

PROPOSAL BUDGETING BASICS

Presented by College of Nursing Office
for Research Support

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Budget process should not overwhelm



Objective is to understand

WHAT reviewers expect from the budget & justification

WHAT the agency allows in the budget

HOW the budget is formatted, calculated and justified

WHEN the budget is prepared

WHO prepares the budget

WHAT best practices should be followed

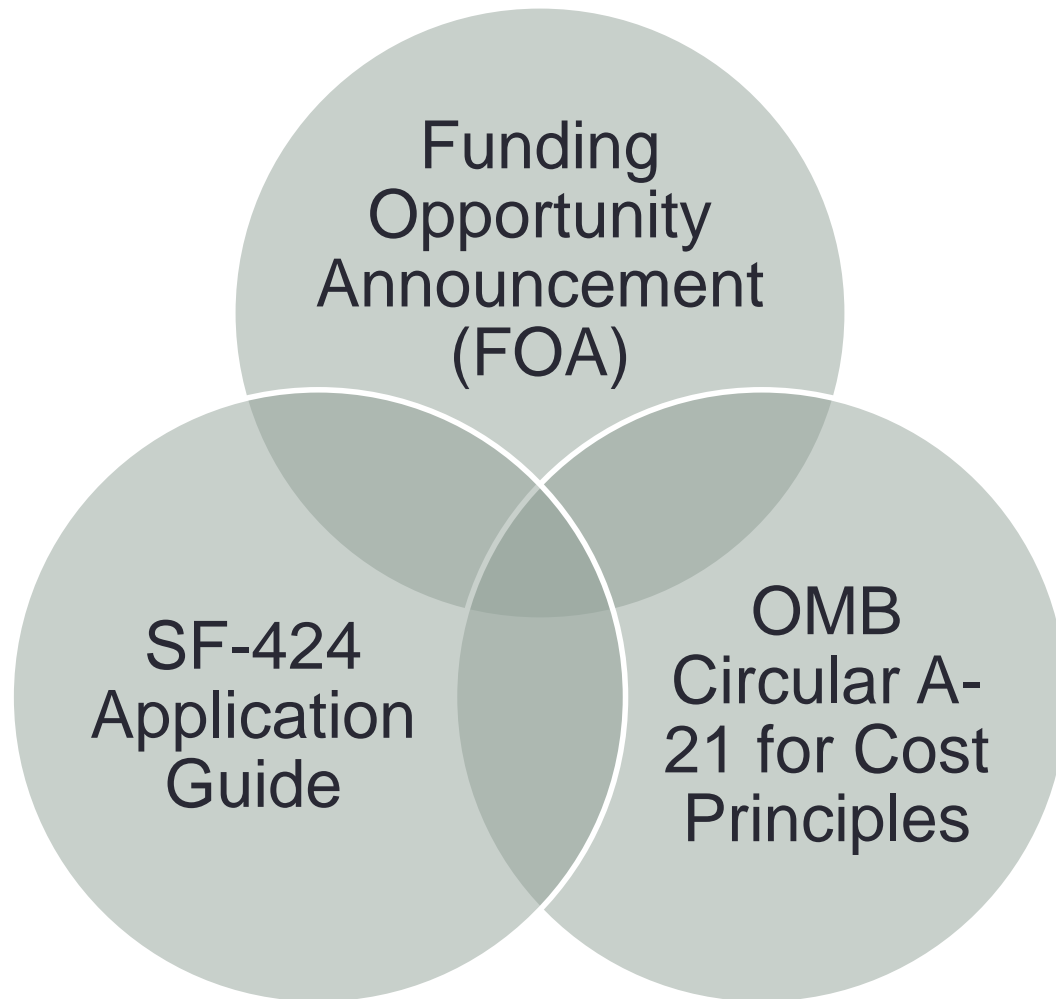
What do peer reviewers expect?

A well-justified estimate of future research costs that is consistent with the proposed scope of work.

What does the agency allow?



Guidelines for NIH budgets



Complying with FOA and SF-424 Guidelines

- Funding Opportunity Announcement (FOA) for the specific proposal supersedes institutional and SF-424 instructions
 - Always note and follow FOA-specific directions
- SF-424 provides general directions and limitations for budgeting activities
 - KEY LIMITATION: Applicants requesting \$500,000 or more in direct costs in any year (excluding consortium F&A) must contact [NIH program staff](#) at least **6 weeks before** submitting the application and follow the Policy on the Acceptance for Review of Unsolicited Applications that Request \$500,000 or More in Direct Costs as described in the SF424 (R&R) Application Guide.

A-21 Allowable Costs

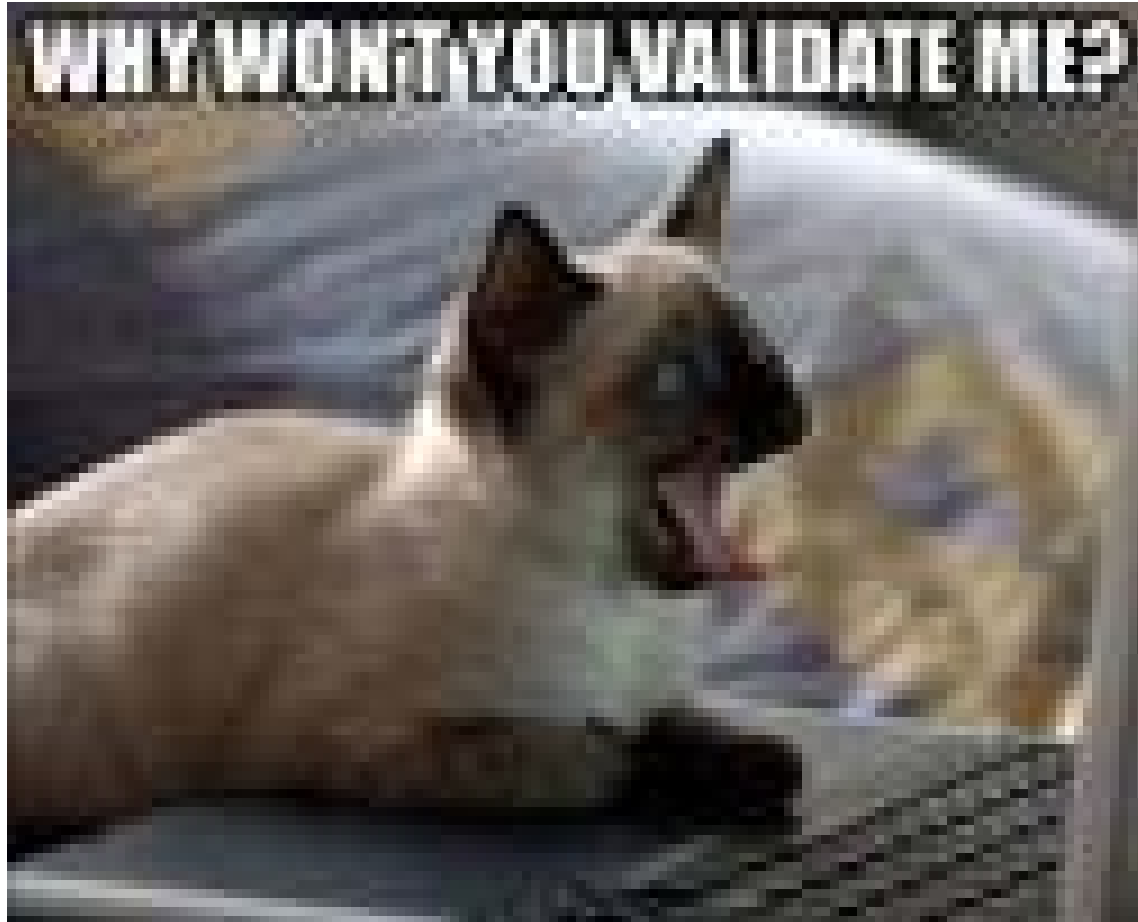
- Necessary: costs must be strictly required for work on the sponsored project.
- Reasonable: costs must reflect the actions of a prudent person.
- Allocable: costs must solely benefit the project; or if benefitting multiple projects be distributed in accordance with the relative benefits. (Computers?)
- Treated Consistently: costs incurred for the same purpose in like circumstances must be treated as direct or indirect costs. (CAS exemption for computers, clerical salaries)

Caps on Allowable Costs

Salary Caps

- **NIH Executive Level II = \$183,300**
 - Institutional base salary used in the budget cannot exceed this level
- **Mechanism levels**
 - K Awards limit institutional base salary at specified levels \$ (consult guidelines)
- **Institution covers salary over the cap**
($\$50\text{k}$ limit, salary $\$100\text{k}$, effort 75% = $\$50\text{k}$ sponsor paid; $\$25\text{k}$ institution paid)

Proposal will not validate at submission if limits (FOA or Caps) are exceeded



How are costs categorized?

Direct Costs

are specifically identified with a particular project.

Indirect Costs (F&A)

are those that cannot be tied specifically to a project such as libraries, janitorial services, utilities, maintenance and depreciation of facilities, and general administrative costs.

Categories of Direct Costs

- Salaries and Wages
- Fringe Benefits
- Consultant Services
- Equipment
- *Computers (ADP services; laptops, etc., budgeted in supplies)*
- Supplies
- Travel
- Contractual or Third Party Costs (Consortium / Subcontract)
- Patient Care Costs
- Alterations and Renovations
- Tuition
- Training Costs – Training Grants Only
- Other Direct Costs
- *Cost Sharing*

Indirect Costs (F&A)

Project's Indirect Cost =

Institution's approved rate X "Direct Cost Base"

- NIH R, P series; NSF applications =

50% X "Direct Cost Base"

- Training (NIH K, T series) applications =

8% X "Direct Cost Base"

Determining the “Direct Cost Base”

Sponsor specifies the “direct cost base” as either

- Total Direct Costs, TDC base
- Modified Total Direct Costs, MTDC base 

Total Direct Costs Base (TDC)

- All direct costs are included in the base for the indirect cost calculation.
- There are no exclusions or modifiers.
- Indirect cost = TDC base x F&A rate.

Modified Total Direct Costs Base (MTDC)

TDC minus

- ✓ Equipment
- ✓ Patient care
- ✓ Tuition
- ✓ Rental costs of off-site facilities
- ✓ Scholarships
- ✓ Fellowships
- ✓ Portion of each subaward in excess of \$25,000

Indirect cost = MTDC base x F&A rate.

How is the budget formatted and calculated?

- Budget formats vary by agency and mechanism.
- Grant Specialists use Excel spreadsheets to calculate the budget by category for the specified format.
- Spreadsheet data is transferred to agency forms.

NIH Budget Formats

Modular

(PHS 398 Form)

simple, *not allocated*
across specific cost
categories; provided
in \$25,000
increments

Research & Related

(R&R Form)

detailed, *allocated*
across *specific* cost
categories

Modular Guidelines

- Modular budgets request direct costs \leq \$250,000 per budget period.
- Modular budgets are simplified; therefore, cost detail by category is not submitted with the application.
- Modular budget format is applicable only to R01, R03, R15, R21, and R34 applications.

Calculating Costs – Modular Format

- Direct Costs
 - Salaries \$80,000
 - Supplies \$20,000
 - **Equipment \$25,000**
- Indirect Costs
 - UF approved F&A rate = 50% of modified total direct costs (MTDC).
 - \$100,000 MTDC X 50% = \$50,000

Calculating Costs – Modular Format

- Direct Costs

- Salaries \$80,000
- Supplies \$20,000
- Other \$25,000

- Indirect Costs

- UF approved F&A rate = 50% of modified total direct costs (MTDC).
- \$125,000 MTDC X 50% = \$62,500

Modular Cumulative Page

Cumulative Budget Information

Total Costs, Entire Project Period

Section A, Total Direct Cost less Consortium F&A for Entire Project Period	\$ 275,000
Section A, Total Consortium F&A for Entire Project Period	\$
Section A, Total Direct Costs for Entire Project Period	\$ 275,000
Section B, Total Indirect Costs for Entire Project Period	\$ 137,500
Section C, Total Direct and Indirect Costs (A+B) for Entire Project Period	\$ 412,500

R&R Guidelines

- R&R budgets are required by certain mechanisms (K-Awards) and agencies (AHRQ)
- R&R budgets are used in R series applications when a budget period's direct costs \geq \$250,000.
- Some FOAs require the R&R form even if a modular format might be applicable by value. (Always consult the FOA, never assume.)
- R&R budgets require detailed, categorical cost information be submitted with the application.

RESEARCH & RELATED BUDGET - Cumulative Budget

	Totals (\$)
Section A, Senior/Key Person	499,837
Section B, Other Personnel	460,671
Total Salary, Wages and Fringe Benefits (A+B)	960,508
Section C, Equipment	
Section D, Travel	17,312
1. Domestic	17,312
2. Foreign	
Section E, Participant/Trainee Support Costs	
Section F, Other Direct Costs	984,813
1. Materials and Supplies	1,230
2. Publication Costs	4,500
3. Consultant Services	58,750
4. ADP/Computer Services	
5. Subawards/Consortium/Contractual Costs	710,562
6. Equipment or Facility Rental/User Fees	
7. Alterations and Renovations	
8. Other 1	209,771
Section G, Direct Costs (A thru F)	1,962,633
Section H, Indirect Costs	638,537
Section I, Total Direct and Indirect Costs (G + H)	2,601,170

How is the budget justification prepared?

- PI, in consultation with Grants Specialist, writes a
 - Modular format justification for “personnel” and “other direct costs”; or,
 - R&R format justification for all direct costs, detailed by cost category.
- Justification explains how costs support science.
- Key personnel effort is expressed in calendar months.
- Justification templates are available for both modular and R&R formats.

Who is responsible for the budget?

- The PI is responsible for developing a proposal budget that is
 - consistent with the scope of work
 - well justified.
- The PI should develop that budget in consultation with the Grants Specialist and the other members of the project team.

When is the budget prepared?

- Preparation begins as soon as the PI has drafted the specific aims for the project.
- Preparation continues throughout the long process of finalizing a research proposal.
- The budget and budget justification cannot be completed until the scope of work and project timeline are finalized.

What are the best practices?

- Read, reread, and know the FOA.
- If NIH, be familiar with the SF-424 guidelines (refer to SF-424 supplement pages for K, F, or T awards).
- If not NIH, carefully review the agency guidelines.
- Meet with Grants Specialist (GS) **AS SOON as you know you are applying to a specific FOA and have identified the specific aims.**
- Keep GS informed of changes in personnel or scope of work and consult with GS regularly.
- Prepare a budget justification that marries the science and timeline to the costs identified (see GS for templates).

Interview with a Grants Specialist

- What is the FOA number (PA, PAR, RFA)?
- What budget limits are stated in the FOA?
- What are the budget start and end dates?
- Who are the members of the research team?
- How much effort will each member devote?
- How confident are you of the sample sizes that impact costs for supplies, incentives, etc.?
- Are human subjects involved? (IRB?)
- Is cost sharing required or planned?
- Will consultants be utilized?
- Will travel funds be necessary?
- Is there a subcontracting institution?
- **Are you going on vacation during this process?**

Check-up with the Grants Specialist

Grant Specialists provide PIs with a checklist of proposal components, including the budget component.

USE THOSE CHECKLISTS!



Budget Checklist

- ✓ Does it follow FOA & SF-424 or other funding agency guidelines?
- ✓ Is it consistent with proposal narrative?
- ✓ Is it adequate?
 - supporting the scope of work & schedule of deliverables?
 - properly inflated for future years?
- ✓ Is it accurate?
- ✓ Does it provide reviewers with a clear & concise plan for project financial management?