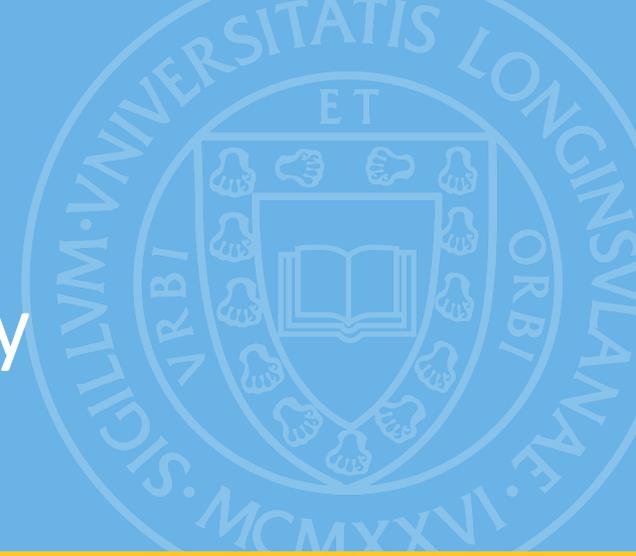


Budgeting Primer on externally submitted grant applications



Executive Director of Sponsored Projects
Director of Sponsored Research

September 2021

What is a Budget?

A detailed statement outlining estimated project costs to support the sponsored project. A budget includes all of the direct costs and the facility and administrative (F&A) (“indirect costs”) costs required to carry out the project objectives

What are direct costs?

Expenses that are specifically associated with a particular sponsored project or activity and/or can be directly assigned to that project with a high degree of accuracy

What are facility and administrative costs?

Facility and administrative (F&A) costs (formerly indirect costs) are incurred in conducting or supporting research and service but they cannot be readily identified as benefiting particular research or service projects. They are necessary to the operations of the organization. F&A costs are of two kinds: facilities costs and administrative costs

Budget Formulation Questions

Prior to developing the budget become familiar with the sponsor solicitation regarding any budgetary restrictions:

- Personnel
- Equipment
- Materials & Supplies
- Other
- Fringe Benefits
- Travel
- Collaborators
- Indirect Costs (F&A)

Personnel Costs

Normally the largest category of expense on any sponsored project

Proposals should accurately reflect the amount of direct effort/person months that key and non-key personnel are devoting to the sponsored project

Faculty have 9 month and 12 month academic appointments, but are paid over 12 months

9 month faculty are eligible for summer supplemental salary

National Institutes of Health caps salary at \$199,300

Graduate student employees are considered part-time employees

When establishing effort percentages on grant application budgets, faculty should consider totality of activities

For budgeting purposes, Institutional Base Salary should always be used

Budgeting administrative and clerical support on federal grant proposals requires strong justification and are often unallowable

Fringe Benefits (FB)

Also called “employee benefits” are a direct cost charged as a percentage of salary. FB rates, like F&A rates are negotiated and approved by DHHS, LIU’s cognizant audit agency. The rate applies to all sponsored projects.

Currently 35.2% is charged for full-time employees and 9.2% for part-time employees. The rate agreement can be found on OSP’s website <https://www.liu.edu/About-LIU/Administrative-Departments/Academic-Affairs/Office-of-Sponsored-Projects/Important-Tools-and-Policies>

The components of FB include health insurance, retirement, social security, dental, vacation and sick leave, disability etc. Part-time employees are eligible for a lesser suite of benefits

What are materials and supplies?

Expendable items with a useful life of less than one year and a unit cost of less than \$5,000. Estimates for glassware, chemicals and other expendable materials can be based on average actual monthly expenditures of the laboratory or study Office supplies are typically not allowed on federally sponsored research projects and require strong justification if included

What is travel?

Only project staff putting in effort on a particular study are permitted to travel on a sponsored project. Domestic and foreign travel should be shown separately. The cost should be estimated on actual project costs for the likely destination

List the names, number of people, number of trips, destination, and purpose of the trip in the budget justification. Include transportation costs(e.g. coach airfare), registration fees, accommodation fees, and other related expenses in the travel category

For federal sponsors, budget the coach fare and try to fly American carriers. Some non-federal sponsors may allow the use of business class travel expenses, especially for international travel

Budget for all travel should be in compliance with LIU's travel policy
<https://www.liu.edu/About-LIU/Administrative-Departments/Business-and-Finance/Business-and-Travel-Expense-Reimbursement-Policy>

Consultants

An independent contractor who is not an employee of LIU. Consulting services typically are provided by an individual who is considered an expert in the field

Identification of the consultant by name, specialty and daily rate is required in the budget justification. Consult specific agency guidelines for caps on consultant rates

In the proposal, include a letter of collaboration and the consultant's curriculum vitae. A consultant may be compensated for services and reimbursed for travel (including meals and lodging) and other miscellaneous expenses

Subawards

Occurs when LIU issues an award to another organization or entity to help carry out the technical and scientific aspects of a projects awarded to LIU

A subaward relationship is generally described at the time of proposal submission, but is not consummated until after the award has been made to the organization submitting the prime proposal

Typical subaward situations include agreements in which 2 or more qualifying institutions work collaboratively on a sponsored project

Each institution has its own PI, however one of the collaborating institutions functions as the prime awardee and the legal contact with the sponsor. The other organization is intended to carry out a portion of the scope of work and normally retains ownership of intellectual property they develop

Equipment

An article of non-expendable, tangible personal property which stands alone, is complete in itself, doesn't lose its identity, has a useful life of more than one year and a unit cost greater than \$5,000. Equipment is excluded from the F&A cost base

Purchases of major equipment are subject to agency/sponsor regulations and award terms and conditions. Estimates should be based on written quotes or catalog prices

Before budgeting equipment on sponsored projects, assure that the equipment is necessary for the performance of the project, is allowable, the cost is reasonable, the equipment purchase is allocable to the project (equipment benefits particular project), and the timing of the purchase is consistent with the projects period of performance

General purpose equipment/supplies (if unit cost < 5K), such as photocopiers, laptop computers, fax machines, generally aren't allowable unless it will be used primarily and exclusively for the sponsored project. Budget justification should include detailed information linking the general purpose equipment acquisition to the technical work of the project

Other Costs

This is a budget “catch-all” for miscellaneous costs, such as human subject costs, animal costs, per diems, publication costs, participant costs, tuition and fees

What is a budget justification?

A detailed budget narrative explaining and justifying the proposed costs by object class category as listed on the cost estimate or sponsor budget template. The budget narrative submitted with the application must match the dollar amounts on all required forms. Please explain each calculation and provide a narrative that supports each budget category and the methods used to estimate (including escalation or inflation factors) and other details such as lists of items that make up the total cost for a category

A thorough written justification that explains both the necessity and the basis for the proposed costs must accompany the budget. The justification section is critical as it enables the principal investigator to emphasize the importance of essential project costs

A budget that is adequately and appropriately justified is the best way to ensure a positive cost analysis by the sponsor

For clarification and simplicity, it is best to discuss each expense by object class in the order that they appear on the sponsor budget template.

Facility and Administrative Costs

LIU internal expenses that cannot be specifically identified with a particular project or activity. Also known as “indirect costs” or “overhead”, these costs are for administration, buildings, utilities, and other expenses necessary for the operation of LIU

One example of an F&A cost is utilities because they benefit many activities in a building

Because individual F&A costs cannot be assigned to projects, LIU calculates a rate to determine the fair share of F&A costs each project should be charged and negotiates this with DHHS. The rate is then applied to all sponsored research projects, unless sponsor rates dictate otherwise

F&A rates are applied on a modified total direct cost (MTDC) base. The current rate (effective 9/1/19) is 54% MTDC. The categories that are excluded are tuition, equipment, subaward expenses over \$25K, participant support and alteration and renovation costs.

What is Institutional Base Salary (IBS)

Annual compensation for an individual's appointment (9 or 12 months), whether the individual's time is spent on research, teaching, administration or other activities. IBS does not include supplemental payments (one time or recurring, administrative supplements and or compensation for special programs or activities

Additionally, IBS does not include payments from other organizations or income that individuals are permitted to earn outside of their institutional responsibilities, such as consulting

What is effort reporting?

It includes the time spent working on a sponsored project in which salary is directly charged or effort is cost shared (also known as match)

Effort reporting is the mandated method of certifying to the granting agencies that the effort charged or cost shared to each award has actually been completed

Office of Sponsored Projects

OSP@LIU.EDU

<https://www.liu.edu/About-LIU/Administrative-Departments/Academic-Affairs/Office-of-Sponsored-Projects>

Budget Formulation Questions

Prior developing the budget become familiar with the sponsor solicitation regarding any budgetary restrictions

Personnel: Who will be working on the project? What percent of effort/person months will the personnel contribute? The personnel section is for persons who are or will be LIU employees while working on the project.

PI, Co-PI(s), Post Doc, Technician, Graduate Students, Undergraduate Students, Other Personnel

Fringe Benefits: Determine fringe benefit rate based on personnel in the budget. LIU's current federally negotiated rate is 35.2% for full-time employees and 9.2% for part-time.

Equipment: Will any equipment be required to complete the project?

Travel: Will there be any domestic/foreign travel for this project? This includes conferences, project meeting, data collection, etc.

Materials & Supplies: Will there be any materials required to complete the project? These include software programs, books, instruction materials, recording devices, cameras, etc. Office Supplies are typically an unallowable expense on federally sponsored projects.

Collaborators: Will any other individuals be collaborating (outside of the university) on this project? Do you need to hire an individual/entity to perform services (contractor)? Do you need a consultant with specific expertise (consultant)? Will you be working with someone at another institution who will be responsible for a portion of the research (subcontractor/subrecipient)?

Other: Will there be any other direct costs required to complete the project? This may include animal costs, compensation for subject participation, etc.

Indirect Costs (F&A): LIU has a federally negotiated indirect cost rate that is applied to sponsored research projects. Does the sponsor have a written policy regarding indirect costs that differs from our negotiated rates? If so, approval is needed for the waiver of indirect costs.

Questions???