Developing Budgets

OSR-Evanston
Proposal Development Series

Thursday, September 25th
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Elements of a Proposal

• **Background**
  – Introduction to Sponsors & Award Mechanisms
  – Reading and Evaluating the Solicitation
  – Anatomy of the Administrative Shell

• **Budget**
  – Part of the administrative shell
  – Budget justification
Statement of Work (SOW) / Abstract

• Understanding the scope of work is relevant in every area of administrative proposal development –
  – Evaluating solicitation requirements
  – Required documents
  – Budget

• The nature of the work being proposed is important in evaluating areas of budget development, e.g.
  – Levels of personnel effort
  – Travel needed
  – Human or animal costs
Budget

• In many ways, the most critical element of the administrative shell

• Budget elements can include costs for personnel, materials and supplies, capital equipment, travel, consultants, subrecipients

  • F&A rate

• In addition to internal budget, keep in mind sponsor specific guidelines
  – NIH modular budget
  – DoD cost proposal
Budget

• A variety of factors come into play in determining what costs may be proposed
  – OMB Circulars (A-110, A-21)
  – OMB Uniform Guidance
  – Sponsor guidelines or policies
  – Institutional guidelines or policies
  – Scope of work
• Include direct and indirect costs
Budget Justification

• Narrative to accompany the budget
• Explains each component of the budget, to justify the cost in terms of the proposed work
  – All line items must be captured
• A budget cannot be effectively evaluated without a corresponding justification
• Sponsor-specific guidelines must be followed
  – NIH modular budget - Personnel, Consortium, Additional
  – DoD cost proposal
Direct Costs

- Clearly assignable to a specific sponsored project
- Include
  - Personnel Costs
  - Capital Equipment
  - Consultants
  - Subcontracts
  - Materials and supplies
Salary Costs (Personnel)

• Typically the most significant element of the majority of sponsored budgets
• Personnel costs proposed must connect to effort
• Budgeted for effort for individuals working on the project, including faculty, postdoctoral fellows, laboratory technicians, clinical coordinators
• In certain, limited situations, may be necessary and appropriate to budget for administrative salaries
Salary Costs (Personnel)

• Importance of the integrity of the institutional base salary when calculating personnel costs

• Budget justification should demonstrate level of effort in line with salary request as it connects to the individual’s appointment period

• Calculated monthly on a percentage of effort basis
  – 9 month academic appointment
    • 1.00 academic month, 0.50 summer month
    • 11% academic effort, 17% summer effort

• Instances where sponsor may request hourly rates
Fringe Benefits (Personnel)

• If personnel costs are budgeted, corresponding fringe benefits must also be included
• Variety of elements play into fringe benefits rates
  – Health and dental
  – Retirement
  – FICA
  – Tuition Assistance
• Fringe rates vary depending on
  – Sponsor
  – Employment type
  – Project period dates
Fringe Benefits (Personnel)

- Main categories
  - Full federal
  - Full non-federal
  - Statutory
  - Graduate Student

- Limited personnel costs may have a 0% fringe benefits rate associated with them

- Blended rates should be applied in proposal budget

- Basis for rates must be included in budget justification
Graduate Students

• Graduate student effort can also be budgeted on proposals
• When graduate student salary/effort is proposed, tuition must also be proposed – proportional to the salary/effort
• Wages/services vs. Traineeship/stipends (8050 vs. 0076)
Capital Equipment

- Instruments with a purchase price of $5,000 or more and a life expectancy of more than 1 year.
  - Scientific equipment
  - Large-scale audio-visual equipment
- Importance of vendor quotes when proposing capital equipment items
- Difference between capital equipment and fabricated equipment
Consultants

• Individuals hired for specific services for a specific fee
• Typically have a specific area of expertise
• Not University employees
• Important to understand and document
  – Basis for rate of compensation
  – Number of hours estimated for work
  – Inclusion of any travel costs
Subcontract/Subrecipient Costs

• Working with a third-party organization for their programmatic involvement in a portion of research
• Subrecipient typically performs work at their site using their personnel and resources
• Included as an item on Northwestern budget
• Additionally, third-party organization provides a detailed budget and justification
• Subrecipient detailed budget and justification must be endorsed by their organization’s OSR or equivalent
• Additionally, we must evaluate the costs presented by a subrecipient
Other Direct Costs

- Travel
- Materials and supplies
- Human subjects costs
- Animal care costs
- Lab services

• Keep in mind that for all items, sufficient explanation must be included in budget justification
Facilities & Administrative (F&A) Costs

- All research and development activities of an institution are included in the calculation of the F&A rate(s)
- Two main components (the “F” and the “A”)
- Referred to as indirect or overhead costs
- Costs that are not clearly assigned to a particular project
- These costs are incurred by the institution in the performance of research activities
Facilities & Administrative (F&A) Costs

- Rates for federal vs. non-federal
- Rates for a variety of sponsored activities (e.g., organized research, instruction, other sponsored activity)
- Rate for organized research is most common
- Calculated based on
  - Modified Total Direct Cost (MTDC) – most common
  - Total Direct Cost (TDC)
Facilities & Administrative (F&A) Costs

• Modified Total Direct Cost (MTDC)
  – Most commonly used when calculating F&A costs
  – Exclusions include:
    • Capital & Fabricated Equipment
    • Subcontracts in excess of the first $25k
    • Tuition
    • Space Rental
    • Telecommunication expenses
    • Hospital medical expenses

• Total Direct Cost (TDC)

• Basis for rates must be included in budget justification
Cost Sharing

• Portion of total project or program costs not borne by the sponsor
• Inclusive of direct and indirect costs
• Must follow same principles and guidelines as all other costs represented in the sponsor budget

Cost sharing vs. cost matching

Cost sharing as a percentage of
  – Total Sponsor Costs
  – Total Project Costs
Budget & Justification

• Note that certain items in the budget may require additional explanation or justification that is not submitted to the sponsor
• These items should be flagged for initial review, and additional documentation provided as appropriate
  – Significant salary increase
  – Capital equipment purchases
  – Consultants
Summary

- Budget & justification represent one of, if not the, the most critical elements of a proposal from an administrative perspective.
- Understanding the work to be performed is important as it relates to budget development.
- Difference between direct costs and indirect costs.
- Budget and budget justification go hand-in-hand and must be evaluated as one package.
Proposal Development Series

• Focused on the pre-award process for research administrators
• Covers topics relevant to successful proposal development and submission from the administrative point of view

• Introduction to Sponsors & Award Mechanisms (7/18)
  • Reading and Evaluating Solicitations (8/18)
  • Anatomy of the Administrative Shell (8/25)
    • Developing Budgets (9/25)
  • Effective Communication (10/10)
Questions?

Thank you!