Budget Development

Planning the Budget

Sponsored Programs Administration
North Dakota State University
This Training Session will Cover:

- What is a Budget
- How to Get Started
- Direct and Indirect Costs
- Cost Share/Match
- Budget Justification
- Red Flags/Pitfalls
- NDSU Policies
What is a budget?

- Key element of most grant proposals
- Consists of all direct costs, F&A (indirect costs) and cost sharing commitments
- Provides realistic estimate of financial resources needed to accomplish project
- Self explanatory
- Proposal budget can become the actual awarded budget
- Sponsor approval of budget does not ensure allowability of all items
How to Get Started?

- Review application guidelines and look for:
  - Minimum and maximum duration of the project
  - Minimum and maximum dollars than can be requested
  - Budget limitations and restrictions

- Develop and Format a Budget
  - Check sponsor guidelines to determine whether a specific format and form is required
  - Determine and specify the direct expenses that fit within the sponsor guidelines and are necessary to complete the project
  - Calculate the allowable indirect costs
  - Create a budget justification
## Sample Budget

<table>
<thead>
<tr>
<th>Budget Elements</th>
<th>Funds Requested Year 1</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. SALARIES</strong></td>
<td></td>
</tr>
<tr>
<td>1. Senior Personnel:</td>
<td></td>
</tr>
<tr>
<td>a. PI - 1 month</td>
<td>5,000</td>
</tr>
<tr>
<td>b.</td>
<td></td>
</tr>
<tr>
<td>c.</td>
<td></td>
</tr>
<tr>
<td>2. Other Personnel:</td>
<td></td>
</tr>
<tr>
<td>(1) Post Doctoral Associates</td>
<td>30,000</td>
</tr>
<tr>
<td>( ) Other Professionals (Technician, Programmer etc.)</td>
<td></td>
</tr>
<tr>
<td>(1) Graduate Students</td>
<td>20,000</td>
</tr>
<tr>
<td>( ) Undergraduate Students</td>
<td></td>
</tr>
<tr>
<td>( ) Secretarial - Clerical (if charged directly)</td>
<td></td>
</tr>
<tr>
<td>**Total Salaries:</td>
<td>55,000</td>
</tr>
<tr>
<td>3. Fringe Benefits:</td>
<td>12,600</td>
</tr>
<tr>
<td>**TOTAL SALARIES AND FRINGE BENEFITS (1+2+3):</td>
<td>67,600</td>
</tr>
<tr>
<td><strong>B. OTHER DIRECT COSTS</strong></td>
<td></td>
</tr>
<tr>
<td>1. Equipment</td>
<td></td>
</tr>
<tr>
<td>2. Travel</td>
<td>4,500</td>
</tr>
<tr>
<td>3. Materials and Supplies</td>
<td>2,000</td>
</tr>
<tr>
<td>4. Publications Costs</td>
<td>1,000</td>
</tr>
<tr>
<td>5. Consultant Services</td>
<td></td>
</tr>
<tr>
<td>6. Subawards</td>
<td></td>
</tr>
<tr>
<td>7. Other</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL OTHER DIRECT COSTS (1-7):</strong></td>
<td>7,500</td>
</tr>
<tr>
<td><strong>TOTAL DIRECT COSTS (A+B)</strong></td>
<td>75,100</td>
</tr>
<tr>
<td><strong>C. F&amp;A (Indirect Costs) - 45% MTDC</strong></td>
<td>33,750</td>
</tr>
<tr>
<td>Amount of This Request (A+B+C)</td>
<td>108,850</td>
</tr>
</tbody>
</table>
Budget Development - Direct Costs

- **Direct Costs** - 2 CFR 200.413: Direct Costs: (a) General. Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a Federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect (F&A) costs.

- Examples include:
  - Personnel (salaries and fringe benefits)
  - Equipment
  - Travel
  - Professional Services/Consortium/Contractual Costs
  - Materials & Supplies
  - Other Direct Costs (e.g., tuition, publications, service center costs)
All Proposed Costs Must be:

- **Allowable**
  Consistent with federal regulations, sponsor guidelines and NDSU policies

- **Reasonable**
  Reflects costs that a “prudent person would accept”

- **Allocable**
  - Costs can be assigned to a project objective in a “reasonable and realistic proportion”
  - Costs are allocable to a proposal when incurred solely for the benefit of the sponsored project

- **Consistently Treated**
  Handling similar costs in the same manner as either a direct or indirect cost
Indirect costs which are now officially called Facilities and Administrative (F&A) costs by the federal government, are defined as "costs that are incurred for common or joint objectives and, therefore, cannot be identified readily and specifically with a particular sponsored project, instructional activity, or any other institutional activity.” They are real costs that NDSU incurs in order to operate.

Indirect costs are charged as a rate and include expenses that cannot be charged directly to grants and contracts, such as:

- lights and heat
- snow removal
- office supplies
- building maintenance
- the services of administrative offices (e.g., Sponsored Programs, Library)
## NDSU’s Federally Negotiated Rate Agreement

<table>
<thead>
<tr>
<th>Location</th>
<th>Rate Description*</th>
<th>Rate</th>
<th>Effective Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>On-campus</td>
<td>Organized Research</td>
<td>45.0%</td>
<td>7/1/2014 – 6/30/2018</td>
</tr>
<tr>
<td>Off-campus</td>
<td>Organized Research</td>
<td>26.0%</td>
<td>7/1/2014 – 6/30/2018</td>
</tr>
<tr>
<td>On-campus</td>
<td>Instruction</td>
<td>50.5%</td>
<td>7/1/2014 – 6/30/2018</td>
</tr>
<tr>
<td>Off-campus</td>
<td>Instruction</td>
<td>26.0%</td>
<td>7/1/2014 – 6/30/2018</td>
</tr>
<tr>
<td>On-campus</td>
<td>Other Sponsored Activity Rate</td>
<td>43.2%</td>
<td>7/1/2014 – 6/30/2018</td>
</tr>
<tr>
<td>Off-campus</td>
<td>Other Sponsored Activity Rate</td>
<td>26.0%</td>
<td>7/1/2014 – 6/30/2018</td>
</tr>
</tbody>
</table>
NDSU’s Federally Negotiated Rate Agreement

Modified Total Direct Costs (MTDC) is the base to which F&A (indirect costs) are applied.

*BASE

Modified total direct costs, consisting of all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel and up to the first $25,000 of each subaward (regardless of the period of performance of the subawards under the award). Modified total direct costs shall exclude equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each subaward in excess of $25,000. Other items may only be excluded when necessary to avoid a serious inequity in the distribution of indirect costs, and with the approval of the cognizant agency for indirect costs.
Cost Share/Match

- Cost Sharing is a portion of the total cost of a sponsored project that is paid by the University rather than the sponsor and represents a binding obligation for the University.

- Cost share should only be included when required by the sponsor and kept to the minimum required level.

- Contributions cannot be used as cost share for another project.

- Incurred during project start and end dates.

- Verifiable from the official University records.

- Examples of acceptable cost share sources: un-recovered F&A, salary contributions and associated fringes and F&A, tuition remission for graduate students working on project.
Budget Justification

- Ties budget into workplan
- Explains why each cost is essential to performing the project
- Explains how project costs were estimated
- Explains any special circumstances applicable to the project
- Concise and easy to read
- Be organized and follow the ........ detailed budget page
- Make sure math is correct
- **Salaries and Wages**
  - **Key Senior Personnel**
    - List name, title, amount of time spent on project and what they will accomplish.
  - **Other Personnel**
    - Includes post-docs, undergraduate and graduate students, etc. List position, amount of time spent and what they will accomplish.

- **Fringes**

- **Equipment**
  - A unit cost over $5,000 and useful life of one year or more. Specify item and justify need.

- **Travel**
  - Separate foreign and domestic travel. Explain the need for travel and how the travel will benefit the project’s aims. Break out travel costs by airfare, hotel, per diem, etc.

- **Material/Supplies**
  - Standard items to be consumed during project. Identify quantity and justify need.

- **Subaward/Consultant/Contracted Services**
  - Include estimated costs of services to be provided by vendors on a per-sample or other unit-price basis; special testing, professional or consultant services, including travel; or subawards for a part of the sponsored project activity.

- **Other**
Fringe Benefits

- If you are budgeting employee salaries to be paid from a sponsored project (grant), you must also budget a proportionate amount for fringe benefits. You may estimate these charges by applying the minimum percentages listed below to the amount of salary budgeted. Due to the increasing costs of employer paid benefits, the recommended fringe benefit rates change from time to time. To calculate the exact percentage/amount of fringe benefits needed for an NDPERS or TIAA-CREF position, please use the EXCEL spreadsheets located here (also available on the NDSU Human Resources/Payroll website):
  - Estimate the cost of a new NDPERS position
  - Estimate the cost of a new TIAA-CREF position

Minimum Fringe Benefit Rates:
- Full time faculty: 30%
- Full time research associates, technicians, post doctorates: 35%
- Part time staff: 10%
- Graduate or undergraduate students: 3%
Subaward vs Contracted Services

**Subaward**
- Performance measured against whether the objectives of the program are met
  - Has responsibility for programmatic decision making
  - Would create or co-author publications
  - Retains some element of programmatic control and discretion to carry out work

**Contracted Service/Vendor**
- Provides the goods and services within normal business operations
  - Provides similar goods or services to many different purchasers
  - Operates in a competitive environment
  - Provides goods or services that are ancillary to the project
Red Flags/Pitfalls

- Planning equipment purchases near the end of the project
- Routine office supplies or general purpose equipment
- Charging Administrative time when responsibilities are minimal
- Participant Support Costs
- Budget justification provides minimal information
- Budget and budget justification numbers don’t match
- Waiting too long to discuss budget questions with SPA
- Sending budgets to the sponsor that have not been internally reviewed and approved
NDSU Tools

- Research Development website
  “proposal preparation”
- Sponsored Programs website
  Forms (Excel budget templates, F&A rate agreement etc..)
- Grant and Contract Accounting website
  PI Training Video
- NDSU Moodle training site
  - Life Cycle of Award Training Series
  - Federal Grants Management Newsletter
- RCA Update - weekly emails to campus with professional
development opportunities, funding announcements,
notices and other tips.
  Archived on the RCA website
Federal Regulations

- Uniform Administrative Guidance, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)
  - Single place to where all regulations applicable to federal awards can be found.
  - Major changes from previous OMB circulars:
    - Administrative/Clerical Salaries - allowed when integral to project
    - Computing Devices can be included in budget if essential and allocable
    - Participant Support Costs
    - Subaward F&A
    - Greater emphasis subrecipient monitoring
  - To learn more, please visit:
    - [http://www.ecfr.gov/cgi-bin/text-idx?SID=6214841a79953f26c5c230d72d6b70a1&tpl=/ecfrbrowse/Title02/2cf/code200_main_02.tpl](http://www.ecfr.gov/cgi-bin/text-idx?SID=6214841a79953f26c5c230d72d6b70a1&tpl=/ecfrbrowse/Title02/2cf/code200_main_02.tpl)
NDSU Policies

- 800 - Authorized Representatives
- 801 - Grant and Contract Accounting - General
- 803 - Gift vs. Grant Policy
- 804 - Allowability of Costs
- 808 - Fringe Benefits
- 811 - Subcontracts
- 813 - Facilities and Administrative Costs
- 814 - Cost Sharing
- 823 - Financial Conflict of Interest
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