Budget Basics
Developing Budgets for a Successful Proposal
Overview

- Introduction
- Major Budget Components
- Direct Costs
- Facilities and Administrative Costs
- Budget Narrative and Budget Justification
Sponsored Program Administration
Proposal Submission (pre-award) and Project Management (post-award)

Life Cycle of a Sponsored Project

1. Proposal Submission (pre-award)
2. Internal Clearance
3. Proposal Submission & Sponsor Review
4. Award Negotiation & Acceptance
5. Post-Award Processes
6. Transition from Pre-Award to Post-Award
7. Pre-Award Processes

- Non-competing Continuation
- Annual Progress Report
- Project Monitoring
- Spending Money
- Project Closeout: Final Report, etc.
- New Project Notify SPA of Intent to Submit
- Competing Continuation
- Post-Award Processes
- Project Completion
- Life Cycle of a Sponsored Project
What is a Budget?

- An essential building block of a winning proposal
- A tool for planning your project
- A numerical description of your narrative
What Should I Consider?

- Is the funding source the best fit for your project?
- Engage all appropriate individuals in the development and approval of the budget.

1. Striking the right balance.
2. Be cost effective, but realistic.
3. Make sure the budget reflects the project plan.
4. Demonstrate institutional commitment, only if required (i.e cost-share).
What Else?

- Anticipate other costs that might be incurred.
- Anticipate increases in costs over the life of the project.
Expenditures must be *allowable* in accordance with all relevant guidelines.

Expenditures must be *allocable* as a direct expense and have a direct benefit to a particular project.

Expenditures must be *reasonable* – a prudent person would find the expenditure to be reasonable.
## Budget Format

### Internal budget

<table>
<thead>
<tr>
<th>Personnel</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PI, Joe Smith</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Academic Year (AY) 20% Release Time</td>
<td>16068</td>
<td>16550</td>
<td>32618</td>
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<tr>
<td>Summer, 21 days (one month summer)</td>
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<td>10222</td>
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<td><strong>Subtotal Joe Smith</strong></td>
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<td>52764</td>
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<tr>
<td><strong>Co-PI, Star Jones</strong></td>
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<tr>
<td>Academic Year (AY) 20% Release Time</td>
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<td>19096</td>
<td>37636</td>
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<tr>
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<td>11795</td>
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<td><strong>Subtotal Star Jones</strong></td>
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<td>30891</td>
<td>60882</td>
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<td><strong>Subtotal Personnel</strong></td>
<td>55984</td>
<td>57663</td>
<td>113647</td>
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</tbody>
</table>
Budget Format

- Sponsor Budget
  - NIH SF424 R&R Budget Form

If Project budget, use applicant organization DUNS. If Subaward/Consortium, use that organization's DUNS and not DUNS of the applicant organization.

Only the primary applicant organization should specify Project.

Every Sr./Key listed must have measurable effort in either Calendar Months or a combination of Academic and Summer Months.

PD/PI must be listed as a Sr./Key with measurable effort in every budget period.

Base Salary can be left blank for submission, but is required prior to award.

If more than 8 Sr./Key, use attachment and enter total funds requested for additional Sr./Key persons.
There are two major components of a budget:

**Direct Costs**
- Allowable costs
- Can be identified with the project’s activities easily and accurately.

  For example, the specialized materials and supplies you will use are easy to identify compared to the amount of electricity you may use while working on your project.

**Facilities and Administrative Costs (F&A)**
- Often referred to as “indirect costs” or “overhead.”
- Institutional costs *that cannot be allocated to one project:*
  - Electricity usage, insurance, legal costs, administration etc
Direct Costs

- **Personnel** (*faculty and staff salary*)
- **Fringe Benefits** (*full and part time, release time*)
  
  **Note**: *fringe benefits are not part of F&A*

- **Participant Costs**
- **Equipment** (*$5,000 or more*)
- **Travel**
- **Materials and Supplies**
- **Consultants**
- **Subcontracts**
- **Other Costs** (*costs of publication, maintenance fees, etc.*)
Facilities and Administrative Costs (F&A)

- The CSU Chancellor’s Office requires of all CSU campuses that F&A costs be included in each proposal budget in order to recover these costs to the maximum extent possible. (Section 3.5.4 of Executive Order EO 890)
  

- At SJSU, a composite F&A rate is applied to each sponsored program.

- If the costs are not covered by the sponsored project budget, then SJSU needs to review whether they are able to subsidize the costs.

- For additional information on F&A cost rates visit the Proposal Development—Grant and Contract Applications web page and select F&A Cost Rates Frequently Asked Questions.
  
SJSU and the Research Foundation together have a federally *Negotiated Cost Rate Agreement* with the Department of Health and Human Services.

A typical scenario of what F&A covers:

- You arrive at campus to work on your project. You walk into your **office space**, turn on the **lights**, adjust the **thermostat**, do some research on the university owned **computer**, print out two copies of your 25-page report on paper (using the printer **ink**) so you and a colleague can edit it. You look through your **mail**, sort out a stack of research-related invoices that you put in **campus mail** to **SJSURF** for your **account analyst** to pay on your behalf, along with some **timesheets** from your students that **SJSURF** will **process** and issue **checks** for.

In addition, F&A covers the liability associated with conducting and managing sponsored programs.
Facilities and Administrative Costs (F&A)

- Current F&A Rates are:
  - On-Campus Training or Instruction: 55.2%
  - On-Campus Research: 44.5%
  - On-Campus Other (not in either category above): 44.6%
  - Off-Campus Research, Training, or Other: 26%

- F&A rates are normally charged against a Modified Total Direct Costs base, commonly referred to as MTDC.

The MTDC equation is the total direct costs, less capital expenditures (buildings, equipment, alterations, and renovations), that portion of each sub-award in excess of $25,000; hospitalization and other fees associated with patient care, rental/maintenance of off-site activities, participant support costs, student tuition remission and student support costs (e.g., student aid stipends; dependency allowances, scholarships, and student fellowships).
Cost Share aka Matching Funds

- Resources contributed or allocated by SJSU or a third party to a sponsored project. Cost share is support over and above that provided by a funding agency and, once committed, is considered essential to carrying out the whole project.

- Some funding agencies require cost sharing. **If it is not required, the practice of SJSU and the Research Foundation is to not offer it.**

- Cost share typically falls into two categories:
  - Cash
  - In-kind
    - Contributed time and effort
    - Donation of supplies

- **Cost Share Policy:**
  http://www.sjsu.edu/researchfoundation/osp/researchpolicies/index.html
Cost Share aka Matching Funds

- Cost Share Commitment form
  - Details on the account and the amount (Internal Document)

- Letters of Commitment from Sources
  - Internal Sources – Usage of facilities, donated equipments, etc.
  - Third Party – Donations for supplies, events etc
The budget narrative is sometimes referred to as the *budget justification*.

The narrative serves two purposes:
* Explains how the costs were estimated
  * Justifies the need for the cost. The narrative may include tables for clarification purposes.
  * Be specific as possible and if required provide quotes
Key Points to Remember

- Project Planning tool - Identifying the needs, costs, and sources of funding.

- Numerical description of your narrative; requested funds must relate to and accurately represent project needs.

- All budgets inherit the same **fundamental components** of direct costs, indirect costs, and line item categories, such as personnel, fringe benefits, travel, and materials and supplies.

- Be cost effective, but be realistic. Make sure you have sufficient funds to do the work.
Learn More!

SJSU Research Foundation Spring 2016 Workshops

May 12, 2016
Proposal Review Process Revealed
MLK Library 255/257
11:30 a.m. – 1:00 p.m.