
<td>0.9 m</td>
<td>Y</td>
<td></td>
<td></td>
<td>$156,074 / $15,607.4</td>
<td>$156,074 / $15,607.4</td>
<td>$4,001</td>
<td>25.64%</td>
</tr>
<tr>
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<td>Professor-Tenure S (Summer School)</td>
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<td></td>
<td>$156,074</td>
<td></td>
<td>10</td>
<td>0.1 m</td>
<td></td>
<td>Summer One Month</td>
<td></td>
<td>$17,342.00 / $1,734.2</td>
<td>$173,420.00 / $17,342.00</td>
<td>$133</td>
<td>7.65%</td>
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</table>
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:
Budget Development Tools - Personnel

Salary Budget Builder – MSU employees and fringe benefits:

Budget Development Tools - Personnel

HR Resources – graduate students:
Graduate student stipend ranges:
http://www.hr.msu.edu/hiring/studentemployment/gradassst/stipendRanges.htm

Graduate student tuition and health costs:
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.ctlr.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.
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.
Tip #4: Give an early deadline to people providing you documents needed for the proposal. These documents include:

- Bio-sketches for key personnel
- Letters of Support
- Subcontractor documents

### Table: Project Rates

<table>
<thead>
<tr>
<th>Project Nature</th>
<th>Current Rates</th>
<th>Past Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>7/1/11 - 6/30/15</td>
<td>7/1/08 - 6/30/11</td>
</tr>
<tr>
<td>Research</td>
<td>53.5%</td>
<td>52%</td>
</tr>
<tr>
<td>Other Sponsored Activities</td>
<td>36%</td>
<td>41%</td>
</tr>
<tr>
<td><em>Off-Campus</em></td>
<td>26%</td>
<td>26%</td>
</tr>
<tr>
<td>Testing</td>
<td>26%</td>
<td>15%</td>
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</tbody>
</table>

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