

ELEMENTS FOR CREATING A SUCCESSFUL RESEARCH BUDGET

Office of Sponsored Programs

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Presentation Objectives

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- Discuss the basic foundations for a successful budget
- Examination of the key elements of a well prepared budget.
- Discussion of federal regulations and how they inform the UW budgeting and process guidelines.
- Conversation around key UW and sponsor budgeting terminology and how they are used in the budget preparation process

Overview

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- Budget scope
- Steps to Success
- The RAA principle
- Additional Budget Considerations
 - ▣ Multi-year grants
 - ▣ Subcontracts
 - ▣ Budget justification
 - Unlike circumstances
- Sponsor Instructions
- Hints, checklist
- Resources

5 steps to ensure success

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- Based on project scope, create a list of costs that are required for the project.
- Organize costs into categories (federal & UW object codes).
- Apply the RAA principle
- Check your math!
- Review – Rethink – Review

Step 1: Budget Scope

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Outlines the costs for all items necessary to complete a project

- Project: Cost/Benefit comparison of high-speed train vs. airplane flight from Washington to Southern California

Step 2: Federal Category (A-21)

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Direct Costs (GIM23)

Direct costs are those costs that can be identified specifically with a particular sponsored project, an instructional 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 F&A costs.

Step 2: Federal Category (A21)

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F&A Costs (GIM 13 & 23)

F&A costs are those that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored project or other institutional activity.

Step 2: UW Categorizations

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Know your resources:

1. **Definitions and examples** -- GIM 23: Direct Costs, Indirects
2. **Benefits** -- GIM 3: Benefit Rate Table,
3. **F&A Rates** -- GIM 13: Activity Types, TDC vs. MTDC, Rate Agreement letter, Rate Table, Split Rates, Waivers
4. **Cost Sharing** -- GIM 21
5. **Faculty Effort** -- GIM 35: IBS, Faculty effort

Step 2: Cost Categorizations

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- Direct Costs
 - Salaries & Benefits
 - Equipment & Supplies
 - Patient or Animal care costs
 - Travel
 - Subcontracts
- Facilities & Administration Costs (F&A)
 - Local telephone charges
 - Building heat and lights
 - Normal Office supplies

Step 2: UW Object Codes

Accounting Codes -- F2 website

<http://f2.washington.edu/fm/fa/references/object-codes>

| Description  | Summary (\$) | Year 1 (\$) |
|---|--------------------|--------------------|
| ▶ (01) Salaries and Wages | \$49,431.35 | \$49,431.35 |
| ▶ (02) Service Contracts | \$3,375.00 | \$3,375.00 |
| ▶ (03) Other Contractual Services | \$2,025.00 | \$2,025.00 |
| ▶ (04) Travel | \$1,200.00 | \$1,200.00 |
| ▶ (05) Supplies and Materials | \$675.00 | \$675.00 |
| ▶ (06) Equipment | \$23,000.00 | \$23,000.00 |
| ▶ (07) Retirement and Benefits | \$13,633.52 | \$13,633.52 |
| ▶ (08) Student Aid | \$0.00 | \$0.00 |
| ▶ (10) Capital Projects | \$0.00 | \$0.00 |
| ▶ (38) Unallocated | \$0.00 | \$0.00 |
| Total Direct Costs | \$93,339.87 | \$93,339.87 |

Step 3: The RAA Principle_(A-21)

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- Reasonable
 - ▣ A prudent person would find the costs acceptable
- Allowable
 - ▣ The sponsor terms & conditions allow the costs
 - ▣ Under “like circumstances” all costs are treated the same as Directs or Indirects (A21)
- Allocable
 - ▣ Demonstrate that costs are directly related to and benefit the project.

Step 4: Check the math

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- Read GIM 13 & Table of F&A Rates and Base Types
- Base
 - MTDC vs. TDC
 - Determine budget items excluded from the F&A calculation
- Activity Location
 - On campus
 - Off campus
 - Multiple locations (Split Rates = $\geq 250K$ in directs)

Base Type

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- F&A costs are calculated on a base amount
- The base is a total of direct costs subject to F&A (per sponsor instructions)
- There are several base types (GIM 13):
 - ▣ MTDC = Modified Total Direct Costs
 - ▣ TDC = Total Direct Costs
 - ▣ S&W = Salaries and Wages
 - ▣ TDC less T&E = Total Direct minus Tuition & Equipment

Final Budget Calculation

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$$\begin{aligned} & \text{Base Amount (\$ amount subject to F\&A) (MTDC)} \\ & \times \text{F\&A Rate (\%)} (54.5\%) \\ & = \text{F\&A Costs (\$)} \\ & + \text{Total Direct Costs (\$)} \\ & = \text{Total Project Cost} \end{aligned}$$

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Project Total |
|--------------------|---------|---------|---------|---------|---------|---------------|
| Total Direct Costs | 250,000 | 250,000 | 250,000 | 250,000 | 250,000 | 1,250,000 |
| Total F & A | 119,365 | 126,963 | 126,035 | 125,013 | 123,890 | 621,267 |
| Total Costs | 369,365 | 376,963 | 376,035 | 375,013 | 373,890 | 1,871,267 |
| F&A Base | 219,019 | 233,960 | 231,257 | 229,382 | 227,321 | 1,139,940 |

Budget Considerations: Multi-Year Budgets

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- Identify each budget period
 - ▣ For example: year 1, year 2, year 3
- Determine budget needs per year
 - ▣ Equipment might be purchased in just the 1st year
 - ▣ Personnel costs can vary across the project periods (Raises? Additional personnel?)
- See sponsor instructions or UW policy for inflation escalation guidelines and to set budget projections.

Budget Considerations: Subcontracts(SC)

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Outgoing vs. Incoming subcontracts

- GIM7
- SC includes both the direct and indirect costs from the outside institution
- The total project direct costs of the subcontractor are direct costs for the UW.
- In addition, up to the first 25K of the subcontractor's costs are subject to UW F&A assignment

Budget Considerations: Subcontracts

(SC)

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A faculty member at the University of Washington is doing a research project on campus and subcontracting portions of the project to faculty members at UCLA and Harvard.

Base for UW F&A: MTDC

Total Direct Costs: \$358,045

Subject to FA

UW Direct Costs \$275,000 -->

\$275,000

UCLA Subcontract \$69,300 -->

\$25,000

Harvard Subcontract \$13,520 -->

\$13,520

Base subject to F&A

\$313,520

x UW F&A Rate of 54.5%

\$170,868

Budget considerations: Budget Justifications

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- The budget is the \$ expression of the project. The justification provides how/why for costs.
- The level of justification required in a proposal may vary among sponsors.
- Document exceptional or “unlike circumstances.”
- For a NIH modular budget, the narrative justification is provided only for personnel.
- “Additional Budget Narrative” to explain any variation in the amount requested for each budget period.

Sponsor Instructions

(RFA, Grants Policy Guide)

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- ❑ Overall instructions for applications
- ❑ If sponsor approval is needed at the preparation phase
- ❑ Allowable costs
- ❑ Salary caps
- ❑ F&A rate & base
- ❑ Budget format (modular or full, NIH only)
- ❑ Budget Justifications (NIH only)
- ❑ Overall policies

Why are they important

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- Most questions can be answered in the sponsor instructions
- All requirements in the instructions must be met
- Maximize opportunity to get funding (little mistakes may have big penalties)
- Some optional data may be required (i.e., subcontracts)

Hints for success

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- Read the Program Announcement
- Meet with the PI
- Understand the project scope of work
- Ask questions
 - ▣ Who will be supported & how much?
 - ▣ Will there be any equipment?
 - ▣ Will human subjects be involved?
 - ▣ Will animal subjects be used?
 - ▣ Are there any subcontracts?
 - ▣ Is there equipment? Equipment Maintenance?

Hints: Budget Checklist

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- Are the current UW rates are being used?
- Do budget items meet the RAA principle?
- Are budget totals the same across forms?
- Do budget \$ match on all budget & budget justification pages?
- Are Sponsor requirements met?
- Has PI has reviewed and approved the final budget?
- Take and break and then review one final time

UW Tools for Budget Building

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- SAGE Budget Module
 - ▣ Budget prep tool
 - ▣ Pulls in salaries and benefit rates
 - ▣ Calculates totals
 - ▣ Able to associate to an eGC1
 - ▣ Able to modify based on feedback
 - ▣ Able to use for multiple projects
- Sign up for SAGE Learning
 - ▣ <http://www.washington.edu/research/main.php?page=learningAbout>

Resources

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- Sponsor Instructions (RFA, Grants Policy Statement)
- Grant Information Memoranda (GIM)
<http://www.washington.edu/research/osp/gim/>
- Peer Mentor List
<http://www.washington.edu/research/main.php?page=ospMentors>
- For pre-award questions, contact your OSP Administrator
<http://www.washington.edu/research/main.php?page=ospContact>
- For post-award questions, contact your GCA Team
<http://www.washington.edu/research/gca/office/gcacontacts.html>

Questions / Discussions