Budget Preparation:
Using the Budget Tool to Build Your Budget
Overview

• Where to Start
• Regulatory Guidance
• Sponsor Guidelines
• Elements of a Budget
• Using the Budget Tool
Preparing the Budget: Where do you Start?

Gather the Facts: Talk to the Principal Investigator (PI)

- What is the Scope of Work?
- Who is the Sponsor?
- Where will the work be performed?
- Collaborators?
- Consultants?
Preparing the Budget: Regulatory Guidance

OMB Circular A-21:

Establishes principles for determining costs applicable to grants, contracts, and other agreements with educational institutions. The principles are designed to provide that the Federal Government bear its fair share of total costs, determined in accordance with generally accepted accounting principles, except where restricted or prohibited by law.
Preparing the Budget: Regulatory Guidance

CAS 501 (appendix OMB A-21):

The purpose of this standard is to ensure that each educational institution’s practices used in estimating costs for a proposal are consistent with cost accounting practices used by the educational institution in accumulating and reporting costs.
Preparing the Budget: Regulatory Guidance Costs Must Be:

Allowable

Reasonable

Allocable

Consistently Estimated
Preparing the Budget

Sponsor Guidelines

- Instructions and Contractual Terms
- Request for Proposal/Quote (RFP/RFQ)
- Request for Application (RFA)
- Funding Opportunity Announcements (FOAs)
- “Unsolicited” Applications
Preparing the Budget
Sponsor Guidelines

- Sponsor Guidelines and Limitations
  - Salary caps
  - F&A Limitations
  - Direct Cost or Total Cost Limits
  - Recover F&A as direct costs from non-governmental sponsors

- May be School-specific rules
Preparing the Budget

Elements of a Budget

• Direct Costs
  • S&W
  • Fringe
  • M&S
  • Equipment
  • Travel
  • Communications
  • Publications
  • Consultants
  • Patient Care
  • Subcontracts/Subawards
  • Other Direct Costs

• Indirect Costs = F&A

• Cost Share
Preparing the Budget Salary

• Salary requests are expressed as % effort or person months

Plan Realistically

• Determine the percent of effort for all key personnel needed to conduct the project
• Downward adjustments of effort may need sponsor approval

Don’t Give it Away

• Cost sharing is discouraged
• Avoid hourly rates
Preparing the Budget Allowability of Clerical and/or Administrative Staff

- Generally part of F&A costs

- Possible exceptions (see OMB A-21, Exh C)
  - Large, complex programs (e.g., Center grants)
  - Epidemiological studies, clinical trials
  - Scheduling seminars, conferences attended by large number of participants
  - Individual projects requiring project-specific tasks such as database management, etc.
Preparing the Budget
Fringe Benefits

• Fringe Benefits are charged as a % of Salary

• Refer to Emory’s published Fringe benefit rates for federal and non-federal sponsors
Preparing the Budget: Equipment

- Equipment costs $5,000 or more per item and has a useful life of more than 1 year

- Justification?

- Is the equipment available elsewhere in the University?

- Competitive Bid Requirement?

- Installation, maintenance, space?
Preparing the Budget: Office Supplies

• Generally not treated as direct costs

• Can be allowable if specifically related to the project, for example:
  – Specific aim of the project is to create a manual or other instructional media
  – Extensive human subjects data accumulation, questionnaires, etc., is required

• Must be necessary to conduct the project
Preparing the Budget: Travel

- Domestic

- Foreign
  - Fly America Act
  - May require prior approval even if in budget
Preparing the Budget: Patient Care

• Typically Defined as:
  “...routine and ancillary services provided by hospitals to individuals, including patients and volunteers...[including] regular room services, minor medical and service supplies...X-ray, operating room, laboratory, pharmacy, [etc.]...”

• Excluded from MTDC base and F&A calculations
Preparing the Budget:
What is Not Included in Patient Care

- Subject reimbursement and travel
- Costs of ancillary tests performed outside the hospital on a fee-for-service basis
- Costs accumulated in Service Centers at Emory
- Consulting physician fees
Preparing the Budget: Subcontracts

- Full detailed budget, including F&A costs
- Copy of subcontractor’s checklist
- Statement of Work (SOW)
- Cover page/ Letter of Intent with Authorized Signature
- Reps & Certs, if required by Sponsor
Preparing the Budget: Consultants

- Emory staff cannot be consultants on an Emory proposal
- Letter of Intent and Costs (not on “university” letterhead)
- Statement of Work (SOW)
## Preparing the Budget: Other Direct Costs

<table>
<thead>
<tr>
<th>Cost Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Center Charges</td>
</tr>
<tr>
<td>Publication Costs</td>
</tr>
<tr>
<td>Rent, when appropriate, but excluded from MTDC</td>
</tr>
<tr>
<td>Animal per Diem</td>
</tr>
<tr>
<td>Subject Compensation and Travel</td>
</tr>
<tr>
<td>Tuition and Fees (not on research grants)</td>
</tr>
<tr>
<td>Post Doctoral Health Insurance (not on research grants)</td>
</tr>
<tr>
<td>Protocol Review Fees, when appropriate (not on federal grants)</td>
</tr>
</tbody>
</table>
Preparing the Budget: F&A Costs

• F&A = Indirect Costs = Overhead

• Modified Total Direct Cost Base (MTDC)

• Check Sponsor guidelines for appropriate base on which to apply the applicable F&A rate

Utilities, Payroll, Other Support, Libraries, etc.

Excludes Equipment, Patient Care Costs, Tuition, Alterations, Rent, Subs > $25K
## Preparing the Budget

### F&A Costs

<table>
<thead>
<tr>
<th>Research Rate</th>
<th>Instruction Rate</th>
<th>Other Sponsored Activities</th>
<th>Corporate-Funded Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>• On Campus – 56%</td>
<td>• On Campus – 55%</td>
<td>• On Campus -39%</td>
<td>• CTs (30% - TDC)</td>
</tr>
<tr>
<td>• Off Campus A – 28.2%</td>
<td>• Off Campus A – 37.5%</td>
<td>• Off Campus A – 27.8%</td>
<td>• Non-CTs (federal rate)</td>
</tr>
<tr>
<td>• Off Campus B – 26%</td>
<td>• Off Campus B – 26%</td>
<td>• Off Campus B – 27.8%</td>
<td></td>
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<tr>
<td>• Yerkes -78.5%</td>
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</tbody>
</table>

**Note:** Off-campus Adjacent (A) is a location within 50 miles commuting distance of the University. Off-campus non-Adjacent (B) is a location beyond 50 miles commuting distance of the University.
Preparing the Budget: don’t Forget...

If there are Humans involved...
  – Subject compensation and travel
  – Related patient care costs
  – Equate cost proposed to research plan, especially with the consents

If there are Animals involved...
  – Prepare detail cost estimate including shipping and box charges
  – Animal purchase or use fees
  – Animal per diem
  – Equate cost proposed to research plan
Preparing the Budget

Budget Justification

• Each line item usually requires specific justification

• Unusual or extraordinary expenses such as equipment, clerical salaries and administrative expenses, may require additional information

• Check sponsor guidelines for requirements
Preparing the Budget - Other Considerations: Cost Sharing

• Portion of the project not funded by sponsor
  – Mandatory: Required by the Sponsor
  – Voluntary Committed: Not required by Sponsor
  – Matching or In-Kind: Matching Fund Requirement

• Cost Sharing Unallowables:
  – Can’t use federal $ without prior approval
  – Can’t use the same $ for two different projects
Preparing the Budget
Basic Formula

1. Sum the Direct Costs (TDC)
2. From the TDC figure, subtract:
   - Equipment
   - Patient Care
   - Participant Costs
   - Alterations/Renovations
   - Tuition/Fees
   - Rental Costs
   - Amount of Sub <$25K
3. Amount of # 2 = MTDC (Modified Total Direct Costs)
4. (x) line 3 (MTDC) by applicable F&A rate
5. Add F&A from line 4 to TDC from line 1
6. Result of line 5 = Total Project Costs
Preparing the Budget: Reasons for Carefully Preparing the Budget

- Reduces the possibility of significant budget cuts by the sponsor
- Aids post award management
- Aids the department in budget planning
- Ensures that all costs are covered
- Significant budget changes are interpreted by sponsors as a change in scope!
Using the Budget Tool to Build a Detailed Budget
Resources

• A-21:  http://www.whitehouse.gov/omb/rewrite/circulars/a021/a021.html
• OSP Fact Sheet: http://www.osp.emory.edu/links/fact/index.cfm
• EPEX Information: http://www.osp.emory.edu/forms/epex.cfm
• EPEX Training: http://compass.emory.edu/training/trn_grants.html