ARMC Federal Grant Budget Best Practices

Four Key Points to Budgets

1. Allowable: Does the sponsor allow the costs within the budget?
2. Allocable: Are the goods/services involved chargeable or assignable in accordance with the relative benefits received by the project?
   a. In order to be allocable, it must be treated consistently in like circumstances.
3. Reasonable: Would a prudent person pay the amount requested for the item?
4. Necessary: Is it needed for the completion of the project?

What is Allocable?

- Allocable (hardest to understand). The guidelines specific from the Federal Government state that the item (Uniform Guidance Subpart E Cost Principles)
  - o Is incurred specifically for the Federal award; **AND**
  - o Benefits both the Federal award & other work of the non-Federal entity & can be distributed in proportions that may be approximated using reasonable methods; **AND**
  - o Is necessary to the overall operation of the non-Federal entity & is assignable in part to the Federal award in accordance with the principles of Subpart E.

Direct Verses Indirect Costs

- **Direct Costs:**
    - Used for items specific only to the project
    - Cannot be used in another manner by the organization
    - Direct Costs cannot be also recovered as Indirect Costs
    - *Example: Equipment only to be used by the project; Software needed for this project only*

- **Indirect Costs:**
    - Represent expenses of doing business not readily identified with a particular grant, contract, project function, or activity, but are necessary for the general operation of the organization & the conduct of activities it performs.
    - Facilities and Administration (F&A) costs
    - *Example: Classroom space, utilities, some administrative staff, Organized Research On and Off Campus, Instruction, Other Sponsored Activity, Clinical Trials, Training, and De Minimus*

Inclusive Budgets and Minimums/ Maximums

- Budgets that are requested as inclusive must include both direct and indirect costs in the budget.
- Inclusive budgets may also have a maximum allowed to request.
    - For example, if the budget maximum per year is $500,000 the total budget of both direct and indirect costs must not go over $500,000.
- Some budgets may not have a maximum per year but a maximum over the life of the grant.
    - This does not stop you from spending more in one year over another but by the end cannot have spent more than allowed.
- Some grants require a minimum request.
    - For example, one grant application required a minimum budget of $50,000 spent over the life of the project.

NIH Budget Specifics

- Modular versus Direct Cost Budgets
  https://grants.nih.gov/grants/how-to-apply-application-guide/format-and-write/develop-your-budget.htm#modular
- Budgets that are $250,000 in direct costs or less per year should follow the modular budget format in increments of $25,000.
- Included to justify your budget:
  - Personnel Justification,
  - Consortium Justification (if applicable), &
  - Additional Budget Justification for any other items to explain variations in the number of modules requested per year
- Types of Grants using Modular Budgets:
  - Research Projects (R01/U01),
  - Small Grant Program (R03),
  - Exploratory Grants (R21/UH2),
  - Clinical Trial Planning Grant (R34/U34),
  - Academic Research Enhancement Awards (R15/UA5)

Examples of Modular Budgeting

Modular Budget Sample Same Module Number:

https://grants.nih.gov/grants/funding/424/SF424R-R_PHS398_ModBud_Sample.pdf

Modular Budget Sample Different Module Number:

https://grants.nih.gov/grants/funding/424/SF424R-R_PHS398_ModBud_Variable_Sample.pdf

Detailed Budgets for NIH

- Direct charges over $250,000 a year = use detailed budget.
- When determining total direct costs, must remove consortium F&A Costs
    - (for both modular and detailed budgets).
- Any NIH budget requests more than $500,000 in direct costs in any year requires prior approval from the NIH Institute/ Center before application submission.
- Helpful NIH Links:
    - Develop Your Budget: https://grants.nih.gov/grants/how-to-apply-application-guide/format-and-write/develop-your-budget.htm#difference
    - National Institute of Allergy and Infectious Diseases Create a Budget: https://www.niaid.nih.gov/grants-contracts/create-budget

Common Allowable Cost

- Personnel
- Fringe Benefits
- Supplies
- Equipment
- Consultants
- Travel
- Other Expenses
- Subrecipients/ Subcontracts
- Participant Support Costs
- Patient Care Costs
- Construction/ Renovation
- Student Stipends/ Tuition
- Indirect Costs

Personnel

- Personnel
  - Project faculty/staff that will work a percent effort on the project (no matter the percent) for the entirety of the project (not just a specific amount of time).
  - Consultants usually work a specific amount of time and do not necessarily work for the entirety of the project.
- Each person assigned to the project must have a specific role to the project and must contribute to the science.
- Think through all tasks needed so there is enough personnel budgeted.
- Once the project is funded, there is a Prior Approval process to be completed to add additional personnel.

Time and Effort

- Each person listed under personnel must have a percent effort assigned to the project.
  - The percent effort is what percent of their base salary will be paid through the project's budget and the amount of time out of their 100% will be completed on the project.
- What is 100%? (What is a reasonable amount of time to assign?)
  - 50%: Teaching
  - 5%: Administration
  - 10%: Grant A
  - 25%: Grant B
  - 10% Grant C

Calculation of Personnel

- Base Salary is $100,000 & percent effort assigned to the project is 10%.
  - The total charged to the project is $10,000 for the budget year.
- For projects that last longer than a year, can build in promotion for rank & merit raises.
  - Federal Grants allow a 3% increase for each out year.
- Federal grants also have a salary cap.
  - A Federal grant cannot be charged more than in excess of Executive Level II.
  - Current Salary Cap is $203,700.
  - Ex. A personnel with a base salary of $225,000 & their percent effort is 10%. When calculating salary charged to the grant, multiply 10% against $203,700 not $225,000.
  - Final calculation= Effort charged is $20,370 for the budget year not $22,500.

Fringe Benefits

- Fringe Benefits are allowable to a project usually when personnel is allowable.
- The Fringe Benefits assigned for each individual are charged against the salary amount charged to the grant.
- Fringe Benefit Rates vary per organization.
- Ex with a Fringe Benefit rate of 46%.
  - Base Salary is $100,000 x 10% effort = $10,000
  - Fringe Benefits of 46% x $10,000 = $4,600
  - Total annual charge to the grant for Person 1: $14,600

Supplies and Equipment

- Federal definition of equipment
    - An item of property that has an acquisition of cost of $5,000 (unless the organization has determined a lower level) or more and an expected service life of a minimum of a year.
- Supplies are $4,999.99 or less & are usually more consumable than equipment.
- There are supplies that are not considered consumable but still do not meet the definition of equipment.

Consultants

- Consultants usually have a time limit or specific task for the grant that cannot be counted for the entire life of the grant.
- Ex. someone who can review curriculum being developed with a specific amount of time to complete the task & not an ongoing period of time.
- A good rule of thumb is to look at it as hours per year versus hours per week.
- Once funded, a contract will be completed with the consultant and they will send invoices to be reimbursed for hours worked.

Travel

- Travel that can support the project can be included.
- Annual conferences that have nothing to do with the subject of the project should not be included.
- The guidelines that should be followed are those that are more stringent. (California has special requirements for funds provided by the state: SB1887)
- All costs normally associated can be included:
    - registration fees, transportation (air and ground-taxi, rideshare), meals/per diems, room/board, baggage fees, tips, etc.
- Confirm with your Funding Opportunity/ Sponsor if there are required meetings needing to be included in the budget.

Other Expenses

- Other Expenses are allowable costs that do not fit under other categories.
- Exs. of costs to be included in Other Expenses
    - shipping/handling fees, speaker fees/honorariums (if not considered a consultant), workshop/conference fees (if hosting a workshop/conference), and continuing education
- Human Subject Payments are also considered Other Expenses.
    - Not considered a benefit, should be considered compensation for time and inconvenience.
    - These are not Participant Support Costs.
    - The payment should not be based on the risk of study participation.

Subrecipients/Subcontracts

- Differences between subrecipient and a contractor/consultant
  - A subaward is for the purpose of carrying out a portion of a Federal award & creates a Federal assistance relationship with the subrecipient.
  - Does the potential subrecipient:
    - Determine who is eligible to receive what Federal assistance?
    - Has its performance measured in relation to whether objectives of a Federal program were met?
    - Has responsibility for programmatic decision making?
    - In accordance with their agreement, uses the Federal funds to carry out a program for a public purpose specified in authorizing statute as opposed to providing goods or services for the benefit of the pass through entity?

Who is NOT a Subrecipient/Subcontractor?

- Not a subrecipient/ subcontract:
  - Provides the goods and services within normal business operations
  - Provides similar goods or services to many different purchasers
  - Normally operates in a competitive environment
  - Provides goods or services that are ancillary to the operation of the Federal program

Who IS a Subrecipient/Subcontractor?

- Provides services to the project that the prime grantee cannot normally provide, but supports the project
- Budget items are similar to what is included in a prime grantee budget
- Depending on the agency (not NIH as previously discussed) the totality of the direct and indirect costs for a subrecipient are one direct cost for the prime grantee
- Indirect costs for a subrecipient are based on their negotiated rate, de minimus rate of 10%, or capped rate from the funder depending on the type of grant

Participant Support Costs

- Direct costs for items
  - Stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (**but not employees**) in connection with conferences or training projects.
- **These costs are not payments to participants in human subjects research.**

Patient Care Costs

- Costs of routine and ancillary services provided by hospitals to individuals participating in research programs
  - All types of medical, psychiatric, and dental facilities (Clinics, Infirmaries, and Sanatoria)
- Allowable when the patient care either extends a hospital stay past usual care or imposes procedures, tests, or services beyond usual care, whether in an inpatient or outpatient setting
- NIH uses Medicare CMS Rates

Construction/Renovation

- This is an allowable cost in a small number of cases.
- Review funding opportunity closely to see if allowed.
- Usually needs strong justification of why it is needed.
- Discuss upfront intentions with organization's facility planning department at the start of the planning/writing of the proposal if this is allowed and needed.
- Approval from both the organization and the funder needed.

Student Stipends/Tuition

- **Allowed in training grants & supported in research grants depending on the role of the student.**
- **Review the funding opportunity closely as to how can be included.**

Calculating Indirect Costs with Modified Total Direct Costs (MTDC)

- One method for calculating indirect costs = use the Modified Total Direct Costs (MTDC) Base.
- Can also use the Simplified Method.
- MTDC excludes the following from the direct costs that are used to calculate the total indirect request:
  - Equipment/ Capital Expenditures
  - Patient Care
  - Alterations/ Renovations
  - Rental Costs
  - Participant Support Costs
  - Student Stipends/ Tuition
  - Subcontracts over $25,000 (First $25,000 is included for each subcontract budgeted)

Calculating MTDC and Total Costs

- Example: F&A Rate is 47% and your budget is the following:
  - Personnel $150,000
  - Fringe Benefits $69,000 (46% of $150,000)
  - Travel $10,000
  - Equipment $10,000
  - Supplies $4,500
  - Subcontract $30,000
  - Participant Support Costs $45,000

- Example Continued: What is included in the MTDC?
    - Personnel of $150,000
    - Fringe Benefits of $69,000
    - Travel of $10,000
    - Supplies $4,500
    - Subcontract $25,000 (First $25,000 can be included)
    - Equals Total MTDC Base: $258,500

Calculating MTDC and Total Costs

- Total MTDC Base: $258,500
- $258,500 x 47% = $121,495 in Indirect Costs
- Total Costs
    - Total Direct Costs (Not MTDC Base): $318,500
    - Total Indirect Costs: $121,495
    - Total Costs: $439,995

Unallowable Costs

- Costs are unallowable
    - If either the funder states in their funding opportunity that they cannot be included or they are typical unallowable costs that are usually unallowable from the majority of Federal agencies
- Typical unallowable costs can include
    - entertainment
    - lobbying
    - contributions/donations
    - advertising (unless needed for the project)
    - alumni activities
    - bad debts

Cost Matching

- Some funders require a certain amount of the budget to be matched by the recipient.
- Make sure to confirm if its voluntary or mandatory.
- Confirm institution's approval policy for cost matching.
- Cash Match/ In-Kind:
    - Cash Match: Cash provided to support the project and must be used on allowable costs of the project
    - In-Kind: No exchange of money but items or personnel used on a project.
- Just Say No