Grant Budgets and Budget Justifications

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Governing Policies

Rules and Regulations
Financial Accountability

- Preserve public/government trust in university
- Avoid Mismanagement of Federal funds
- Financial stewardship of a sponsor’s resources
- Risks of non-financial compliance
Risks of Non-compliance

- Fines and penalties – false claims act ($5,000 - $10,000 per false claim)
- Reduced research funding
- Enhances sponsor monitoring
- Designation as “exceptional” or “high risk” institution
- Compromise reputation
- Loss of public trust
Compliance Items

- Time and Effort Certification
- Cost Transfers
- Direct Charging Clerical and Administrative Salaries
- Cost Sharing
- Timeliness of Report Submission
Office of Management and Budget Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations

• Purpose – Sets forth standards for obtaining consistency and uniformity among Federal agencies for the audit of States, local governments and non profit organizations expending Federal awards.
Purpose – This Circular sets forth standards for obtaining consistency and uniformity among Federal agencies in the administration of grants, and agreements with institutions of higher education, hospitals and other non-profit organizations.
Office of Management and Budget Circular A-21  2 CFR 220  
Cost Principles for Educational Institutions

• Purpose: This circular establishes principles for determining costs applicable to grants, contracts, and other agreements with educational institutions.

• The recipient institution is responsible for ensuring that costs charged to a sponsored agreement are allowable, allocable, and reasonable under these cost principles.

• The cost of a sponsored agreement is comprised of the allowable direct costs incidental to its performance, plus the allocable portion of the allowable F&A (Facilities and Administration, indirect costs or overhead) of the institution.
• Grant costs must be:
  ▪ Allowable
  ▪ Allocable
  ▪ Reasonable
Allowable Costs

General Tests of Allowability

- Costs must be:
  - Treated consistently through generally accepted accounting principles
  - Reasonable
  - Allocable
  - Conform to limitations of OMB circulars and agreement with terms and conditions
Allocable Costs

• A cost is allocable to a particular objective according to the relative benefits accrued to the objective.

• Any cost allocable to a particular award or other cost objective may not be shifted to other federal awards simply to overcome funding deficiencies nor to avoid restrictions imposed by law or by the terms of the award.
Reasonable Cost

- A cost is considered reasonable if the goods or services acquired, and the amount involved, reflect actions that a prudent person would take under the circumstances.
Factors to Consider

• Is the cost necessary for the performance of the project?
• Was the cost budgeted in the proposal budget?
• What laws and regulations should be considered – what are the terms and conditions of the award?
• Did all individuals act with prudence and satisfy their responsibilities to both the institution and the federal government?
• Are the actions consistent with University policies and practices?
Examples of Unallowable Costs

- Alcoholic beverages not part of an approved protocol
- Bad debts/directly associated legal costs
- Bid and proposal costs in excess of a set limit
- Congressional or executive lobbying
- Contributions and donations
- Entertainment (includes meals & snacks)
- Fines and penalties
- First class air travel usually
- Fund raising
- Legal fees defending fraud/litigating appeals vs. the government
- Product advertising
- Promotional items and social club memberships
Budget Principles

- Most funding agencies require that a proposed budget be based on a "good faith estimate" of the anticipated costs. A person may not knowingly include false, inaccurate or misleading cost information. The cost estimates must have a reasonable basis, and they must never be fabricated.

- **What you put into the budget and justification turns into your commitment to the sponsor.**
Constructing a Budget

Essential Elements
Direct Costs

• Expenditures needed to carry out the project
• Usually include: salaries and benefits, tuition remission, travel expenses, equipment (and maintenance), supplies, consultants, subawards, publication, etc.
Salaries and Wages

- Principal investigator or project director, co-investigator, senior or professional staff, coordinator, manager, trainer, research assistant or associate, postdoctoral fellow, graduate assistant, technician, student worker, etc.
SDSU FY13 Fringe Benefits

- Principal Investigators, other staff - 15%
  plus $6,335 annual Health and Life Benefit
  
  \[ \frac{6,335}{12 \text{ months}} = 527.92 \text{ per month} \]

- Grad & Undergrad - 2%, No Health/Life

- Tuition Remission - $2,600 (Spring/Fall $1,300 each; Summer $600)
• **Travel Expenses** (transportation, lodging, meals, registration fee) - conference, workshop, fieldwork

• **Supplies** - laboratory, photographic, animal care, chemicals, educational/instructional

• **Contractual** - support services, outside lab and analysis fees, printing, packaging, handling, rental fees, shipping, training, testing

• **Consultant** - costs for consultant or guest speaker (non-SDSU employee)
• **Subaward** – portion of budget for cost of project activities carried out by others at another institution or agency

• **Equipment** – typically items over $5,000 (laboratory, office, medical, audio-visual)
Facilities and Administration/Indirect Costs/Overhead

- **Indirect costs** are University operating expenditures incurred for common objectives which are not allocated to a specific project.

- Examples: Facilities (labs, offices, etc.) and administrative services such as purchasing, personnel, accounting, pre-award services, post-award project management, maintenance, utilities, and your departmental office expense.
### Indirect Cost Rates

- **Negotiated rate for Federal granting agencies:** DHHS agreement dated **3/8/2011**

**For:**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Rate</th>
<th>Effective:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research on-campus</td>
<td>45.0%</td>
<td>7/1/2011 – 06/30/2014</td>
</tr>
<tr>
<td>Research off-campus</td>
<td>26.0%</td>
<td>7/1/2011 – 06/30/2014</td>
</tr>
<tr>
<td>Instruction on-campus</td>
<td>45.0%</td>
<td>7/1/2011 – 06/30/2014</td>
</tr>
<tr>
<td>Instruction off-campus</td>
<td>26.0%</td>
<td>7/1/2011 – 06/30/2014</td>
</tr>
<tr>
<td>Other on-campus</td>
<td>31.5%</td>
<td>7/1/2011 – 06/30/2014</td>
</tr>
<tr>
<td>Other off-campus</td>
<td>26.0%</td>
<td>7/1/2011 – 06/30/2014</td>
</tr>
</tbody>
</table>

Prov. 7/1/14 until amended

Use same rates and conditions as those cited for fiscal year ending June 30, 2014
Calculating Indirect Costs

The negotiated rate for indirect costs is applied to modified total direct costs (MTDC), which equals the total of direct costs excluding:

- equipment having a unit cost above $5,000 (under $5,000 treated as supplies)
- tuition remission
- rental costs
- scholarships and fellowships
- the portion of each sub-grant or subcontract exceeding $25,000 (regardless of the period covered by the sub-grant or subcontract)
Types of Cost Share

- **Mandatory** – required condition of award.

- **Voluntary Committed** – offered, excess of mandatory, not a condition to be considered for the award.

- **Voluntary Uncommitted** – effort or expenditures that are in excess of committed and budgeted.
Possible Sources of Cost Share

- Employee time, including fringe benefits
- Graduate assistants, undergraduate students
- Equipment
- Volunteer time or other contributed items
- Unrecovered F&A (associated with cost share expenditure), if approved by sponsor
- Subrecipient cost-sharing
- Directly related supplies and services
- Travel
- Match on a Federal award must be from non-Federal sources (with few exceptions)
Sample Budget
Using a Template
Project Expenses

- Principal Investigator - Prof Plum 20% time ($100,000 annual salary) is performing research on campus
- 3 Graduate Research Assistants 49% effort
- Fringe Benefits 15% of salary plus $6,335 FY 13 per FTE for Health/Life
- Fringe Benefits for GRA is 2% (no Health/Life)
- Travel for project 3 trips @ $2,000 each
- Supplies for project $8,800
- Flowers for grant administrator $50
- Tuition Remission $2,600
- Subaward $30,000
- Are all items allowable?
<table>
<thead>
<tr>
<th>First</th>
<th>Last</th>
<th>Project Role</th>
<th>Base Salary</th>
<th>% Effort</th>
<th>Summer</th>
<th>Funds Requested</th>
<th>Total Funds Requested</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Pro Plum</td>
<td>$ 100,000</td>
<td>10</td>
<td>20.00%</td>
<td>$20,000</td>
<td>$20,000</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
<td>10</td>
<td>10</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
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<tr>
<td>3</td>
<td></td>
<td>10</td>
<td>10</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td></td>
<td>10</td>
<td>10</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td></td>
<td>10</td>
<td>10</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td></td>
<td>10</td>
<td>10</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td></td>
</tr>
</tbody>
</table>

**Total Senior Personnel**: $20,000

**Total Salaries & Wages**: $70,128

**C. Fringe Benefits (Automatically Calculated Based on Established Rates)**

<table>
<thead>
<tr>
<th>Description</th>
<th>Beginning H&amp;L Rate</th>
<th>Summer H&amp;L Rate</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Personnel</td>
<td>$6,442</td>
<td>$4,288</td>
<td>$4,288</td>
</tr>
<tr>
<td>Other Personnel</td>
<td>$1,003</td>
<td>$1,003</td>
<td>$1,003</td>
</tr>
</tbody>
</table>

**Total Fringe Benefits**: $5,291

**Total Salaries, Wages & Benefits (A+B+C)**: $75,419
D. Permanent Equipment (List items and total dollar amount exceeding $5,000)

<table>
<thead>
<tr>
<th>Item Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
</tr>
</tbody>
</table>

Please list brief description of equipment.

E. Travel

<table>
<thead>
<tr>
<th>Type</th>
<th>Domestic</th>
<th>Foreign</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic (include Canada, Mexico, and U.S. Possessions)</td>
<td>$6,000</td>
<td>$</td>
<td>$6,000</td>
</tr>
<tr>
<td>Foreign</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

Total Travel: $6,000

F. Participant Support Costs (exempt for indirect?)

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stipends</td>
<td>$</td>
</tr>
<tr>
<td>Travel</td>
<td>$</td>
</tr>
<tr>
<td>Subsistence</td>
<td>$</td>
</tr>
<tr>
<td>Other</td>
<td>$</td>
</tr>
</tbody>
</table>

Total Number of Participants: $-

G. Other Direct Costs

<table>
<thead>
<tr>
<th>Item Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Materials &amp; Supplies</td>
<td>$8,800</td>
</tr>
<tr>
<td>Publication Costs</td>
<td>$</td>
</tr>
<tr>
<td>Contractual</td>
<td>$</td>
</tr>
<tr>
<td>Computer Services</td>
<td>$</td>
</tr>
<tr>
<td>Subawards (if you need more than 4 please let grants admin know)</td>
<td>$30,000</td>
</tr>
<tr>
<td>Tuition/ Tuition Remission</td>
<td>$7,800</td>
</tr>
</tbody>
</table>

Total Other Direct Costs: $46,600

H. Total Direct Costs (A through G)

<table>
<thead>
<tr>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>$128,019</td>
</tr>
</tbody>
</table>

J. Indirect Costs (do not enter percents in both MTDC & TDC)

<table>
<thead>
<tr>
<th>MTDC Details</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Modified Total Direct Cost (MTDC) rate: 45.000%</td>
<td>$115,219</td>
</tr>
<tr>
<td>Total Direct Cost (TDC) rate:</td>
<td>$51,849</td>
</tr>
</tbody>
</table>

Total Indirect Costs (F&A) Std SDSU rate 45%

<table>
<thead>
<tr>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>$51,849</td>
</tr>
</tbody>
</table>

K. Total Costs

<table>
<thead>
<tr>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>$179,868</td>
</tr>
</tbody>
</table>
Justification

Providing a Rationale
Budget Justification

- Identifies your costs and explains the need for them.
- Answers any questions a reviewer may have about how you calculated your costs.
- Indicates the base salaries and any yearly increases.
- Should reflect the objectives of the project.
Budget Justification Tips

• Be sure everything in your budget is referenced in the proposal and everything in your proposal that would incur cost is explained in the justification.
• Follow the same order as that in the detailed budget so reviewers can easily compare the two documents.
• The more "unusual" the request, the more justification necessary.
  ▫ Equipment purchases (especially personal computers), foreign travel, and administrative costs always need special justification.
Salaries and Wages

• Provide enough detail to make it clear why each person is necessary to the project and exactly what his/her contribution will be.
  ▫ P. Plum, PhD (PI: 20% effort) is Assistant Professor of x in the department of y at z. She has extensive experience in a. Dr. Plum will be responsible for...
  ▫ TBN, MS (Research Assistant: 49% effort) will work with x on y. In Year 1, this RA will concentrate on z...
Description of Duties

• **Weak**: "Dr. Johnson will analyze all data associated with the investigation."

• **Strong**: "Dr. Johnson will be responsible for statistical analyses of data collected in experiments 1-3 which are directly tied to specific aims 3 and 4. Dr. Johnson will also be responsible for day-to-day project planning, coordination with experts in partnering institutions, writing all progress reports, and supervising the graduate student."
Permanent Equipment

- Submit a firm quote from a vendor for the item(s) you are requesting.
- If you are going to build the equipment, get vendor quotes for those parts where you can, and justify the remaining costs by reference to standard equipment catalogs or some other means.
- General-purpose equipment is not eligible as a direct cost on a grant budget unless it is primarily or exclusively used in the actual conduct of the research. This includes items such as computers, word-processing software packages, etc.
Travel

• Provide information about
  ▫ purpose of the trip
  ▫ duration
  ▫ points of departure and destinations
  ▫ number of travelers
  ▫ costs per traveler
    • registration fees, air fare, meals, lodging, etc.
  ▫ how you estimated the costs
    • past trips, state rates, quotations, etc.
• Identify foreign and domestic travel as separate items.
If extensive travel is required, consider creating a chart.

<table>
<thead>
<tr>
<th>Purpose of travel</th>
<th>No. of Travelers</th>
<th>Depart From</th>
<th>Destination</th>
<th>No. of Days</th>
<th>Cost per Traveler</th>
<th>Cost per Trip</th>
<th>Basis for Estimating Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Travel</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Visit to reactor mfr. to set up vendor agreement</td>
<td>2</td>
<td>Denver CO</td>
<td>Dallas TX</td>
<td>2</td>
<td>$650</td>
<td>$1,300</td>
<td>Internet prices and state rates</td>
</tr>
<tr>
<td>Site visits to collect data</td>
<td>1</td>
<td>Denver Co</td>
<td>Sites in surrounding county</td>
<td>1</td>
<td>$195</td>
<td>$195</td>
<td>State rates</td>
</tr>
<tr>
<td>Domestic Travel subtotal</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$1,495</td>
</tr>
<tr>
<td>International Travel</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Visit to technology provider to discuss IP agreement</td>
<td>2</td>
<td>Denver CO</td>
<td>Berlin Germany</td>
<td>5</td>
<td>$2,250</td>
<td>$4,500</td>
<td>Internet prices and state rates</td>
</tr>
<tr>
<td>International Travel subtotal</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$4,500</td>
</tr>
<tr>
<td>Budget Period 1 Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$5,995</td>
</tr>
</tbody>
</table>

(Repeat as necessary for each Budget Period)
Materials and Supplies

• Provide a list of the general types of expendable materials and supplies required.
• You do not have to provide an exhaustive list or show catalog numbers or other documentation.
• Provide sufficient detail to demonstrate:
  ▫ you have anticipated the materials needs
  ▫ there is adequate justification for the amount requested
• A carefully detailed supply budget helps convince reviewers you are capable of directing the project.
Consultants

- Be sure that the daily rate is not in excess of the maximum allowed by the funding agency, and provide justification for the rate.
- If travel and subsistence costs are not factored into the daily rate, these should be justified separately.
Subaward

- Justification for a subaward budget should come from the subaward partner(s).
- You may want to include one or two sentences describing why the work cannot be done at SDSU and why you chose the partner(s) you did (a pre-existing collaborative relationship, proximity to campus, availability of necessary instrumentation and/or expertise, etc.).
Final Tips

• Don’t “give them something to cut.”
• Don’t try to give the agency a bargain.
• Too many 000s look like the numbers were pulled out of thin air.
• It’s not how much money you want, it’s how much the project costs.
• Double-check what expenses the sponsor will and will not allow, as these differ from sponsor to sponsor.
• A budget is just a plan. It can be renegotiated.
Budget Support

- COE Grant Coordinator (DAK 309)
  - Dianne Nagy – ext. 4773
- Grants and Contracts (Admin 133)
  - Bobby Markham – ext. 6826
  - Lisa Sylliaasen – ext. 5636
- OMB Circulars
  - A-21 (2 CFR 220)
  - A-110
  - (2 CFR 215) A-133