

Budget Basics Part 1: Fundamentals

Objectives

- Understand some basic budget considerations.
- Understand the four key cost principles.
- Understand direct costs.



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Proposal Budget Considerations

- A good budget is easily understood, reflects the needs of the project, and complies with the appropriate guidance (Office of Management and Budget [OMB], sponsor, and institution).
- Be familiar with limitations or requirements provided in the Request for Proposal (RFP), Solicitation, or Guidelines.
- At proposal submission your budget is a “best guess”, but it should be constructed so that it can be used by the PI and post award with as few adjustments as possible.
- Most sponsors will allow some change (within reason) but be aware that some sponsors will not allow change (or major change) from the submitted budget even if they only asked for an estimate with the submission.
- Your budget and budget justification can be a determining factor on selection for award. A cost proposal that is not well thought out and organized may result in a negative review.

Proposal Budget Considerations

Different types of proposals may have different budget requirements and elements.

Types of Proposals

Federal

Non-Federal

- ❖ State or local government
- ❖ Foundation/Non-Profit
- ❖ Industry
- ❖ International

Subcontract/Subaward

Internal Awards

What are Cost Principles

Institutions that receive federal funds for research must abide by federal “Cost Principles” issued by the Office of Management and Budget (OMB). These regulations are found in Title 2 of the Code of Federal Regulations, Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. They are commonly referred to as 2 CFR 200 or Uniform Guidance.

Cost Principles

- Help determine eligible costs for research activities and outline financial management requirements including audits. They also ensure that federal funding is treated on par with other sponsors.
- Most non-profit and commercial entities follow many of the federal guidelines on cost principles in their grants management operations.

Direct Costs

- Expenses that can be specifically and easily identified with a particular project or activity and can be assigned to a sponsored project with a high degree of accuracy.
- Must follow four key cost principles
 - ❖ allowable
 - ❖ allocable
 - ❖ reasonable
 - ❖ consistently applied

Direct Costs

- **Allowable**

- Is it a project related expense?
- Does it conform to the limitations or exclusions in the OMB/CFR guidance?
- Does it meet sponsor guidelines?
- Does it comply with institutional policies?

- **Allocable**

- Is the cost easily assignable to the proposed work?
- Costs that benefit two or more activities need to be assigned proportionately.
- Costs allocable to a specific project can't be shifted to other projects.

Direct Costs

- **Reasonable**

- Would an average person agree that this cost is reasonable and necessary for the work to be performed?



- **Consistently Treated**

- Same types of expenditures need to be treated in similar ways regardless of the sponsor (consistency)
- Are any exceptions covered under institutional policy?

Budget Categories

(Overview)

- ❖ Personnel Costs
- ❖ Fringe Benefits
- ❖ Equipment
- ❖ Travel
- ❖ Participant Support Costs

Facilities & Administrative Costs
(F&A) are covered in Budget
Basics Part 3

- ❖ Other Direct Costs
 - ❖ Research Materials and Supplies
 - ❖ Publication costs
 - ❖ Consultants
 - ❖ Computer/ADPE Services
 - ❖ Subcontracts
 - ❖ Tuition
 - ❖ Incentives
 - ❖ Shipping
 - ❖ Other

Personnel Costs

- Faculty – Academic Year
- Faculty - Summer
- Professional Staff
- Post Docs
- Graduate Students (GRA/GTA)
- Undergraduate Students
- Other
- Clerical

- Clerical/Administrative support is very limited and highly subject to audit.
- Supplemental pay is very restricted and requires special approvals.
- Some sponsors will limit who can receive funding or how much can be requested.

Personnel Costs

- ❖ Payments for fellowships and stipends may be in other areas of the budget depending on the sponsor.
- ❖ Make sure you are using the correct numbers for involvement (salary, fringe, tuition, IDC)
- ❖ Section A and B of the OU budget form are only for OU personnel (i.e. persons who are currently OU employees or will be hired as OU employees).
- ❖ Payments for participants, consultants, vendors, advisors, and subcontract personnel are entered in other areas of the budget.

Fringe Benefits

- Normally a composite of benefits such as:
 - Medical Insurance
 - Dental Insurance
 - Life Insurance
 - Disability Insurance
 - FICA, unemployment, worker's compensation
 - Retirement

- Different appointments of personnel have different fringe rates.

- Fringe benefit rates are negotiated with the federal government

Equipment

- ❖ An item costing over \$5,000 and having a useful life of one year or more (check limits - State definition may differ)
- ❖ Fabricated Equipment
- ❖ Equipment costs are exempt from F&A
- ❖ May include freight and shipping costs, training and installation
- ❖ Sponsor may require quotes either at submission or at some point in review or award process

Travel

- ❖ Airfare (Fly America Act)
- ❖ Lodging/Apartment Rental
- ❖ Per Diem (government rates)
- ❖ Car Rental
- ❖ Local Transportation (Taxi, Metro, Shuttle)
- ❖ Mileage (current approved rate)
- ❖ Registration Fees (as approved by sponsor)
- ❖ Safety and security costs may also be included dependent on location
- ❖ International travel requirements and restrictions (may include Canada or Mexico depending on sponsor)
- ❖ Very hot topic for audit especially foreign travel

Participant Support Costs

- Agency specific (may only be applicable/allowed in limited circumstances)
- Intended for conferences, meetings, symposia, training activities, and workshops (primarily hosting/creating not attending)
- Participants or trainees may not be employees either of OU or on the grant
- Common Costs are:
 - Stipends
 - Cost of transportation
 - Subsistence
 - Other related costs
- Include the number of participants
- May have special restrictions at post award (cannot move funds out, etc.)
- Food provided as part of participant support costs may be very limited by the sponsor and usually requires special justification and must be working meals; most commonly lunch

Other Direct Costs

Research Materials and Supplies

- ❖ Chemicals
 - ❖ Expendable Equipment
 - ❖ Computer Software
 - ❖ Computers and peripherals
 - ❖ Lab Supplies (Gases and Media)
 - ❖ Cartridges for Copiers/Printers/Faxes
 - ❖ Research Supplies (allocable to the project)
 - ❖ Reference Materials
 - ❖ Instrumentation <\$5,000
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- Animal purchase costs go under materials and supplies. but costs associated with their care goes under Other Direct – other
 - Do not use term 'office supplies' use project supplies or consumables

Other Direct Costs

- ❖ **Publication Costs**—page charges, dissemination expenses (posters, etc.)
- ❖ **Computer Services**—IT support fees, internet charges
- ❖ **Shipping** – shipping and handling charges associated with materials and supplies or other direct costs. It may also include shipping charges for equipment if that isn't included in the equipment quote or allowed by the sponsor to be part of the equipment quote.
- ❖ **Incentives** – payments to participants in focus groups, survey or other studies, or clinical trials; usually in the form of gift cards. Secure handling is required; must comply with Provost policies.

Other Direct Costs

Subcontracts

- ❖ Subcontract documents are required regardless of submission requirements (budget, statement of work, budget justification, and any special forms)
- ❖ Institutional letter of commitment signed by person with authority to commit the organization
- ❖ Rate agreement if overhead/IDC charged; Federal de minimus may be allowed

Consultant Services

- ❖ Individual is providing minor support (advice or services for a fee)
- ❖ Letter/email of commitment may be needed
- ❖ Considered an independent contractor; be careful of organizational involvement/permissions
- ❖ Fee generally determined by number of days or hours of consultant time and is commensurate with expectation of the career field

Contractual/vendor services or fees

- ❖ Doing same/similar service for others
- ❖ Sponsor may request or require a quote

Involvement in programmatic decisions, authorship on publications and reports, and flow-down of sponsor requirements are things to consider when determining the type of relationship you have (Ask for ORS Decision Matrix.)

Other Direct Costs

Tuition Remission

- ❖ Graduate Research Assistant (GRA) budgeted in the project usually results in tuition remission being allowed/required to be on the proposal budget. (OU requires it be included unless specifically restricted by the sponsor)

- ❖ At OU we have a set monthly charge that is used for all GRA based on how many months the gra is on the proposal.
 - GRA normal appointments are at 50% FTE
 - We recommend that you review the OU Tuition Remission Policy and the associated FAQs

- ❖ Tuition is normally excluded from F&A calculations.

Other Direct Costs

Other

- ❖ Animal care costs/Human subject care costs
- ❖ Advertising to recruit students/participants
- ❖ Audio/visual services (including website construction/hosting)
- ❖ Copying
- ❖ Maintenance agreements
- ❖ Software license
- ❖ Space Rental
- ❖ Project Evaluation fee/cost – May be internal or external
- ❖ Communication Costs
 - Express Mail Charges, Fax Charges, Mobile phone services, Postage (no stamps)
 - Long Distance phone calls (All charges must be directly attributable to project)
- ❖ Construction/renovation/remodeling costs
 - Letter may be needed; may also be an equipment item
- ❖ Costs for workshops/conferences/technical & administrative meetings
 - If including food costs, state that in the justification. Costs may or may not be allowed even if initially approved; usually must be a working meal.
 - May include fees for hosting services, applications, software such as ZOOM
- ❖ Service fees – Recharge center fee, fees for special facilities/tests such as DNA sequencing, microscopy lab, video production. May be internal or external.

Facilities & Administrative Costs

- ❖ Costs incurred for common or joint objectives which **cannot** be allocated to a specific direct cost activity
 - ❖ Facilities (lab and office space)
 - ❖ Salaries of administrative, clerical staff, custodian, HR staff, etc.
 - ❖ Libraries and other common buildings
 - ❖ Building maintenance, utilities
- ❖ Also called Indirect Costs (IDC)
- ❖ The University of Oklahoma has a federally negotiated rate agreement that is required to be used on all sponsored projects.
- ❖ F&A/IDC is covered in more detail in Budget Basics Part 3

Contacts for Help

- ❖ RIS@ou.edu will answer questions or put you in contact with who can answer your questions for anything pre-award/Office of Research Services (ORS) related
- ❖ Submit an Infosheet and someone from ORS will contact you <https://ors.ou.edu/proposal/infosheet/infotype/CMSInfosheet.asp>
- ❖ Center for Faculty Excellence (CFE) provides proposal assistance and some training cfe@ou.edu
- ❖ If your question is related to post award, then contact Research Financial Services (ReFS) refsinfo@ou.edu

Questions?