BASIC BUDGETING

ERA ELECTIVE

Presented by:

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Denise Lator, Sponsored Programs Administrator, Office of Sponsored Programs
AGENDA

- Budget Types
- Detailed Budget Categories
- Budget Justification
- Cost Share
- Budget Resources
BUDGET TYPES

- **Detailed Budget**
  - Most commonly used budget type
  - Frequently used with cost reimbursement projects

- **Phase/Task Budget**
  - Typically broken out by months
  - Used by DOD and Dept. of Energy
  - Often requires hourly rates and # of hours worked rather than semester effort reporting. MSU always tries to remove this requirement.
    - Special language required
BUDGET TYPES, cont.

- **Fixed Price Budgets**
  - Price set at the beginning
  - Requires accurate budgeting
  - Paid in increments based on deliverables or scheduled dates

- **Modular Budgets**
  - Used by NIH
  - Costs requested in $25,000 increments up to $250,000
DETAILED BUDGET CATEGORIES

- Personnel – Salary & Fringe Benefits
- Equipment
- Travel
- Participant Support Costs
- Other Direct Costs:
  - Materials/Supplies
  - Consultant Services
  - Subawards
  - Graduate tuition and fees
  - Other
- Facilities and Administrative Costs (F&A)
PERSONNEL - SALARY

- Senior/Key Personnel*: PI*, Co-I*, and Other Senior Associates
  - Typically these roles are filled by individuals with faculty appointments
  - AN appointment = 12 month calendar
  - AY appointment = 9 month academic, 3 month summer
    - Academic year pay is often referred to as “salary savings” or “release dollars”
    - Faculty summer pay should be under 2.5 months
  - NSF – 2 month limit
  - NIH – salary cap

*See definitions on Basic Budgeting Definitions handout
**PERSONNEL - SALARY**

- Who can submit a proposal on behalf of MSU without receiving special approval?
  - “Regular faculty members and research or fixed-term faculty employees of the University with a rank of assistant professor and higher…”

<table>
<thead>
<tr>
<th>Classification</th>
<th>Can serve as a Principal Investigator without requiring an exception</th>
<th>Can serve as a Co-Principal Investigator without requiring an exception</th>
<th>Can serve as an Investigator/key personnel without requiring an exception</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular faculty with the rank of assistant professor or higher</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Research or Fixed-term faculty with the rank of assistant professor or higher</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Non regular faculty such as research associates, specialists, postdoctoral fellows, or visiting, adjunct and clinical faculty</td>
<td>No – exception approval required as indicated below</td>
<td>No – exception approval required as indicated below</td>
<td>Yes</td>
</tr>
</tbody>
</table>
PERSONNEL – SALARY, cont.

- **Research Associates** (Post-Doc)
  - Typically on AN (12 mo.) appointments
  - Appointments range from 3-5 years, possibly longer
  - May have special proposal requirements if included in the budget – ex. NSF mentoring plan

- **Technical Personnel**
  - Ex. Computer programmer, statistician, etc.
  - Typically MSU staff with AN (12 mo.) appointments

*See definitions on *Basic Budgeting Definitions* handout*
PERSONNEL – SALARY, cont.

- Graduate Assistants*
  - Check with the grad’s department or college for suggested stipend rates, or visit the HR website [http://www.hr.msu.edu/hiring/studentemployment/gradast/stipendRanges.htm](http://www.hr.msu.edu/hiring/studentemployment/gradast/stipendRanges.htm).
  - Stipends will vary depending on the Level (1, 2, or 3) and the percentage of time (1/4, 1/2, or 3/4 time)
  - May elect to work hourly in the summer
    - Must calculate for 7.65% fringe

*See definitions on *Basic Budgeting Definitions* handout
PERSONNEL – SALARY, cont.

- Undergraduate Student*
  - Paid an hourly rate based on university guidelines
  - Capped hours during the AY is 29 hrs/week

- Secretarial – Clerical
  - Can be charged when they integral to a project or activity, when the individuals involved can be specifically identified with the project/activity, the costs are explicitly included in the budget or have prior written approval from sponsor and are not also covered as indirect costs.

*See definitions on Basic Budgeting Definitions handout
PERSONNEL – FRINGE BENEFITS

- Specific Identification (SI)*
  - Fringe benefit calculation used for faculty and staff
  - Each salary has a specific fringe rate
  - AY faculty are assessed their SI rate during AY only. Summer pay is assessed 7.65% FICA tax only.
  - Part-time employees (<50% appt. or <9 months) should be budgeted at 7.65% of salaries
  - Retired faculty (7.65% of salaries)

*See definitions on *Basic Budgeting Definitions* handout
PERSONNEL – FRINGE BENEFITS

- Research Associate Fringe Rate
  - Also uses the SI method, however they have negotiated a lower base rate.
  - Are eligible for the 10% retirement match after 3 full years of employment at MSU
  - After 5 years, they will be appointed as a senior research associate, which receives the same SI rate as typical faculty/staff.
PERSONNEL – FRINGE BENEFITS, cont.

- Graduate Student Fringe Benefits
  - Rates are assessed as a flat fee per semester
  - Health benefits are assessed in the Fall and Spring only, with an 8% inflationary factor
  - Tuition benefits are assessed per semester, with a 4% inflationary factor
  - Tuition is not assessed F&A costs, and is therefore included in the “other” section of the budget rather than the fringe benefit section
  - See the grad fringe chart for the appropriate fee to budget (updated at the beginning of each fiscal year).
PERSONNEL – FRINGE BENEFITS, cont.

- Student Labor
  - Assessed 0% during the academic year, when enrolled in a minimum number of credits (set by the IRS)
  - Assessed 7.65% during the summer
EQUIPMENT*

- Stand alone item with an acquisition cost of $5,000 or more, AND has a useful life of more than 1 year.
- Equipment is not assessed F&A costs
- Fabricated Equipment* – Composed of multiple items that can not stand alone and may be less than $5,000, but when fabricated into one stand alone item, the total value will exceed $5,000
  - As these are ordered, an inventory tag number for fabricated equipment must be used or else F&A will be assessed

*See definitions on Basic Budgeting Definitions handout
TRAVEL

- Travel budgets should include sufficient funds for project personnel to attend a scientific conference to present results.
- Foreign travel funds need to be specifically requested at time of proposal...justify need!
  - Often include visa and immunization fees.
- Travel budgets should also include funds, if applicable, to:
  - Meet with program sponsors
  - Meet with subcontractors
- Be sure to consult your solicitation for travel requirements
PARTICIPANT SUPPORT COSTS*

- Typically seen in NSF budgets only but now allowed for all federal sponsors with agency approval
- Costs for participants or trainees in connection with agency-sponsored conferences, meetings, symposia, training activities and workshops.
- Costs for MSU employees are not allowed as PSC
- PSC costs are NOT assessed F&A

*See definitions on *Basic Budgeting Definitions* handout
MATERIALS / SUPPLIES

- Items purchased specifically for the project that fall below the equipment threshold.
- They must be used exclusively for the project.
- Allowable examples:
  - Software licenses
  - Chemicals
  - Binders for project participants
- Unallowable examples:
  - Office supplies (paper & toner)
  - Snacks for meetings
  - Laptops for personnel working part time on the project
CONSULTANT SERVICES

- Federal budgets require a reasonable daily rate of pay for consultants
  - Some agencies have a daily cap on consultant pay
- Consultant travel can be included in this category rather than travel
- Names should be included in the budget justification, if known
- MSU employees should not be included in this category
When another organization is engaging in the research and reporting for a project we should include them as a subawardee.

We will need the following from their organization:
- Budget
- Budget justification
- Subrecipient Commitment Form
- Scope of Work

MSU only receives F&A on the first $25,000 for each subaward for the entire project period.

*See definitions on Basic Budgeting Definitions handout*
Office of Sponsored Programs
SUBRECIPIENT COMMITMENT FORM

All subrecipient institutions should complete this form when submitting a subaward proposal to Michigan State University. Please complete this form and send all required documents and certifications to the following email address: 

SUBRECIPIENT’S LEGAL NAME:

EIN (Tax ID) NUMBER:

DUNS NUMBER:

PERFORMANCE SITE ADDRESS (inc your 9 digit zip code):

CONGRESSIONAL DISTRICT(S) FOR SUBRECIPIENT & PERFORMANCE SITE LOCATIONS:

SUBRECIPIENT’S PI NAME:

SUBRECIPIENT PROPOSAL TITLE:

TOTAL FUNDS REQUESTED FOR SUBRECIPIENT:

SUBRECIPIENT’S SPONSORED PROGRAMS CONTACT NAME, PHONE NO., AND EMAIL:

MSU’S PI NAME:

MSU REFERENCE NUMBER AND/OR SOLICITATION NUMBER (IF KNOWN):
Subaward vs. Consultant vs. Vendor

- Subaward – Typically performs a programmatic portion of the project activities
- Consultant – Hired to provide services for a project
- Vendor – Seller who provides goods and is not responsible for majority of research activities (paid by accounts payable)
OTHER DIRECT COSTS

- Graduate Student Tuition & Fees
- Participant Pay – Small amounts paid to participants as an incentive for participating in a research project
- Animal Costs
- Service Center Costs
- Facility Rental Cost (ex. renting space for a conference)
- Patient Care Costs
FACILITIES & ADMINISTRATIVE COSTS

- Costs that are not specifically identifiable to your project
  - e.g. Utilities, administrative support, furniture
- Use the full applicable MSU rate, the publically mandated rate, or the capped rate indicated in the solicitation

F&A Base Types

- Modified Total Direct Cost (MTDC)
  - Common exclusions are equipment, Participant Support Costs, Grad Tuition & Fees, subcontract costs over $25,000
- Total Direct Cost (TDC)
- Salaries and Wages (S&W)
### Current Facilities & Administrative Cost Rates

*Posted: 11/10/2010 Revised: 4/24/2013 By Cook, Katherine*

- **Current Rates**
- **General Information**
- **F&A Waiver/Reduction Protocol**

The Facilities and Administrative (F&A) rates for the period beginning July 1, 2011 and ending June 30, 2015 have been negotiated with the Department of Health & Human Services. The date of the current negotiated rate agreement, necessary for some federal agencies, is June 23, 2011. The rates, which are charged against all direct costs except equipment, the amounts in excess of the first $25,000 of each subcontract, and graduate tuition & fees, (see MTDC definition below) are as follows:

<table>
<thead>
<tr>
<th>Project Nature</th>
<th>Current Rates</th>
<th>Past Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>7/1/11 - 6/30/15</td>
<td>7/1/08 - 6/30/11</td>
</tr>
<tr>
<td>Research</td>
<td>53.5%</td>
<td>52%</td>
</tr>
<tr>
<td>Other Sponsored Activities</td>
<td>36%</td>
<td>41%</td>
</tr>
<tr>
<td>Off-Campus</td>
<td>26%</td>
<td>26%</td>
</tr>
<tr>
<td>Testing</td>
<td>26%</td>
<td>15%</td>
</tr>
</tbody>
</table>

See the attached file below for a copy of the actual F&A Agreement dated 6/23/11 (Agency Name, POC Name, and POC Phone Number: DHHS, Arif Karim, 214-767-3261)

The off-campus rate can only be used if over 50% of the costs for the project period are off-campus

- This calculation is determined based on direct costs less equipment, rent and subcontracts

**F&A Waivers**

- Not frequently requested or granted
- Requested by the Assoc. Dean for Research after the chair has approved

Instructions may be found at: [https://www.osp.msu.edu/PL/Portal/DocumentViewer.aspx?cga=aQBkAD0AMQA2ADUA#IndirectCostWaiver](https://www.osp.msu.edu/PL/Portal/DocumentViewer.aspx?cga=aQBkAD0AMQA2ADUA#IndirectCostWaiver)
BUDGET JUSTIFICATION

- Used to justify the expenses included in the detailed budget
- The justification should follow the categories as listed in the budget for clarity
- Avoid using budget totals in the justification
- Watch for page limitations – NSF cap of 3 pgs.
- Be very detailed when justifying certain categories of expense
  - e.g. consultant rates, foreign travel, computers
BUDGET JUSTIFICATION, cont.

- Watch for agency rules on justifying effort
  - Percentages vs. person months
  - NSF’s over 2 month rule
- NIH’s salary cap
  - Annual (AN): $183,300
  - Academic Year (AY): $137,475
  - Summer (SU): $45,825
  - Do not increase salaries for inflation, however increase fringe rates

- Do NOT include voluntary cost share!
  - Indicated by stating effort that is not covered in the budget
COST SHARING

- **What is it?**
  - The portion of total project costs that are paid from sources other than the sponsor

- **Mandatory Cost Share**
  - A requirement of the solicitation

- **Voluntary Cost Share**
  - 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.
    - Most commonly seem as additional PI effort

- **Include only when required!**
  - Some agencies will not review proposals that include voluntary cost share (e.g. NSF)
BUDGET RESOURCES

- OSP Budget Templates: https://www.osp.msu.edu/PL/Portal/Forms.aspx
- SPROUT budget templates: http://sprout.vprgs.msu.edu/tools/
- OSP Budget Builder: www.osp.msu.edu, → Quick Links → Salary Budget Builder
BUDGET TRAINING

- Additional ERA electives:
  - Hands-on Budgeting – Apr 14, 2015, or Nov 3, 2015
  - Advanced Budgeting – Sep 8, 2015
- NCURA  [www.ncura.edu](http://www.ncura.edu)
- SRA  [www.srainternational.org](http://www.srainternational.org)
CONTACT INFORMATION

- Judy Brown, jfedewa@msu.edu, 355-8460
- Denise Lator, latorden@msu.edu, 884-4259
AND FINALLY...

I NEED A BUDGET ESTIMATE FOR MY PROJECT, BUT I DON'T HAVE A SCOPE OR A DESIGN FOR IT YET.

OKAY, MY ESTIMATE IS $3,583,729.

YOU DON'T KNOW ANYTHING ABOUT MY PROJECT. THAT MAKES TWO OF US.