

# Preparing a Proposal Budget

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# Building a Proposal Budget

- Participants will be able to identify common components necessary for budget construction while applying basic cost principles.
- Participants will have an enhanced level of understanding of the budget information needed from a Pre-Award to a Post Award perspective.

# Building a Proposal Budget

## Overview

- Proposal Budget Considerations
- Cost Principles
- Budget Components
- Common Issues



# Proposal Budget Considerations

- A good budget is easily understood, reflects the needs of the project, and complies with the appropriate guidance (OMB, sponsor, and institution).
- Be aware of what limitations or requirements are provided in the Request for Proposal (RFP), Solicitation, or Guidelines.
- Budget construction needs to be done so that the budget can be used by the PI and post award with as few adjustments as possible.
- Keep in mind that at proposal submission the budget is your 'best guess'; most sponsors will allow some change (but be reasonable).

# 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

# Cost Principles

(Overview)

- ❖ What are Cost Principles
- ❖ Direct Costs
- ❖ Indirect Costs (IDC) – also commonly referred to as Facilities and Administrative Costs (F&A) or Overhead

# What are Cost Principles

- Institutions that receive federal funds for research must abide by federal “Cost Principles”. The principles are designed to provide that the Federal Government bear its fair share of total costs.
- Provides that federal funding is treated on par with other sponsors.
- It should be noted that most agencies (non-profit and commercial entities) also follow many of the federal guidelines on cost principles in their grants management operations.

# OMB Circulars/CFR Title 2

- A circular is a federally mandated set of principles and guidelines used to determine costs applicable to grants and contracts.
- The Office of Management and Budget (OMB) issues circulars/regulations that are applicable to various organizations.
- In 2004 an area of the Code of Federal Regulations (CFR) was established (Title 2) as the location of policy guidance for grants and other agreements.



# OMB Circulars/CFR Title 2

These are the old circular numbers that you may still hear about occasionally but they have been replaced.

- 2 CFR part 220 (Circular A-21):  
*Cost Principles for Educational Institutions*
- 2 CFR part 215 (Circular A-110):  
*Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*
- 2 CFR part 230 (Circular A-122):  
*Cost Principles for Nonprofit Organizations*
- Circular A-133:  
*Audits of States, Local Governments, and Non-Profit Organizations*

# Circular A-81

**Effective Dec 2014 the Office of Management and Budget activated the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards from the Office of Management and Budget (2 C.F.R. § 200)**

**...superseded requirements from OMB Circulars A-21, A-87, A-110, and A-122 (which have been placed in 2 C.F.R. Parts 220, 225, 215, and 230); Circulars A-89, A-102, and A-133; and the guidance in Circular A-50 on Single Audit Act follow-up” (it is often called the Uniform Guidance [UG] or Circular A-81 or the Omni-Circular)**

# Direct Costs

- ✓ Expenses identified specifically with a particular sponsored project, instructional activity, creative or artistic pursuit, or other institutional activity
- ✓ Expenses that can be assigned to a particular sponsored project with a high degree of accuracy
- ✓ Must be **allowable, allocable, reasonable** & necessary for the program, given **consistent treatment** and conform to sponsor limitations

# Direct Costs-Allowable

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

# Direct Costs-Allocability

- ✓ Is the cost easily assignable to the proposed work the Primary Investigator is projected to accomplish?
- ✓ If a cost benefits two or more activities then you need to determine the costs for each one based on the proportional benefit; if you can't determine the proportion then the basis of allocation must be reasonable. (work with sponsors)
- ✓ Costs allocable to a project can't be shifted to another project to eliminate deficits or for convenience.

# Direct Costs-Reasonable

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



# Direct Costs-Consistently Treated

- ✓ Are the same types of expenditures treated in similar ways regardless of the sponsor?  
(consistency)
- ✓ Are any exceptions covered under institutional policy?

# 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



# Budget Components

- May vary by Sponsor
- Local policy and use of Object Codes (funding codes) may also impact the items and their arrangement in the budget
- For our purposes the general NSF budget categories are mainly used as these are common in full or part to many sponsors.

# Budget Categories


(Overview)

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

- ❖ Facilities & Administrative Costs (F&A)
- ❖ Cost Sharing

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


# Types of Personnel Costs

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


# Fringe Benefits

- ✓ Normally a composite of benefits such as:
  - ✓ Medical Insurance
  - ✓ Dental Insurance
  - ✓ Life Insurance
  - ✓ Disability Insurance
  - ✓ FICA, unemployment, worker's compensation
  - ✓ Retirement
  - ✓ Remitted Tuition (some institutions use a separate section for this, if you do it is common to list it under 'Other Direct Costs', 'Other' in the NSF budget)


# Equipment

- ✓ Items costing over \$5,000 and having a useful life of one year or more (check limits)
- ✓ Includes freight and shipping costs
- ✓ May include training and installation
- ✓ Fabricated Equipment
- ✓ May also include construction and remodeling
- ✓ Exempt from F&A
- ✓ May raise a red flag 

# Travel

- ✓ Airfare (Fly America Act)
- ✓ Lodging/Apartment Rental
- ✓ Car Rental (may be local exclusions)
- ✓ Local Transportation (Taxi, Metro, Shuttle)
- ✓ Mileage (policy)
- ✓ Per Diem (policy)
- ✓ Registration Fees (policy)
- ✓ Safety and security costs may also be included dependent on location
- ✓ Travel to Canada or Mexico is agency specific
- ✓ May raise a red flag 

# Participant Support Costs

- ✓ Agency specific (only applicable in limited circumstances)
- ✓ Intended for conferences, meetings, symposia, training activities, and workshops
- ✓ Participants or trainees may not be employees
- ✓ Stipends
- ✓ Cost of transportation
- ✓ Subsistence
- ✓ Other related costs
- ✓ Wise to also include the number of participants
- ✓ May raise a red flag 

# Other Direct Costs

(overview)

- ❖ Research Materials & Supplies
- ❖ Publication Costs
- ❖ Consultant Services
- ❖ Computer Services
- ❖ Subcontracts
- ❖ Tuition
- ❖ Other



# Other Direct Costs-

## Research Materials and Supplies

- ✓ Chemicals
- ✓ Expendable Equipment
- ✓ Computer Software
- ✓ Computers and Supplies
- ✓ Lab Supplies (Gases and Media)
- ✓ Reagents
- ✓ Cartridges for Copiers/Printers/Faxes
- ✓ Research Supplies (allocable to the project)
- ✓ Reference Materials
- ✓ Instrumentation <\$5,000

# Other Direct Costs-

## Publication Costs, Computer Services

- ✓ Publication Costs—page charges, dissemination expenses (posters, etc.)
- ✓ Computer Services—IT support fees, internet charges

# Other Direct Costs-

## Consultants


### ✓ Consultant Services



- ✓ May raise a red flag
- ✓ Individual is providing minor support (advice or services for a fee)
- ✓ Letter/email of commitment may be needed
- ✓ Considered an independent contractor
- ✓ Fee generally determined by number of days or hours of consultant time

# Other Direct Costs-

## Subcontracts

- ✓ Subcontracts
  - ✓ May raise a red flag 
  - ✓ Entire sub-proposal needed (budget, statement of work, budget justification, special forms)
  - ✓ Institutional letter of commitment signed by person with authority to commit the organization
  - ✓ Rate agreement if overhead/IDC charged

# Other Direct Costs - Tuition

- ✓ Graduate Research Assistant (GRA) labor budgeted in the project determines the amount of tuition to be budgeted; some sponsors allow extra tuition funds
- ✓ At OU, effective 1/1/18 a new policy went into effect where the GRA tuition calculation is based on the time they spend on the grant (any portion of a month results in charge). See FAQs on our website with the policy.
- ✓ Calculation of tuition remission may vary by institution.
- ✓ Tuition is excluded from F&A

<b>From</b>	<b>To</b>	<b>Rate</b>
July 1, 2019	June 30, 2020	\$973 per month
July 1, 2020	until amended	\$1,051 per month

# Other Direct Costs - Other


## Communication Costs:

- ✓ Express Mail Charges
- ✓ Fax Charges
- ✓ Mobile Phone Services/Pager Fees
- ✓ Postage (No stamps!)
- ✓ Telecommunication
- ✓ Long Distance phone calls (All charges must be directly attributable to project)

# Other Direct Costs - Other

- ✓ Copying
- ✓ Animal care costs/Human subject care costs
- ✓ Maintenance agreements
- ✓ Audio/visual services
- ✓ Construction/renovation/remodeling costs  
(letter may be needed; may also be an equipment item)
- ✓ Costs for workshops/conferences/technical meetings (if including food costs, state that in justification-may or may not be allowed even if initially approved; usually must be a working meal)

# Other Direct Costs - Other

- ✓ Contractual/vendor expenses/services/fees
- ✓ Space Rental
- ✓ Study Participant costs/incentives 
- ✓ Internal service fees (recharge center fee, cost to use special facilities/tests such as DNA sequencing, microscopy lab, video production, room rental, etc.)
- ✓ Project Evaluation fee/cost
- ✓ Software license
- ✓ Advertising to recruit students/participants



# Facilities & Administrative (F&A) Cost Rates

- ✓ Many institutions F&A rate is set by negotiation with their cognizant agency (common ones are ONR and Department of Health and Human Services)
- ✓ PI's cannot negotiate F&A with sponsors at most organizations
- ✓ If a sponsor has a rate set that is less than the negotiated rate then normally the lower rate is used (however, it usually must be formally established)

# Facilities & Administrative (F&A) Cost Rates

- ✓ PI may ask VPR/Provost/Company or Contract Officer to cost share IDC (may not be approved as volunteering not to collect F&A may increase the rate in the future)
- ✓ Note: Flow through is when funds come to through another organization—for example NIH pays University A the total cost of a project then University A pays University B for their subaward. In a flow through situation normally the IDC rate is either the organization's negotiated rate or the amount established by the overall sponsor.

# Facilities & Administrative (F&A) Cost Rates

- ✓ Companies may have unusual IDC agreements and may call IDC 'overhead' or 'profit'
- ✓ When dealing with a foreign entity check sponsor guidelines; it is not unusual to find non-domestic funds limited—for example NSF limits foreign organizations to 10% IDC in most guidelines.
- ✓ Some sponsors allow fees on top of direct and indirect charges (example-DoED sometimes has an evaluator fee at the end of their budget form). This is not IDC/F&A.

# Facilities & Administrative (F&A) Cost Rates

- ✓ Circular A-81 has added a rate that can be used by any organization that doesn't have an established rate; it is 10% (this is new federal 'de minimis rate').

# Facilities & Administrative (F&A) Cost Rates

- ✓ There are different kinds of rates that can be applied
  - ✓ Modified Total Direct Costs
  - ✓ Other limited rates (Salary and Fringe)
  - ✓ Other types of rates (research, other sponsored activity, education/academic, etc.)
  - ✓ Off campus
- ✓ Some institutions apply more than one rate to a budget

# Facilities & Administrative (F&A) Cost Rates

## ✓ AT OU

- ✓ Our Cognizant Agency is DHHS
  - ✓ Our rate agreement was last negotiated on 6/4/2018
  - ✓ Modified Total Direct Costs
  - ✓ Full is 55% (default unless formally restricted by sponsor)
  - ✓ Other Sponsored Activity is 36% (**must be approved**)
  - ✓ Off campus is 26% (**must be approved**)
  - ✓ State agency given courtesy of 26% if not federal flow-through (**must be approved**)
- 
- ✓ We do not apply more than one rate to a budget
  - ✓ We do not subsidize for profit-entities (thus normally there is no cost share or reduced idc unless the for-profit entity is applying to another sponsor)

# Calculations

- ✓ Total Direct Costs are all the direct costs the sponsor is being asked to pay for.
- ✓ Facilities & Administrative/Indirect Costs
  - ✓ Establish the 'base'—this is the amount that the F&A rate is multiplied against
  - ✓ There may be exclusions to total costs (equipment, capital expenditures, tuition remission, rental costs of off-site facilities, scholarships/Fellowships, subcontract amounts in excess of the first \$25,000, patient care costs, etc.)
- ✓ Total Project Costs or Total Costs = Direct Costs + the amount allowed for F&A costs

# Other Budget Considerations

- Who is doing what, will staffing needs change over time?
- What is the project period and does this affect personnel appointments or other budget areas?
- What resources are available vs. needed?
- Have you allowed for escalation/cost of living/inflation?

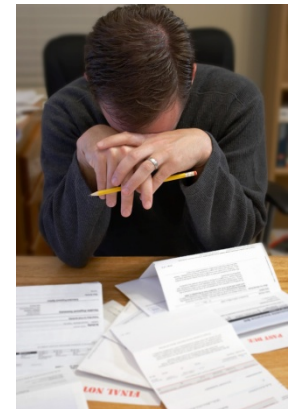


# Other Budget Considerations

- Are special budget forms needed by the sponsor or the submission route?
- Budget justification—narrative that explains how the numbers were developed, for example: Travel: **where to**, how long, method of travel, purpose of travel; Supplies: how many, what type, catalog prices; Equipment: quotes or catalog prices
- Sponsor may want budget justification for one year with explanation of differences on additional years or may want one for each year
- Sponsor may want budget depicted in multiple ways (calendar, fiscal, tasks, period/phase, etc.)

# Common Issues

- ✓ Subcontractor versus Consultant or Vendor
- ✓ Effort
- ✓ Consultants that are retired
- ✓ Fellowship versus Stipends for Students (Is the student an employee?)
- ✓ No IDC/F&A rate
- ✓ Foreign entity concerns
- ✓ Cost sharing (more to follow)



# Common Issues-Cost Sharing

- ✓ There are three types of cost sharing
  - ✓ Involuntary committed (mandatory)—required by the sponsor as a condition of the award
  - ✓ Voluntary committed –when the institution volunteers and commits to bear a specific portion of the costs of the project (matching funds, percentages of cost, etc.)
  - ✓ Voluntary uncommitted-when the PI chooses to spend some unspecified amount of effort beyond what is being paid for or required by the sponsor

# Common Issues-Cost Sharing

- ✓ May be tracked internally but not reported to sponsor
- ✓ Some institutions have a policy on time commitment
- ✓ If mentioned in budget, budget justification, or body of proposal the sponsor may require tracking and documentation to prove it occurred
- ✓ May be required or recommended in guidelines; if not mentioned in guidelines it is voluntary cost sharing and is usually discouraged.

Note—since we are using an NSF budget our template be aware that NSF does not allow any voluntary cost sharing effective Jan 2011 on almost all proposals.

# Common Issues-Cost Sharing—at OU

- ✓ If sponsor doesn't require, recommend, or 'quasi' require cost share then we prefer that no quantified cost share be shown
  - ✓ Tracking and audit issues plus impact on future idc rates
- ✓ Normally OU will not let you cost share summer time if you are a 9 month appt.
- ✓ If you depict quantified cost share in budget or budget justification, then it must be committed to during the internal routing process
- ✓ 3<sup>rd</sup> party cost share requires a letter (3<sup>rd</sup> party assigns value and describes the cost share)

# Cost Sharing - Sources

- ✓ PI or other personnel (start-up funds, time, SRI)
  - ✓ Volunteer time
- ✓ Departmental/College Contributions
- ✓ Vice President for Research/Provost
- ✓ Third Party Contributions (Subcontractors, Industry, etc.)
- ✓ Regents for Higher Education
- ✓ Contributed and Unrecovered F&A

# Sponsor-Required Cost Sharing

- ✓ Sponsor may have limits or requirements on the cost share
  - ✓ Equipment
  - ✓ Contributed F&A
  - ✓ Unrecovered F&A (F&A not allowed or F&A associated with Cost Sharing; not allowed in all cases-check guidelines for exclusion statement)
  - ✓ Regents Matching Funds

# Building a Proposal Budget

- ✓ If there are areas in the budget construction you aren't sure of ask for help from more experienced research persons in your institution, post award/finance, or post on the list serves.
- ✓ Only ORS is official source of your OU budget (in other words your budget is not good to use or give to someone until it has been seen by ORS). Budget needs to be on OU format (spreadsheet)
- ✓ A complete and correct budget for submission can prevent many problems in the award and administration stage of the life of the proposal.



# Building a Proposal Budget

- ✓ Be prepared to revise your budget (usually down). Remember at submission stage the budget is usually a draft document but depending on the sponsor you may have to live with the budget you submit.
- ✓ You build your budget not someone else or another organization (help is okay) but you are the one who is responsible to understand and spend it.
- ✓ Burn rate on proposal spending – don't wait to the end of the proposal to spend.
- ✓ What is a no-cost extension? Don't assume one will be allowed.

# Building a Proposal Budget

## Questions?

Feel free to contact me at [fran@ou.edu](mailto:fran@ou.edu)