

# Building a Budget



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# Session Objectives

- Develop an understanding of the role of the budget
- Understand the principles that guide the development of acceptable budgets
- Obtain the tools to develop accurate budgets



# Today's Agenda

- Introduction
- PowerPoint link:  
<https://vprgs.msu.edu/presentations>
- Why do budgets matter?
- Resources and tools needed to prepare a budget
- Budgeting tips



# Introduction

Question and Answer Opportunities

Assessing Participant Interests

Flow of Proposal Process:



## Why is the budget relevant to you?

- The budget helps to guide the scope of your project.
- If your budget is too low for the amount of work you are proposing, your proposal may be too ambitious for the funding available.
- If your budget is too high, then your funding request may be perceived as unreasonable.
- The budget should not be a distraction.



# Guiding Principles



Office of Management and Budget

Federal cost principles provide that costs charged to a federal grant or contract must be:

- Allowable
- Reasonable
- Allocable

[http://www.whitehouse.gov/omb/circulars\\_a021\\_2004](http://www.whitehouse.gov/omb/circulars_a021_2004)



# Typical Budget Categories

- Personnel
- Equipment
- Travel
- Other Direct Costs
  - Supplies
  - Publication Costs
  - Consultant Services
  - Subcontracts
  - Graduate student tuition
  - Animal costs
  - Services



# Personnel

**Personnel should reflect the people and time needed to complete the scope of work.**

Who will be key personnel?

PIs and Co-Investigators, Consultants

Who will be other personnel?

Post docs, graduate students, technicians,  
research assistants, undergraduate students

How much time will be needed to do the work?





# Budget Builder Demo and Screenshot

Project Start Date  
AN, AY or SU  
% of Effort on Project  
1<sup>st</sup> Year Salary

Starting Calendar Year: 2015 Starting Month: October  
 Recalculate Click [here](#) to start a new worksheet Lookup Person Output Excel

Action	Name	Title (Appt Length)	Department (CUC)	Current Salary	PostDoc	Effort % on Project		Person Months	Salary % Incr	Subject to retirement? (Y or N)	Emp Status (F = 90-100%, 3/4 = 65-89%, H = 50-64%)	Project Year 1(2015)		
						Only one input needed below						Requested Salary / Project Salary	Fringe Amount	Fringe Rate
Remove		AN		\$104,394	<input type="checkbox"/>	10 % =	12 m	2	Y	FT	\$104,394 / \$10,439.4	\$3,239	31.02%	
Remove		Associate Professo (9 Month)	MICRO MOLEC GEN NS 32586	\$104,394	<input type="checkbox"/>	10 % =	0.9 m	2	Y		\$104,394 / \$10,439.4	\$3,239	31.02%	
Remove		Associate Professo (Summer School)	MICRO MOLEC GEN NS 32586	\$104,394	<input type="checkbox"/>	10 % =	0.1 m	2	Summer One Month		\$11,599.00 / \$1,159.9	\$89	7.65%	





## Budget Development Tools - Personnel

- **HR Resources – technical support staff:**  
Job Classification Search:
- <https://jobclassifications.hr.msu.edu/application/jobClassificationSearch.jsf>
- Salary Ranges:
- <http://www.hr.msu.edu/recognition/supportstaff/payrates.htm>





## Budget Development Tools - Personnel

**HR Resources – Post Docs:**

NIH NRSA Suggested Stipend Levels:

<https://grants.nih.gov/grants/guide/notice-files/NOT-OD-15-048.html>





## Budget Development Tools - Personnel

**Salary Budget Builder – MSU employees  
and fringe benefits:**

<https://www.osp.msu.edu/PL/Portal/LegacyAppViewer.aspx?Application=Fringe.asp>





## Budget Development Tools - Personnel

### **HR Resources – graduate students:**

Graduate student stipend ranges:

<http://www.hr.msu.edu/hiring/studentemployment/gradasst/stipendRanges.htm>

Graduate student tuition and health costs:

<https://www.osp.msu.edu/PL/Portal/OSP.aspx>

Click on Fringe Benefits, scroll to the bottom of the page, then proceed to link to Final 2015 Grad Fringe Chart 15-21.pdf at the bottom of the page.



# Questions - Personnel



# Ten Minute Break



# Equipment

## Federal Cost Principle:

- Equipment is an item costing at least \$5,000 with a useful life of one or more years. Items that cost less than \$5,000 are not considered equipment, and are assessed F&A (indirect costs) and belong in the supplies category of the budget.







## Travel and Demo of MSU Travel Website

<http://www.ctrl.msu.edu/cotravel/>

- Budget foreign travel using U.S. air carrier rates
- Look for required travel to be budgeted from the RFA
- Be as detailed as possible with your travel plans in the budget justification
- International travel – consider unique costs





## Budget Development Tools – International Travel

International Sponsors

<https://cga.msu.edu/PL/Portal/DocumentViewer.aspx?cga=aQBkAD0AMQA3ADQA>



## Other Direct Costs

### Materials and Supplies:

- Laboratory supplies
- Printed materials needed for the project
- Sampling kits

Supplies that are often unallowable that require additional justification:



- Computers
- Toner, paper, pens and pencils, general office supplies
- Food, meals



## Other Direct Costs

### Consultant Services

- If included in the budget, consultants may not usually be an MSU employee
- Specify an hourly rate for services – a reasonable rate is required for the services being rendered
- Paid consultants are usually paid individually and not through institutional salary



## Subawards

- Subawards are used to include and fund collaborators from other institutions in a proposal as key personnel.
- The subaward budget usually includes direct costs such as salary, travel, and supplies, and F&A (indirect costs).
- Budget requirements from the solicitation or sponsor also apply to subawardees.
- Please be aware of required documentation for subawards.



# Questions



## Direct vs. F&A (indirect costs)

- **Direct Costs** – Specifically identifiable to your project
  - Ex. Salaries, fringe benefits, tuition remission, consultants, equipment, supplies and materials, travel, and subawards
- **F&A Costs** – **NOT** specifically identifiable to your project
  - Ex. Buildings, utilities, administrative support (OSP)
  - Check your solicitation for the amount that should be charged to your project.



# MSU's Federally Negotiated Indirect Cost Rate

- Our federally negotiated rate uses the MTDC base, which excludes grad tuition and fees, equipment, subcontract payments over \$25k, and other costs.
- If your project is more than 50% off campus, you should use the 26% off campus rate.





## Federally Negotiated Rates

The Facilities and Administrative (F&A) rates for the period beginning July 1, 2015 and ending June 30, 2019 have been negotiated with the Department of Health & Human Services (DHHS), under an [agreement](#) dated June 26, 2015. Unlike our past agreements, MSU's current agreement includes an increase in the research rate during the second year of the four year agreement. This is displayed in the table below.

RATE APPLIES TO:	Current Rates	Future Rates
	7/1/11 - 6/30/16	7/1/16 - 6/30/19
Research (MTDC)	53.5%	55%
Other Sponsored Activities (MTDC)	36%	36%
Off-Campus (MTDC)	26%	26%
Fee-for-Services (TDC)	26%	26%

\*See the [definitions](#) section for explanation of MTDC and TDC.

The [current rate agreement](#) can be found on the [F&A Rates](#) page of the SPA/OSP/CGA website. These rates will continue to be used until a new rate agreement is established. For additional information on how the rates are calculated, as well as historical rate information, please go to the [F&A General Information and Historical Rates](#) page.

### Federal Cognizant Agency

When completing agency forms you may be asked for our Federal Cognizant Agency information. **Agency Name:** DHHS; **POC Name:** Matthew Dito; **Phone Number:** 214-767-3261.

### Off-Campus Determination

*To determine whether the on or off campus rate applies, review the budget categories to identify where the expenses will occur. The following budget categories are excluded from this analysis: equipment, space rent, subcontracts, and F&A. If the majority of the expenditures are incurred and/or used off-campus, then the off-campus rate applies to the full project.*

# Give an early deadline to people providing you documents needed for the proposal

These documents include...

- Bio-sketches for key personnel
- Letters of Support
- Subcontractor documents



# The Budget Justification

- Will highlight, explain, and provide rationale for each budget category entry, and how the PI arrived at certain cost estimates
- Used to justify the expenses included in the detailed budget
- Watch for page limitations - check your solicitation
- Stay away from including dollar amounts for categories unless the sponsor requires it
- Be very detailed when justifying certain categories of expense such as foreign travel and consultants
- Watch for agency rules on justifying effort – percentages vs. person months
- Don't include more effort than what you are budgeting



## Budget Justification – Examples

- Personnel – may be expressed in person months or in percentage of time (one example is in person months, the other is in percentages)
- Numbers may or may not be used depending on the sponsor requirements – if possible it is best to use a description and a total rather than subtotals



# Cost Sharing

**Cost sharing** is that portion of the project costs that are paid from sources other than the sponsor.

## Include only when required

- Many federal agencies that previously required cost sharing have reduced or eliminated the requirement and instead are basing their funding decisions on the technical merits of the proposal.

## Mandatory vs. Voluntary

- Mandatory cost share is a requirement of the solicitation. Voluntary cost share is NOT a requirement of the solicitation, but is a quantifiable amount identified in the proposal that we are not requesting the sponsor to pay for.



# Budgeting Tips

## 1. Look for requirements in your solicitation

- Budget Caps
- Limits to F&A
- Required travel
- Required cost share (match)

## 2. Use round numbers

## 3. Start with salaries

## 4. Subawards? Get budgets early!



# Questions



Thank You

