

SPA Certificate Series

Budget Development



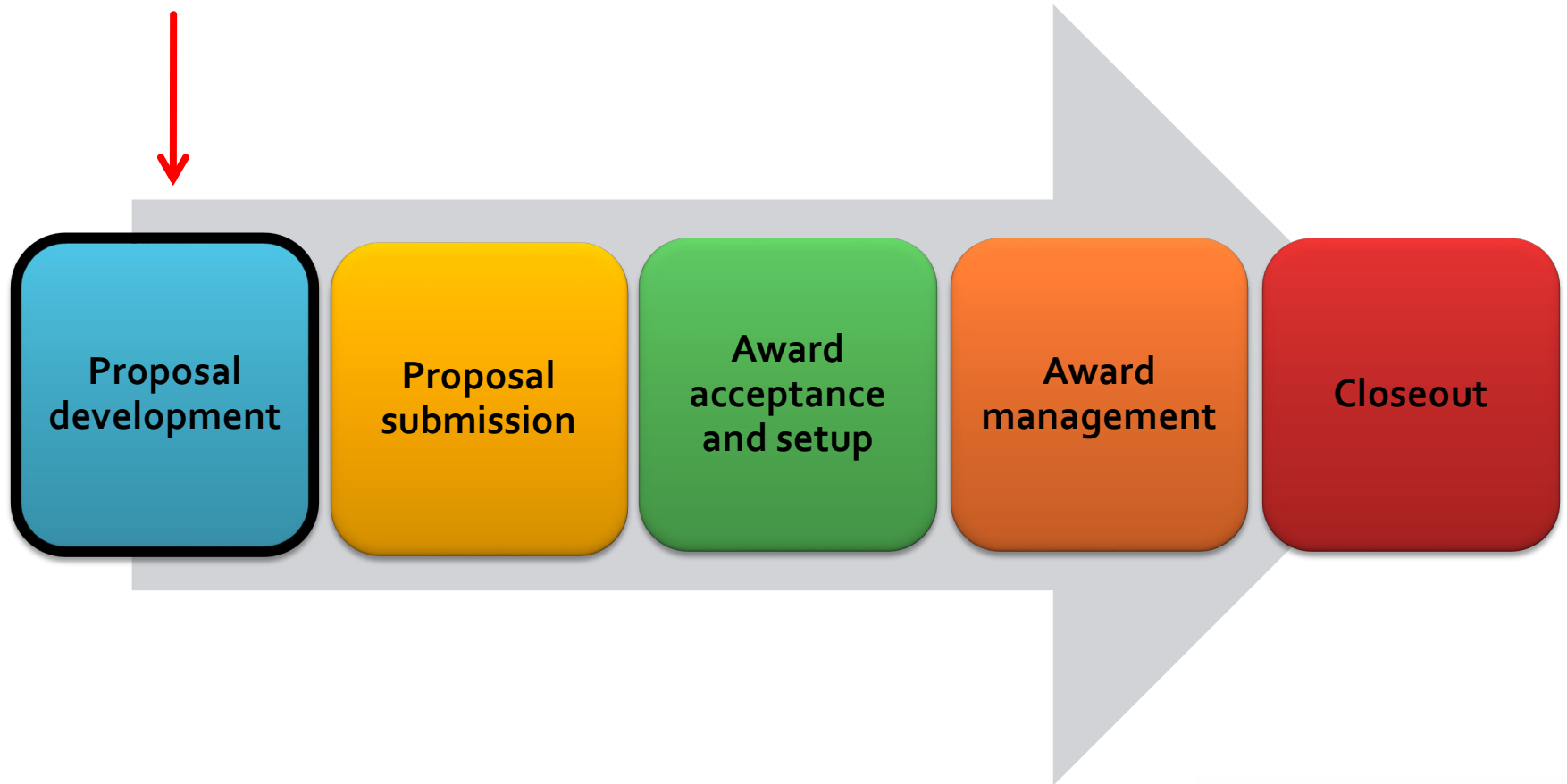
Sponsored Programs
Administration
University of Missouri

Session Objectives

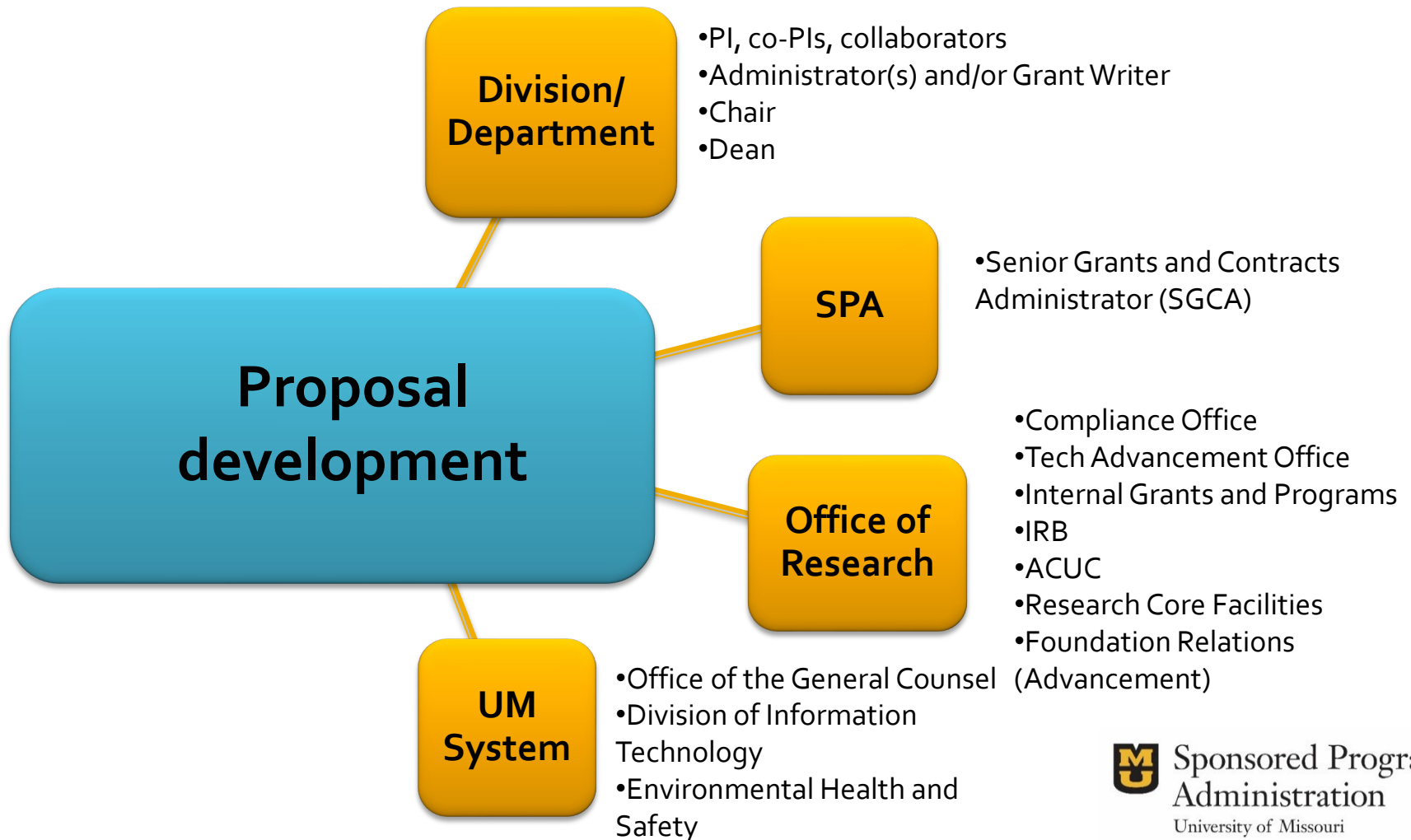
- Understand the purpose of a budget and budget justification in a sponsored project proposal.
- Recognize important budget elements and characteristics of a solid budget justification.
- Identify source information for building a comprehensive, compliant budget.



Award Cycle



Proposal Development



Why is a solid budget and budget justification important?

- Serves as a roadmap that quantifies and justifies the proposed resources necessary to achieve the project objectives
- Ensures that the sponsor pays its fair share of the project costs
- Becomes a management tool once the project is awarded



What does a sponsor look for in a budget and budget justification?

- Is the proposed budget realistic and reasonable?
- Is the budget justified by the aims and methods of the project?
- Are there discrepancies among the budget, budget justification, and proposed activities?



How much?

- Although you can't foresee how the project will unfold and exactly what the costs will be, you must develop a budget that is as realistic as possible.
- A budget that fails to request an adequate amount of funds is just as problematic to a proposal as one that requests an unrealistically large amount of funds.



Allowable Costs – Things to Consider

- University's Rules and Regulations
 - SPA: <https://research.missouri.edu/sponsored-programs-administration>
 - Procurement: <https://www.umsystem.edu/ums/fa/procurement>
- Sponsor's Guidelines
 - General Guidelines (often found on website)
 - Specific RFP (Request for Proposals)
- Uniform Guidance



Allowable Costs – “The Four Rules”

All costs must be:

1. **Reasonable** in that the cost reflects what a prudent person might pay.
2. **Allocable** in that the contract or grant that pays the expense benefits from it.
3. **Consistently treated** across campus.
4. **Allowable** as defined by the Uniform Guidance and/or by the term of the particular award.



Unallowable Costs

- If a cost does not meet each of the four rules of allowability, it is an unallowable cost.
- The University has the responsibility to identify unallowable costs and exclude them from any project.
- Examples of typically, but not always, unallowable costs:

Advertising/marketing
Alcoholic beverages
Charitable contributions
Entertainment

Fines and penalties
Food costs
Overdrafts
Goods or services for personal use

Unlike Circumstances

- An activity/use that is substantively greater in amount or different in purpose than is typical
- In certain circumstances, indirect costs *might* be charged directly to the award, for example:
 - Administrative or clerical services
 - Postage for mailing 20,000 surveys
- Must be sufficiently documented



Getting Started

- Pay attention to the sponsor's guidelines
 - Amount limitations (total, by year, by category)
 - Budget Periods
 - Allowable and unallowable costs
 - Indirect Costs (IDC)
 - Cost share Requirements
- Needed Budget Items
 - Internal budget (PeopleSoft Categories)
 - Budget justification (narrative)
 - Sponsor forms



Direct Costs vs. Indirect Costs

- **Direct costs** are those costs that can be identified specifically with a particular sponsored project, an instructional activity, or any other institutional activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy.
- **Indirect costs** are incurred for a common or joint purpose benefitting more than one cost objective and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved.
- E.g., lab space and utilities (lights, water), general office supplies/materials, administration and oversight functions.

Typical Budget Categories

Direct

- Personnel
- Fringe benefits
- Tuition
- Travel
- Equipment
- Materials and supplies
- Consulting
- Subcontracts
- Participant Support Costs
- Incentives
- Other

Indirect Costs

- FKA: Facilities and administration (F&A)
- AKA: Overhead, General Operating Costs



Budget Justification

- Provides a rationale to the sponsor that the costs are warranted
- Serves as documentation of how you arrived at cost
- Must be consistent with the budget
- Different sponsors and/or RFPs require different levels of detail



Personnel

- Often the largest budget item and therefore often scrutinized by auditors
- Does not include outside consultants, which should be budgeted as “contracted services,” often in the Other category
- Special considerations
 - Recent retirees (rehire vs. contractor)
 - Former employees (consultant vs. subrecipient)



Personnel, cont'd

- Faculty, professional research staff, technicians, and other staff
 - Salary calculated by time and effort (i.e., no “flat” pay or stipends)
 - Use reasonable (3%) cost escalator
- Graduate students
 - Stipends (see Grant Fact Sheet for institutional minimums)
- Undergraduate students
 - Typically hourly



Effort

- 9 month versus 12 month appointments (not how they are paid)
- PI determines effort level
 - Must be reasonable
 - Must consider sponsor's perspective (NSF v. NIH)
- Calculating Effort:
 - Person Months vs. % Effort
- Effort verification reports (EVRs) reconcile and verify effort with a 5% variance allowed

Fringe Benefits

Grant Fact Sheet

<https://research.missouri.edu/sponsored-programs-administration/grant-fact-sheet>

- The University negotiates federal fringe benefit rates with DHHS annually after submitting a fringe benefit cost proposal based on actual costs for the prior fiscal year (FY).
 - University FY is July 1 – June 30
 - (e.g. FY25 = 7/1/24-6/30/25)
- For each FY, rates differ for:
 - Personnel employed $\geq 75\%$ FTE
 - Personnel employed $< 75\%$ FTE (FICA only)
 - Graduate students (tuition and medical insurance)
 - Undergraduate students (exempt)

Tuition

Grant Fact Sheet

<https://research.missouri.edu/sponsored-programs-administration/grant-fact-sheet>

- “Tuition remission” is the payment of tuition expenses as a part of compensation to students performing necessary work on sponsored projects.
 - Can add in division course fees as well
- Must be excluded from the application of indirect costs (TDC – excluded costs = MTDC)
- Might be disallowed in sponsor’s published guidelines



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Travel

Grant Fact Sheet

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- Must be essential to the project
- Must comply with university, state, federal, and sponsor policies
- Pay attention to MU travel policies and other resources (see handout)
- Consider:
 - Number of travelers, destination, length of time, and when travel will be undertaken
- May include:
 - Airfare, ground transportation, lodging (incl. taxes), mileage, parking, meals (per diem), special costs of international travel



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Equipment

A single item that costs *\$10,000 or more (including accessories, installation and delivery costs) and has a life expectancy of at least one year

- Specifically identify item(s) and clearly justify need
- Confirm that it is not otherwise available
- Obtain documentation of pricing, including any installation, delivery, training and required accessories
- Must be excluded from the application of indirect costs (TDC – excluded costs = MTDC)

* The updated thresholds for equipment and subcontracts will go into effect when we receive our updated negotiated rate agreement.

IRB Fees

Whether IRB fees are charged to a project depends on several factors

Check the IRB Fees page for guidance:

<https://research.missouri.edu/human-subjects-research/irb-fees>

Supplies

- Identify, quantify, and justify
- Include items such as:
 - Small electronic components, including most computers (must be allocable to this specific project and well justified)
 - Lab supplies
 - Software
 - Other specialized supplies specific to the project
 - General office supplies only if quantity is significant and the specific quantity used for this project can be easily quantified (i.e. it's allocable); otherwise, covered under indirect costs

Consultants

- “Contracted services”
- In most cases, specify an hourly rate.
- In all cases, quantify the consultant’s time and justify the estimated time commitment.



Subcontracts

- PI and subrecipients (Co-I's) should agree early on a budget total for the subcontract.
- Subrecipient institution develops the budget; should follow the same cost principles and budget justification as the main (MU) budget.
- In MU's budget, calculate indirect costs on the first *\$50,000 of each subcontract.
- Required at proposal:
 - Subrecipient and Contractor Determination Checklist
 - MU Subrecipient Commitment Form (*signed*)
 - Scope of Work
 - Budget and Budget Justification
 - Letter of Commitment (*if needed for Prime proposal*)
 - Any other proposal documents

* The updated thresholds for equipment and subcontracts will go into effect when we receive our updated negotiated rate agreement.

Other Direct Costs

May include but are not limited to:

- Animal per diems
- Incentives for human subjects (*"Participant Incentives"*)
- Participant Support Costs
- Publication costs and page charges
- Equipment and computer maintenance
- Fees for shared resources (e.g., core facilities)
- Research Security Costs



Participant Support Costs vs Participant Incentives

Participant Support: Costs paid to or on behalf of non-employee participants or trainees in connection with a conference or training project

Participant Incentive: Compensation provided to individuals who participate in research projects (part of a study, survey, etc)



Participant Support Costs

- Participant support: Can be in the form of stipends, subsistence allowances, travel allowances or registration fees
- These costs are **IDC exempt** and **cannot be re-budgeted** from this category without sponsor approval (for federal funds)
- Example: Students attending a summer-long training program may have a stipend and funds towards rent and travel provided to them, to cover expenses associated with attending the program.

Participant Incentives

- Participant Incentives: Incentives can be provided to encourage participation in projects. These can be in the form of gift cards or per-hour or per-visit compensation
- Participant Incentives are subject to IDC
- Example: Individuals who take an online survey are given a \$15 gift card at completion of the survey

Research Security Costs

- Some research may involve Controlled Unclassified Information, which requires more data security than is provided by MU's standard computer applications.
- For these projects, the Research Security and Compliance office recommends budgeting for a license for a secure computing environment.
- License fees vary – reach out!

Indirect Cost Rates

Grant Fact Sheet

<https://research.missouri.edu/sponsored-programs-administration/grant-fact-sheet>

- Negotiated with DHHS, the University's cognizant agency
- Administration portion is capped at 26%
- Facilities portion fluctuates based on actual costs
- MU's negotiated rate must be used, unless limited by primary sponsor
 - If a lower rate is used, it should be because of a federal rule/regulation or because the sponsor has a published rule (publicly available)



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Indirect Cost Rates

Grant Fact Sheet

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- The applicable rate depends on the project. Ask yourself:
 1. What kind of project is this?
Research (basic, applied, development), Instruction*, or Other Sponsored Activity* or Clinical Trial
 2. Where will the work be performed?
On Campus and/or Off Campus (see SPPG on OSPA website)
 3. What is the anticipated funding source?
If funding is federal in origin, relevant limitation is only the federal regulation (e.g. when MU's sponsor is non-federal, but prime sponsor IS federal).
 4. Are there special circumstances?
Sponsor's published limitation on indirect cost recovery, waived IP

* OSA & Instruction proposals require confirmation and approval before submission! *
See "Award Purpose Determination Guide" | Contact your SGCA ahead of time.

TDC vs. MTDC

Modified total direct costs (MTDC) are total direct costs (TDC) minus:

- All capital expenditures
- Equipment \geq *\$10,000 and a life > 1 year
- Subcontract amounts over *\$50,000
- Patient care costs
- Rental/maintenance of off-site activities (space)
- Student support costs (including GRA tuition)
- Animal per diems (Office of Animal Research only)
- Participant support costs

* The updated thresholds for equipment and subcontracts will go into effect when we receive our updated negotiated rate agreement.

TDC and MTDC Calculations

1. $\text{TDC} - \text{excluded costs} = \text{MTDC}$
2. $\text{MTDC} \times \text{IDC rate} = \text{Indirect Costs}$
3. $\text{TDC} + \text{Indirect Costs} = \text{total costs (TC)}$

Which is the appropriate cost base?

- Read the guidelines!!
- If the sponsor has a published policy limiting IDC recovery and guidelines do not specifically state MTDC, use TDC.
 - Watch for cases where the sponsor limits IDC recovery to a percentage of “total funds awarded.” This will require some math to calculate the actual IDC rate and will always use TDC as the base.
 - For example, NIFA limits indirect cost recovery to “30% of total federal funds awarded,” which comes to 42.85% TDC.
- Otherwise, use MTDC.



Indirect Cost Waiver

- IDC Waiver (RUC: Request for University Contribution)
- Required when:
 - Sponsor limitation on indirect costs without publicly-available documentation (published guideline)
 - Compelling reason to use funds for direct costs
- Should be processed well in advance of a proposal deadline to allow for re-budgeting, if needed



Tips: Budget

- Use Excel to build the budget!
 - Ensure all formulas are accurately calculating costs
 - Excel budget should be “transparent” in order to communicate “the story” to your SGCA and Post-Award
- Beware of the “trickle down” effect when making changes.
- Look for each solicitation’s budget limitations and requirements, especially:
 - Indirect cost limits (common for state or private funds)
 - Personnel/salary (e.g. NSF 2-month rule, DHHS salary cap)

Tips: Budget Justification

- Include headings using the exact wording and order of the categories as listed on the budget page.
- The budget and budget justification must match exactly.
- Watch out for unintended voluntary committed cost share (don't quantify effort or the value of any items that are not in your budget).
 - "As Needed Basis"
- Find the balance between sponsor's expectations and level of detail offered.
- Examples are provided in the handouts.

Tips: Budget Justification

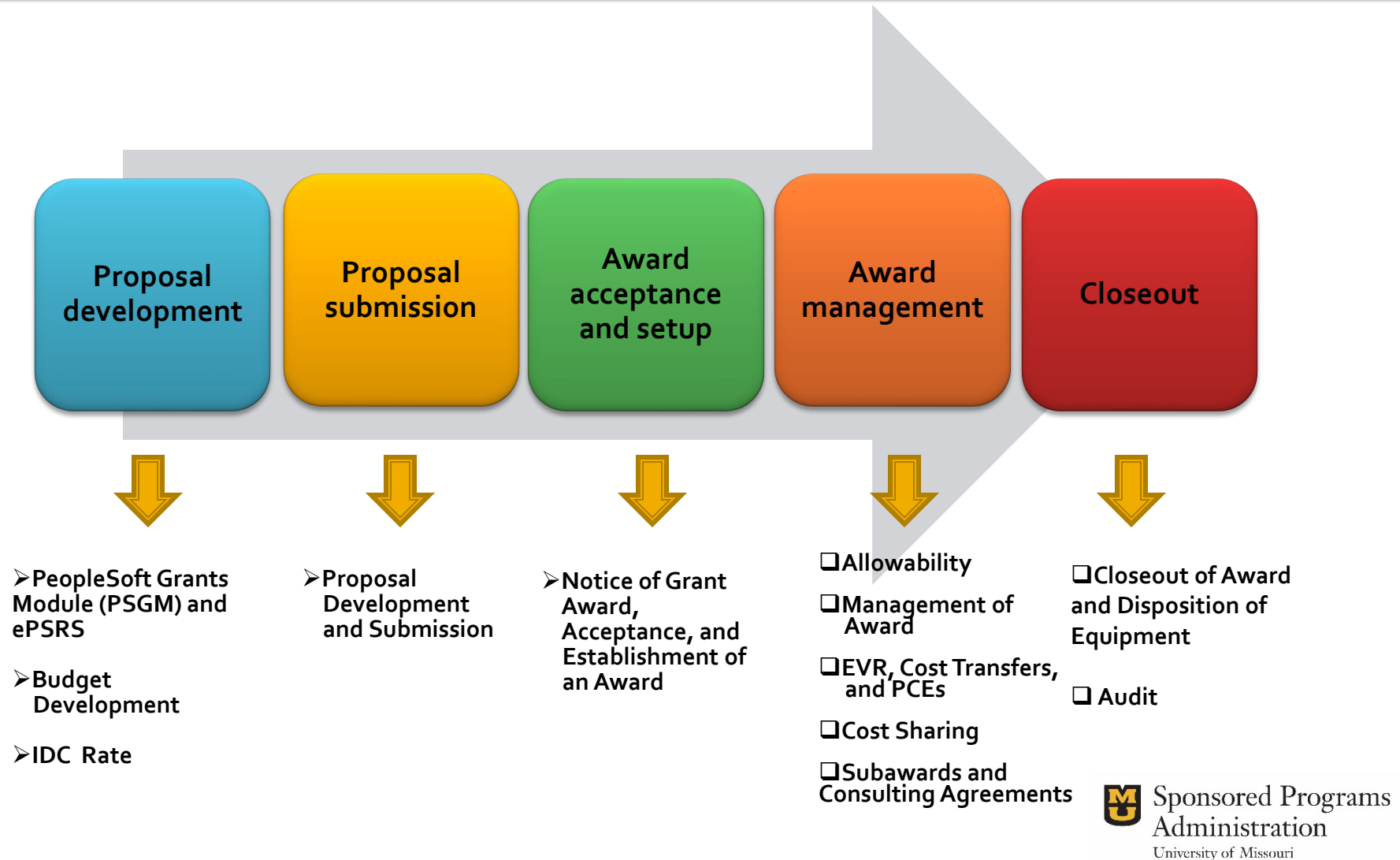
- Sponsors often have very specific requirements, so watch your RFP as well as the sponsor's general guidelines (often posted on their website).
 - NSF budget justifications should:
 - Include definition of "year" as used for salary and effort calculations.
 - List BOTH the IDC rate used AND the total indirect dollar amount.
 - Be a maximum of 5 pages long.
 - NIH budget justification for *modular budgets* should only list personnel names, effort, and role on the project.

Take-Aways

- Involve others early.
- Know where to go for information.
 - SPA (<https://research.missouri.edu/sponsored-programs-administration>)
 - Or contact your SGCA! We can help!
 - Office of Research
 - Grant Fact Sheet
 - Uniform Guidance
 - Departmental Fiscal Officers
 - Sponsor website and guidelines
 - University's Policies and Procedures
 - Other University Facilities



Certificate Series for Specialized Grants Training



Next Session

Visit the SPA Certificate Series

at

<https://research.missouri.edu/sponsored-programs-administration/certificate-series-for-specialized-grants-training>



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Thank you!

Sponsored Programs Administration

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