

Research Administration Training and Education (RATE)

Class #3

Developing a Sponsored Project Proposal Budget

Budget Strategy

- Ask for what is needed to do the work
 - Budget should be based on the proposed scope of work
 - Budget is a representation of costs necessary to conduct the project
 - Cost estimates need to be as accurate as possible
 - Justify requests that are significant or out of the ordinary
- Follow sponsor and institutional guidelines and policies
 - When in doubt, ask OSPA who will check with the sponsor

Budgeting Principles

- Costs that may be included in the budget must be
 - Allocable
 - Allowable
 - Reasonable
 - Consistently applied
- Know the funder's limitations and budget restrictions
- 2 CFR 200 Uniform Guidance is the principle federal regulation for proposal budgeting

General Budgeting Considerations

- Relate project costs to project activities
- Follow sponsor guidelines *exactly*
- Follow sponsor format
- Indicate start and end date/period of performance
- Round all costs to the nearest dollar
- Include appropriate cost increases
- Provide a detailed budget justification

Types of Budgets

- Line-item cost reimbursable –most common type of budget
- Fixed price
- Task or milestone-based –often included in proposals that will result in a contract
- Per patient –typically include in clinical trial budgets
- With or without cost share –only provide cost share if mandatory (i.e., required by sponsor)

Type of budget used should follow sponsor guidelines

Preparing a Full Budget

- Should include *ALL* costs required to complete a project – direct, F&A, cost share.
 - Even if a full budget is not required by the sponsor, one should be done so that funding requests are as complete and accurate as possible.
 - Provide OSPA with detailed budget by line item
- Costs must be allowable, allocable, and reasonable (2 CFR 200 Uniform Guidance)
- Most budgets contain the similar budget categories (e.g., salaries, fringe benefits, supplies, travel, equipment, F&A costs)
- Budgets submitted to OSPA for account set up should include appropriate Sponsored Classes

Types of Costs

Direct Costs - Easily allocated to a specific project

Examples include:

- Project Personnel
- Equipment used to conduct the project
- Materials & Supplies used to conduct the project
- Project-related Travel

Types of Costs

(continued)

Indirect or Facilities and Administrative Costs (also called F&A, Indirect Cost, IDC, Overhead)

- Heating and lighting
- Building use and maintenance
- Libraries
- Department and College administration, etc.

Calculated as a percentage of Direct Costs

Personnel Costs –Salary

- Salary = amount of yearly pay x amount of effort (ex. \$30,000/year x 10% effort = \$3,000 salary cost)
 - Check sponsor policies regarding allowable personnel costs (some sponsors disallow inflation factoring or impose salary caps)
 - Level of effort for faculty charged to project must match level reported in Cost Distribution Entry Module (CDEM)
 - Projects should, at minimum, provide for salary or effort for principal investigator
 - Effort not always measured in %
 - NIH Person Months - http://grants.nih.gov/grants/policy/person_months_conversion_chart.xls
 - Labor hours (2,080 hours in a 12-month UK appointment; 1,560 hours in a 9-month academic year appointment)
 - Summer salary –
salary/months in contract=monthly salary \$

Personnel Costs –Salary Cap

- Consolidated Appropriations Act restricts amount of direct salary paid to an individual under an HHS grant, cooperative agreement, or applicable contract to a rate no greater than Executive Level II
 - Federal FY 2021 salary cap = \$199,300
 - Highest rate any personnel on a NIH grant, contract, or cooperative agreement can be charged or cost shared
 - Difference between actual salary costs and salary cap costs is cost share and should be shown as such on IAF
 - Example: a PI makes \$250K/year and is putting 10% effort on project equating to \$25K of salary costs. NIH only allows \$19,300 to be charged. The difference of \$5,670 (plus fringes)
 - Other sponsors impose similar salary cap

Personnel Costs – Fringe Benefits (2021-2022)

<https://www.research.uky.edu/office-sponsored-projects-administration/frequently-needed-information>

Health insurance for TBN (to be named) positions or where the insurance class is unknown, should be calculated at the full family rate.

Health insurance is not charged on summer appointments.

Benefit	Faculty	Staff	Post Doc	GRADUATE/ UNDERGRAD STUDENTS AND TEMP/PART-TIME STAFF
Social Security	7.65%	7.65%	7.65%	7.65%
Retirement	10%	10%	N/A	N/A
Other Fringe	2.32%	2.50%	0.73%	0.73
Life Insurance	0.055%	0.055%	0.055%	N/A
ADD	0.012%	0.012%	0.012%	N/A
Total Percent FY21	20.037%	20.217%	8.447%	8.38%
Life Insurance Details on Rates for Optional Life Insurance Coverage				
PLUS a Prorated Amount of Health and Life Insurance Multi-year projects should project a 3% increase in insurance per year. Amounts shown below are for the '21-'22 year. Estimated Student Health costs for future years are provided below.				
Employee	\$564/mo \$6,768/yr	\$564/mo \$6,768/yr	\$564/mo \$6,768/yr	\$2,641/yr
Employee Combined Credit	\$658/mo \$7,896/yr	\$658/mo \$7,896/yr	\$658/mo \$7,896/yr	N/A
Employee & Children	\$752/mo \$9,024/yr	\$752/mo \$9,024/yr	\$752/mo \$9,024/yr	N/A
Employee & Spouse	\$927/mo \$11,124/yr	\$927/mo \$11,124/yr	\$927/mo \$11,124/yr	N/A
Employee & Family	\$1,098/mo \$13,176/yr	\$1,098/mo \$13,176/yr	\$1,098/mo \$13,176/yr	N/A

Personnel Costs –Additional Notes

- Fringes should always be included with salary costs
- Salary for existing UK employees should be based on current actual salaries.
- Salary escalation recommendation for raises is a 3% increase for each year of the grant. The initial year can be prorated for the portion of the project that will occur in the current fiscal year.
- Multi-year projects should project a 10.5% increase in health and life insurance per year.
- Proposal budgets should, at minimum, include salary for the principal investigator's effort on the project

Personnel Costs –Supplemental Compensation

Activity involved must:

- Cross departmental lines
- Be in addition to a recipient's regular assignment
- Be unrelated to a recipient's regular assignment
- Approved by sponsor, department and sometimes college

GRAs vs. Predoctoral Trainees/Fellows

- Trainees/Fellows
 - Supported on sponsor-designated training grants or fellowships
 - Not appointed to work on a project, only responsibility is education
 - Project F&A rate is usually less than full

Materials and Supplies

Include items that are expended or consumed in the conduct of the research, i.e., glassware, chemicals, computer supplies, animals, etc.

(Note: Office supplies are generally unallowable on federal projects unless justified in proposal and approved by sponsor)

Capital Equipment

- Capital Equipment is defined as nonexpendable, tangible personal property having a useful life of more than one year and costs in excess of \$5,000.
- General Purpose Equipment is typically an unallowable cost under UK costing guidelines and includes use of equipment not being limited only to research, medical, scientific or other technical activities. Examples of general-purpose equipment include office equipment and furnishings
Current university inventory of equipment should be screened before requesting funds from a sponsor for equipment utilized on a project
- Indirect (F&A) costs are not applied to equipment if project includes full F&A cost rate

Animal Costs

- Division of Laboratory Animal Resources is a support unit for animal-based research.
 - Animals are maintained in DLAR - approved facilities
- Current per diem rates available on web site. [DLAR FAQs | University of Kentucky Research \(uky.edu\)](#)
- Institutional Animal Care and Use Committee(IACUC) approval required before ordering animals

Travel

- Domestic Travel allowance costs should be reasonable, necessary, and based on university rates
 - Explain nature of the work in relationship to trips and costs (reasonable and necessary)
 - Clearly state the purpose of the trip and the destination
 - Identify domestic versus foreign travel
 - Do not simply state “2 trips per year”
 - Specify destination, # people, # trip days, per diem amount, car rental, etc.
- UK’s travel policy <http://www.uky.edu/EVPFA/Controller/files/BPM/E-5-1.pdf>
- Foreign travel on federally funded projects requires that budget estimates and charges be made using a U.S. airline (American flag carrier)
- Student Travel sponsored class– only used in Training Grants where students are receiving stipends.

Subaward, Consultant or Vendor/Contractor

- Subrecipient – performs substantive amount of scope of work under grant or contract with responsibility for programmatic decision making and measurable performance requirements, must adhere to Federal compliance requirements if Federal award, retains IP if a university
- Consultant – PI only provides advice or direction, does not perform part of the scope of work, cannot be an employee of the institution, no controls about manner of performance, a work for hire with no rights to end-product
- Vendor/Contractor – An organization which provides goods or services to the public as part of its normal business operations within a competitive environment, not subject to same compliance requirements as subcontractor

Subawards

- Subawards are proposed when funds will be supplied to another university or entity (not an individual) as a result of an award or grant
- In most instances when a proposal includes a subaward a separate budget should be submitted on sponsor forms for the subrecipient and the subaward total is then listed as a lump sum (including indirect costs) on the contractual line in UK's budget
- Subrecipients are entitled to request F&A costs up to the amount allowed by sponsor guidelines if F&A is restricted by the sponsor or their negotiated indirect cost rate agreement or 10% de minimis rate
- Reminder: only the first \$25,000 of any one subaward should be included in the Modified Total Direct Cost Base when calculating UK's indirect cost

Consultants

- Consultants provide advice or direction for the project and their services are secured by using a Personal Services Contract (PSC).
- The Project Director or Principal Investigator does not control how or when the consultant performs the work.
 - If they do, the person should be listed under Personnel (and may be required to become a UK employee before working on the project).
- Consultants do not perform any part of the scope of work.
- Some federal agencies have maximum rates for consultant compensation; refer to the specific agency's guidelines for further guidance.
- Individuals listed as consultants cannot be UK employees.
- A Letter of Commitment from the consultant specifying their rate is required at the proposal stage. The consultant's rate should include all expenses.
- Consultant costs should be included in the budget as a direct cost line item and UK may assess Indirect (F&A) costs on the entire amount

Tuition

- Tuition should be budgeted any time a graduate research assistant position is requested in a proposal.
 - If graduate student wages are budgeted in a proposal, support for graduate student tuition must also be budgeted.
 - If the research assistant is working less than 20/week/year on the project tuition should be prorated.
 - Tuition should not be budgeted for summer sessions.
- Graduate student tuition should be budgeted under "Other" direct costs in the proposal budget.
- Reminder: Tuition is excluded in the calculation of Modified Total Direct Cost (MTDC) base when calculating indirect costs at full rate.
- If tuition is for participants in training programs and not Research Assistants, then the tuition goes through Student Financial Aid instead of the Graduate School.
- The Graduate School RA tuition is a weighted average, but tuition through Student Financial Aid is either the listed in-state or out-of-state tuition rate
 - Universal RA/GA Tuition Rates <https://gradschool.uky.edu/universal-raga-tuition-rates>

Training Participants

- Training Participant Costs are allowable only on awards specifically for training.
 - Tuition/Fees (see previous slide)
 - Stipends
 - Health Insurance
 - Travel
 - Sustenance
- NIH Training participant costs include Stipends, Tuition and Fees, Health Insurance, Training Related Expenses and Institutional Allowances. Allowable amounts of Stipends, Training Related Expenses and Institutional Allowances for NIH training grants in FY2012 can be found at: <http://grants.nih.gov/grants/guide/notice-files/NOT-OD-12-03.html>
- Some federal agencies restrict the rebudget of trainee costs from the training participant budget line to other cost objects without prior written approval from the agency.

Environmental (Waste) Recharge

- Waste Recharge allowance should be budgeted for any chemical or equipment to cover the cost of disposing by-product waste. The current waste recharge rate and the GL Accounts to which it applies can be found at http://ehs.uky.edu/objcodes_0001.php

Other Direct Costs

- Supplies – animal costs, lab supplies, chemical reagents, etc.
- Payments to Research Subjects
- Patient Care – These charges only come from the hospital. Patient Care costs exempt from F&A.
- Increase costs other than salary by 3% each year

Indirect Costs or Facilities And Administrative (F&A) Costs

- The University will charge ALL projects the Indirect (F&A) cost rate listed in the most recent agreement (FY2022 rate: 53% Modified Total Direct Costs for on-campus research and development projects), unless:

The sponsor is a government or non-profit entity with a published lower F&A rate that it applies uniformly and consistently in awards to all academic institutions

- Modified Total Direct Cost is Total Direct Costs less equipment, capital equipment, patient care costs, tuition, rental costs, and the subcontract costs over \$25,000)

Budget Narrative or Justification

- Describe the cost basis for each budget item
 - Provide details
 - Explain use of funds if not evident
- Follow sponsor's guidelines
 - There is a reason they provide examples
 - Use correct version of forms
- Sponsors may specify allowable/unallowable costs
 - Do not assume the project is exempt from those restrictions

Key Considerations for Creating a Proposal Budget

- Project Dates
 - Confirm that project dates are accurate
 - Ensure that appropriate escalation factor is used based on the fiscal year(s)
- Award Limits –confirm the budget meets any sponsor specific award limits (ceiling or floor)
- Salaries –Salaries for existing UK employees should be based on current actual salaries, plus a 3% raise
 - If salaries are being prorated, consider portion of the project that will occur in the current fiscal year and do not include the raise for that time
 - Confirm all personnel expected to be involved in a project are included in budget.
 - Projects should, at minimum, provide for salary/effort of principal investigator

Types of personnel frequently involved in projects include:

- Faculty members, academic year and off-duty (summer) appointments
- Research Assistants
- Postdoctoral Associates
- Graduate Research Assistants
- Undergraduate assistants
- Technicians and other support personnel

Key Considerations for Creating a Proposal Budget

(continued)

- Salaries

- Salaries for existing UK employees should be based on current actual salaries, plus a 3% raise, unless salaries are being prorated to take into account portion of the project that will occur in the current fiscal year and would not include the raise
- If salaries are being prorated, consider portion of the project that will occur in the current fiscal expected to be involved in a project are included in budget.
- Projects should, at minimum, provide for salary/effort of principal investigator

Types of personnel frequently involved in projects include:

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- Graduate Research Assistants
- Undergraduate assistants
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Key Considerations for Creating a Proposal Budget

(continued)

- Graduate Students
 - Follow salary standards for each college or department
 - If graduate student wages are budgeted in a proposal, support for graduate student tuition must also be budgeted
 - If the research assistant is working less than 20 hours per week per year on the project, tuition should be prorated
 - Tuition should not be budgeted for summer sessions
 - Tuition should not be included the Modified Total Direct Cost base when calculating indirect costs
 - For 20 hour per week research assistants, tuition is summarized at [Universal RA/GA Tuition Rates | Graduate School \(uky.edu\)](https://www.uky.edu/graduate-school/tuition-rates)
- Off-Duty/Summer Appointments
 - Faculty with nine-month appointments may charge up to 2.5 months during the summer. It is expected that if 2.5 months salary is received, the faculty member will spend 2.5 months on project supported activities. No vacation time should be taken during those 2.5 months. It is incumbent upon each college to document appropriate use of vacation and summer salary for the investigator. See UK policy on number of vacation days allowed each contract term (AR 3:6).
 - Health insurance is not charged on summer appointments

Key Considerations for Creating a Proposal Budget

(continued)

- Fringe Benefits
 - When salaries are charged to projects, the associated fringe benefits are also charged
 - Fringe benefits should be calculated according to the table located on the Frequently Needed Information page of OSPA's website
- Consultants
 - Refer to BPM B-4 and B-4-1 for consultants being paid less than \$10,000 with no single payment more than \$5,000
 - Refer to BPM B-4 and B-4-2 for consultants being paid over \$10,000, or with a one-time payment of \$5,000 or more.
- Subawards
 - Refer to the Subawards page on the OSPA website for more information
- Program Income
 - Program Income on any project expected to generate funds should be estimated and used in building the project costs total.
 - See the Policies & Procedures: Program Income on the OSPA website, Uniform Guidance § 200.307, and sponsor specific guidelines for further guidance

Key Considerations for Creating a Proposal Budget

(continued)

- Indirect (F&A) Costs

- Use the scope of work of the project to confirm the appropriate functional area (i.e., indirect (F&A) rate)
- Calculations
 - If UK's full rate is applied, utilize the MTDC base for F&A calculations
 - If the sponsor limits the F&A rate, total direct costs should be used as the base for F&A calculations
 - If the sponsor has a written policy on items to exclude from the base, follow the sponsor guidelines
- Refer to the Facilities and Administrative (F&A or Indirect) Costs page on the OSPA website or current rate agreement for rates [Facilities and Administrative \(F&A\) Costs | University of Kentucky Research \(uky.edu\)](https://ospa.uky.edu/research/facilities-and-administrative-f-a-costs)

- Cost Share

- Unrecovered indirect costs due to written agency guidelines limiting F&A should be used as part of the cost sharing contribution, unless prohibited by agency guidelines
- See BPM E-50-2 and the Cost Sharing/Grant Matching page on the OSPA website for more information