Building A Budget for Grants and Contracts
Agenda

- Overview
- How to create budgets for sponsored projects
- Other budgeting considerations
Budget Purpose & Elements

- Present & justify financial needs to fulfill the scope of the project
- Provide a roadmap for successful progress of the work
- Reflect project goals financially
- Be clear & realistic
- Conform to the regulations & policies
  - Federal
  - Agency
  - Institutional
  - Program specific
Sponsored Project Budget

- Direct Costs
- Indirect Costs (F&A)
- Cost Sharing
- Budget Narrative/Justification
Where to begin...

- Review Agency Guidelines
  - Determine Allowable & Unallowable costs
  - Determine the F&A (Facilities & Administrative or Indirect Cost) Rate Allowed by the Guidelines/Agency
  - Determine if Cost Share is required
Next, think about the Project

- Operationalize the Project
  - Think “Direct Costs”
- What will it take to get the work done?
  - Time & Effort
  - Travel
  - Supplies
  - Equipment
  - Support
Building A Budget – Direct Costs

- Salary/Fringe Benefits
- Travel
- Supplies
- Subawards/Consultants
- Tuition
- Equipment
- Other Costs
Direct Costs – Normally Indirect Costs or Unallowable

- Administrative/Clerical Salaries and Benefits
- Supplemental Salary (Overload)
- Business Meals
- Computer/Computer Supplies
- Copier Charges
- Entertainment
- Telephone Line Charges
- Maintenance of General Purpose Equipment
- Membership and Dues
- Office Supplies
- Postage
- General Purpose Software
- Subscriptions
What are Indirect Costs (F&A)?

These are costs incurred for common or joint activities and cannot be identified readily and specifically with a particular sponsored project, an instructional activity or any other institutional activity.

These costs are paid by the Institution up front and only a portion of them are recouped after the fact.
Composition of Indirect Costs

- Depreciation on Buildings and Equipment
- Interest on Buildings
- Operation and Maintenance Expense
- General administration and general expenses
- Departmental expenses
- Sponsored projects administration
- Library expenses
- Student administration and services
- Offset for Indirect Costs otherwise provided for by the Federal Government
Indirect Costs are applied as a percentage of direct costs.

The percentage is usually a negotiated rate with our Federal Cognizant Agency or limited by agency.

There are exclusions when calculating the Indirect Costs. You calculate the Indirect Cost after the exclusions which is a Modified Total Direct Cost (MTDC).
Building A Budget – Indirect Costs Cont

- MTDC Exclusions
  - Equipment ($5,000 and greater)
  - Subawards (amount greater that $25,000)
  - Tuition Remission
  - Participant or Patient Care Costs
  - Space Rental
  - Construction
  - Alteration/Renovation Costs
  - Scholarships & Fellowships
Building A Budget – Indirect Costs Cont

- MTDC Example
  - Indirect Cost Rate = 25%
  - Salaries = $50,000
  - Equipment = $25,000
  - Supplies = $5,000
  - Subcontract = $35,000
- Total Direct Costs = ?
- MTDC = ?
- Indirect Costs = ?
- Total Budget Requested = ?
Building A Budget – Indirect Costs Cont

- Answers
- Total Direct Costs = $115,000
  ($50,000+$25,000+$5,000+$35,000)
- MTDC = $80,000 ($115,000−$25,000 Equip − $10,000 Sub amount > $25,000)
- Indirect Costs = $20,000 ($80,000 * 25%)
- Total Budget Requested = $135,000
  ($115,000 + $20,000)
Cost Sharing – The portion of the project/program costs that are not covered by the sponsor.

- Mandatory
- Voluntary Committed
- Voluntary Uncommitted
Building A Budget – Cost Share Cont

- Matching/Cash Match – Where the Institution provides the match or where another sponsor provides an agreement as match.
- In-Kind Third Party Contribution – where an entity provides goods or services as match for a project but the money never comes through the Institution.
Building A Budget – Cost Share

Cont

Reasons for Cost Share

- Sponsor doesn’t pay a particular cost
- Sponsor’s has limited funding
- Salary exceeds the NIH salary cap
- Sponsor requires cost share

Bad Reason for Cost Share

It will make my proposal more attractive
Other Considerations

- Budget Narrative/Justification
  - Compare justification to budget
  - Clearly explain how costs were calculated
  - Verify that all expenses that are proposed are allowable
  - If Subawards are part of the budget ensure their justification is reasonable
The National Institutes of Health website states:

“We do not expect your budget to predict perfectly how you will spend your money five years down the road. However, we do expect a reasonable approximation of what you intend to spend. Reviewers want to see that you understand the scope and breadth of your project.”
The best time to prepare for an audit is while you are writing the budget, not when the auditors are at the front door.

When spending on your award thoroughly document what you did and why you did it (who, what, where, when, and why). That is your best defense when anything is questioned.