Introduction

Cheryl Reeser

- UHMC Office of Extramural Programs
- UH System Office of Research Services
- Twenty+ years experience with extramural funded programs at the University of Hawai‘i
  - FA
  - System
  - Project

- Non-profit experience
The Budget is Important!

- A budget is a financial story of your proposal narrative
- Serves as a blueprint for project objectives
- Provides reviewers with an in-depth picture of how the project will be structured and managed
- Reveals whether a project has been carefully planned and is feasible
- Will serve as a planning tool once the project is launched
- A well-planned budget means less need to make special requests to sponsor down the road
Budget Components

- Direct Costs
  - Dollar amount that can be directly attributed to personnel time, goods or services
  - Examples:
    - 50% of time spent on a project
    - Educational materials purchased specifically for a project

- Indirect Costs
  - Overhead costs spent to accommodate extramural projects
  - Examples:
    - Facility usage, electricity, utilities
    - Administrative time to process documents
    - Costs that cannot be directly attributed to a specific project
Direct Cost Principals

It is critical that all costs charged to a grant are:

- ALLOCABLE to the operation of the grant project (not to be used for general departmental purposes)
- ALLOWABLE by the UH policy, sponsor policies, and OMB Circulars (regulations on costs charged to the federal government)
- REASONABLE and NECESSARY for the performance of the project
- CONSISTENTLY TREATED by the UH in similar situations, regardless of funding source
- Adequately DOCUMENTED
Indirect Cost Principals

- Also known as Facilities & Administrative (F&A) costs
- Negotiated rate agreement with federal government
- It is UH policy to recover the full indirect cost rate allowed on sponsored project agreements; unless rate is formally capped by the sponsor
- May not request direct support for expenses recovered through an institution’s F&A (indirect) cost calculation
- Items not subject to indirect cost calculation:
  - Equipment
  - Participant support
  - Office leases
  - Any amount over $25k of subaward
## Current IDC Rates

- [www.ors.hawaii.edu/rates](http://www.ors.hawaii.edu/rates)

### Current F&A Rates (Updated May 24, 2019)

<table>
<thead>
<tr>
<th>Rate</th>
<th>Campus</th>
<th>FY2016-FY2019</th>
<th>FY2020</th>
<th>FY2021</th>
<th>FY2022</th>
<th>FY2023</th>
<th>7/1/23 - Until Amended (Provisional)</th>
<th>Base</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research, On-Campus(^1)</td>
<td>All, except Kakaako</td>
<td>41.50%</td>
<td>43.00%</td>
<td>44.50%</td>
<td>45.00%</td>
<td>45.50%</td>
<td>45.60%</td>
<td>MTDC</td>
</tr>
<tr>
<td>Research, On-Campus(^2) Kakaako</td>
<td>Kakaako</td>
<td>54.00%</td>
<td>55.00%</td>
<td>55.50%</td>
<td>56.00%</td>
<td>56.50%</td>
<td>56.50%</td>
<td>MTDC</td>
</tr>
<tr>
<td>Research, Off-Campus(^3)</td>
<td>All</td>
<td>24.00%</td>
<td>26.00%</td>
<td>26.00%</td>
<td>26.00%</td>
<td>26.00%</td>
<td>26.00%</td>
<td>MTDC</td>
</tr>
<tr>
<td>Instruction, On-Campus</td>
<td>All</td>
<td>40.00%</td>
<td>45.00%</td>
<td>45.00%</td>
<td>45.00%</td>
<td>45.00%</td>
<td>45.00%</td>
<td>MTDC</td>
</tr>
<tr>
<td>Instruction, Off-Campus(^4)</td>
<td>All</td>
<td>26.00%</td>
<td>26.00%</td>
<td>26.00%</td>
<td>26.00%</td>
<td>26.00%</td>
<td>26.00%</td>
<td>MTDC</td>
</tr>
<tr>
<td>Other Sponsored Activities, On-Campus(^5,6)</td>
<td>All</td>
<td>32.00%</td>
<td>36.50%</td>
<td>36.50%</td>
<td>36.50%</td>
<td>36.50%</td>
<td>36.50%</td>
<td>MTDC</td>
</tr>
<tr>
<td>Other Sponsored Activities, Off-Campus(^7)</td>
<td>All</td>
<td>26.00%</td>
<td>26.00%</td>
<td>26.00%</td>
<td>26.00%</td>
<td>26.00%</td>
<td>26.00%</td>
<td>MTDC</td>
</tr>
<tr>
<td>Intergovernmental Personnel Act (IPA), Off-campus(^8)</td>
<td>All</td>
<td>4.80%</td>
<td>1.80%</td>
<td>1.80%</td>
<td>1.80%</td>
<td>1.80%</td>
<td>1.80%</td>
<td>MTDC</td>
</tr>
</tbody>
</table>

\(^1\) FY2019 rates are 41.50%.  
\(^2\) FY2019 rates are 54.00%.  
\(^3\) FY2019 rates are 24.00%.  
\(^4\) FY2019 rates are 40.00%.  
\(^5\) FY2019 rates are 32.00%.  
\(^6\) FY2019 rates are 36.50%.  
\(^7\) FY2019 rates are 26.00%.  
\(^8\) FY2019 rates are 4.80%.
Sample Allowable Costs

- **Personnel: Salaries, Wages, Fringe**
  - Time spent must be directly attributed to project
  - Includes student hires
- **Meetings & Conferences**
  - Food is allowed when primary purpose of meeting is to disseminate technical information beyond the institute (not allowed for departmental meetings)
- **Domestic Travel**
- **Materials and Supplies**
- **Printing/Copying Costs**
- **Publication Costs**
- **Training Costs**
- **Office Furniture**
- **Organizational Dues**
- **Participant Support**
- **Advertising costs – allowable under certain circumstances**
Allowable Costs with Prior Approval

- Professional Services
  - Professional/consultant services rendered by persons who are members of a particular profession or possess a special skill, and who are not officers or employees of the institution
- Subawards
- Equipment
- Maintenance and Repair Costs
- Relocation Costs
- Rental of Facilities or Equipment
- Overtime and Overload Pay
- Foreign Travel
Sample Unallowable Costs

- Charging a grant because another account is in deficit
- Alcoholic Beverages*
- Bad Debts
- Contingency Provisions
- Contributions and Donations
- Entertainment*
- Fines and Penalties
- Fundraising Costs
- Gift Cards
- Lobbying Costs
- Social Memberships
- Construction / Renovations*

*Unless they have programmatic purpose and have received sponsor approval
Budget Quirks

- Subaward vs. Contractual Vendor/Service Agreement
- Person Months Calculation
- Advertising
- Participant Support Costs
- Equipment
  - What qualifies as equipment
  - Software
  - Cost for: Service/Maintenance Contracts, Training
- Cost-Sharing
Subaward vs. Vendor Services Agreement

- Both may be referred to as subcontract

**SUBAWARDEE**
- Responsible for outcomes & deliverables
- Authority to make decisions to meet deliverables
- Award terms & conditions flow down
- Only first $25k subject to indirect costs

**VENDOR SERVICES AGREEMENT (SUBCONTRACT)**
- Provide services as part of regular business
- Paid for services delivered
- Award terms & conditions do not flow down
- Entire amount subject to indirect costs
SAM.gov

If the grant proposal / budget identifies an individual or organization with which the institution will subaward, it is important to make sure that the individual / organization is not listed on the Excluded Parties List on SAM.gov. It is wise to check SAM.gov prior to submitting the grant proposal.

Go to https://www.sam.gov/portal/SAM/##11 and click on “Search Records”.
Effort Calculations – FTE % and Person Months

- **FTE % - Percentage of Full-Time Equivalent**
  - 40% of fulltime work will be spent on this project

- **Person months - The metric for expressing the effort (amount of time) PI(s), faculty and other senior personnel devote to a specific project**
  - The effort is based on the type of appointment:
    - Calendar year (CY); Academic year (AY); Summer term (SM)
    - Multiply the percentage of effort associated with project times the number of months of appointment. For example:
      - 25% of a 9 month academic year appointment equals 2.25 (AY) person months (9 x 0.25 = 2.25)
      - 10% of a 12 month calendar appointment equals 1.2 (CY) person months (12 x 0.10 = 1.2)
      - 35% of a 3 month summer term appointment equals 1.05 (SM) person months (3 x 0.35 = 1.05)
      - 10% of a 0.5 FTE 12 month appointment equals 0.6 (CY) person months (12 x .5 X .1 = 0.6)
**Advertising Costs**

- **Allowable**
  - Recruitment of personnel required for performance of Federal award
  - Procurement of goods & services for the performance of award
  - Disposal of scrap or surplus acquired in the performance of award

- **Unallowable**
  - Costs of promotional items, memorabilia, gifts and souvenirs
  - Costs of advertising and public relations designed solely to promote the organization
  - SWAG (stuff we all get)
Participant Support

- Direct costs for items such as 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.

- Participant support includes:
  - Participant stipends
  - Participant travel
  - Participant subsistence
  - Other direct participant support
  - Must be associated with specific named participants (estimated # of participants in proposal)

- Participant support is not subject to indirect costs
Cost Sharing

- In-kind vs. cash match

- In-Kind
  - A contribution of goods and services, must be manually documented and certification

- Cash Match
  - Actual cash expenditures paid for by entity other than the sponsor, that are documented and tracked

- Must include all cost share commitments with proposal
- All cost shared expenses must be allowable costs to the sponsor
- Lots of work to track & document; only propose cost share if required by sponsor and only include amount required
- Per federal guidelines, preference cannot be given to proposals that include voluntary cost sharing
Navigating the RFP

- Overall Guidelines vs. RFP
  - Must read both
  - Often, each refer to the other
  - RFP generally takes priority over agency guidelines
  - Attend funding webinars
- Determine which budget forms are required
- Determine the requirements for the budget narrative
- UH policies must be adhered to regardless of what RFP or federal guidelines say
Important points to note from RFP

- Does program require cost share/cash match?
- If so, does program require or limit type (cash, in-kind)?
- Does sponsor limit indirect costs?
- Does the program exclude or limit other costs?
- Does the program require certain costs?
- What are the maximum and minimum amounts awarded?
- What is the anticipated budget period?
- Are Letters of $$ Commitment required?
Should we apply for funding?

- RFP Budget Analysis – Should we apply for funding?
- Complete simple preliminary budget to calculate ballpark budget needs

  - Do we have adequate key personnel and support staff for project? (NO)
  - Do we have adequate facilities to support project? (NO)
  - Do we have adequate equipment to support project? (NO)
  - Can we commit to cost-share requirements? (NO)
  - Is our mission consistent with funding priorities/project outcomes? (NO)
  - Proceed to full budget development!
  - Do RFP funding levels meet our needs? (YES)
  - Will budget restrictions on use of grant funds, if any, pose a problem? (NO)
## SECTION B - BUDGET CATEGORIES

<table>
<thead>
<tr>
<th>6. Object Class Categories</th>
<th>Grant Program</th>
<th>Function or Activity</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. General &amp; Administrative (G&amp;A)</td>
<td>$24,221.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. General &amp; Administrative (G&amp;A)</td>
<td></td>
<td>27,907.00</td>
<td></td>
</tr>
<tr>
<td>3. General &amp; Administrative (G&amp;A)</td>
<td></td>
<td></td>
<td>28,948.00</td>
</tr>
<tr>
<td>4. General &amp; Administrative (G&amp;A)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. General &amp; Administrative (G&amp;A)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Fringe Benefits</td>
<td>5,001.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Fringe Benefits</td>
<td></td>
<td>7,233.00</td>
<td></td>
</tr>
<tr>
<td>8. Fringe Benefits</td>
<td></td>
<td></td>
<td>7,698.00</td>
</tr>
<tr>
<td>9. Fringe Benefits</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. Travel</td>
<td>200.00</td>
<td></td>
<td>5,380.00</td>
</tr>
<tr>
<td>11. Travel</td>
<td></td>
<td>5,380.00</td>
<td></td>
</tr>
<tr>
<td>12. Travel</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13. Equipment</td>
<td>113,709.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14. Supplies</td>
<td>2,200.00</td>
<td></td>
<td>6,300.00</td>
</tr>
<tr>
<td>15. Supplies</td>
<td></td>
<td>7,180.00</td>
<td></td>
</tr>
<tr>
<td>16. Supplies</td>
<td></td>
<td></td>
<td>6,300.00</td>
</tr>
<tr>
<td>17. Supplies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18. Contractual</td>
<td>29,000.00</td>
<td></td>
<td>24,632.00</td>
</tr>
<tr>
<td>19. Contractual</td>
<td></td>
<td>25,106.00</td>
<td></td>
</tr>
<tr>
<td>20. Contractual</td>
<td></td>
<td></td>
<td>24,632.00</td>
</tr>
<tr>
<td>21. Contractual</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>22. Construction</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>23. Construction</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>24. Other</td>
<td>10,500.00</td>
<td></td>
<td>1,000.00</td>
</tr>
<tr>
<td>25. Other</td>
<td></td>
<td>2,000.00</td>
<td></td>
</tr>
<tr>
<td>26. Other</td>
<td></td>
<td></td>
<td>1,000.00</td>
</tr>
<tr>
<td>27. Other</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>28. Total Direct Charges (sum of 6a-6h)</td>
<td>177,422.00</td>
<td></td>
<td>72,840.00</td>
</tr>
<tr>
<td>29. Total Direct Charges (sum of 6a-6h)</td>
<td></td>
<td>72,840.00</td>
<td></td>
</tr>
<tr>
<td>30. Total Direct Charges (sum of 6a-6h)</td>
<td></td>
<td></td>
<td>73,873.00</td>
</tr>
<tr>
<td>31. Total Direct Charges (sum of 6a-6h)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>32. Indirect Charges</td>
<td>20,646.00</td>
<td></td>
<td>22,600.00</td>
</tr>
<tr>
<td>33. Indirect Charges</td>
<td></td>
<td>22,600.00</td>
<td></td>
</tr>
<tr>
<td>34. Indirect Charges</td>
<td></td>
<td></td>
<td>22,935.00</td>
</tr>
<tr>
<td>35. Indirect Charges</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>36. TOTALS (sum of 6j and 6k)</td>
<td>198,068.00</td>
<td></td>
<td>95,440.00</td>
</tr>
<tr>
<td>37. TOTALS (sum of 6j and 6k)</td>
<td></td>
<td>95,440.00</td>
<td></td>
</tr>
<tr>
<td>38. TOTALS (sum of 6j and 6k)</td>
<td></td>
<td></td>
<td>97,808.00</td>
</tr>
<tr>
<td>39. TOTALS (sum of 6j and 6k)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

7. Program Income

Authorized for Local Reproduction

Standard Form 424A (Rev. 7-97)
Prescribed by OMB (Circular A-102) Page 1A
Typical Budget Categories

- **Personnel**
  - **Salary**
    - UH - [https://www.hawaii.edu/ohr/faculty-staff/class-comp/current-salsch](https://www.hawaii.edu/ohr/faculty-staff/class-comp/current-salsch)
    - Student - [https://www.hawaii.edu/sece/info/std_uh_payscale.html](https://www.hawaii.edu/sece/info/std_uh_payscale.html)
  - **Fringe**
  - Personnel portion of the budget generally equals 2/3 to 3/4 of total project costs

- **Travel**
  - Air fare
  - Per Diem (Lodging plus Meals/Incidentals) – [https://www.gsa.gov/portal/content/104877](https://www.gsa.gov/portal/content/104877)
  - Parking
  - Transportation
  - Registration fees

- **Equipment**
  - > $5,000 per unit, with a useful life of 1 year, tangible, non-expendable personal property (if not, it is a supply or other expense)
Typical Budget Categories (cont)

- **Supplies**
  - Consumable, expendable
  - Program, educational supplies
  - Office supplies - rule of thumb: average $350 per key person, per year
- **Participant support costs**
- **Contractual Services**
  - Subawards
  - Consultants
  - Evaluators
  - Services/vendor contracts
- **Construction**
- **Other**
  - Printing/copying/publication
  - Software
- **Indirect/F&A Costs**
Budget Justification/Narrative

- Think about all the questions you would ask if you were spending your own money:
  - Why do you need so many people on the project, how is their contribution unique, why do they have to spend that much time on the project?
  - Why do you need to travel to those locations, why do so many people from the project have to go?
  - Why can’t you use your departmental computers?
  - Why are you paying your subjects at that rate?
  - If you have a subcontractor, why is their participation necessary—what is unique about their experience/qualifications?

- Use the same cost categories that the funding agency uses.
- Write justification for each cost requested in narrative format.
Sample Budget Justification

A.1. Senior Personnel

Dr. Jane Smith, Chief Technical Officer, will work two person-months on the project (line A.1) at an hourly rate of $48/hr. 2 months * 173.33 hrs/month * $50/hr = $16,640.

B. Other Personnel

Three other personnel will work on the project (line B.2).

An electrical engineer, Mr. Michael Jones, will spend four months of effort building the prototype amplifier circuitry, at a rate of $24/hour. 4 months * 173.33 hrs/month * $24/hr = $16,640.

Two technicians will spend a total of three months each doing electrical and mechanical characterization, respectively, at a rate of $18/hour. 6 months * 173.33 hrs/month * $18/hr = $18,720.

C. Fringe Benefits

Fringe benefits are requested to cover medical, dental, and vision coverage for employees. The fringe benefits rate, based on company records, is 20% of direct labor costs. Therefore, requested fringe benefits are 0.20 * $52,000 (total direct labor) = $10,400.

E. Travel

Dr. Smith and Mr. Jones will travel to the Grantees Workshop, at an estimated cost of $2,000 per person. Total cost for this trip is $4,000. Dr. Smith will also make one two-day trip to visit collaborators at Brown University. This trip will include round-trip airfare ($400), two nights at a hotel ($300), meals ($80), and a rental car ($150). Total cost for this trip is $930. Total budgeted travel is $4,930.

G.1. Materials and Supplies

The following is a list of materials and supplies to purchase, with quantity, unit cost, and total cost. Items with a total line item cost over $5,000 have quotes or pricing documentation included as separate pages in this budget justification.

Chemical precursors: $150/unit, 20 units, $3,000.
Specialized alloys: $600/kg, 10 kg, $6,000.
Temperature sensors: $250/unit, 8 units, $2,000.
Budget Checklist

Does your proposal budget do the following?

- Follow all applicable guidelines governing your project’s budget (federal and UH)
- Provide sufficient resources to carry out your project
- Include a budget narrative that justifies each budget category
  - Your budget narrative will “JUSTIFY” your budget needs, not simply restate the budget numbers.
- Present the budget in the format desired by the sponsor
- Show sufficient detail so reviewers know how budget items were calculated
Budget Checklist (cont)

- Does your proposal budget:
  - Separate direct costs and indirect costs and describe their components
  - Specify the type and amount of any cost sharing
  - Relate budget items to project objectives
  - Include any attachments or appendices to justify unusual requests
  - Identify evaluation and dissemination costs
TIPS

- As you review your proposal draft, place a ‘$’ in the margin where costs are incurred. Ensure costs are reflected in the final budget.

- For PIs who are new to budgeting, suggest they write their budget narrative first then complete budget forms, or offer to convert to Excel format for them.

- If using Excel to develop your preliminary budget, use the “set precision as displayed” feature in order to prevent rounding issues.
More TIPS

- Reviewers want details (breakout travel costs to show airfare, per diem, transportation, conference fees, etc. Do this for all budget categories).
- Ensure the budget adds up – reviewer’s will check your calculations.
- Include participant support details (separate student stipends from tuition, etc.).
- In multi-year budgets, allow for yearly increases and indicate annual percentage increase.
- If you have applied for or received other funding, say so. This adds credibility to the project.
More TIPS

- If equipment is included, don’t overlook budget support for such things as service/maintenance contracts, insurance, shipping or installation costs. If you expect training costs associated with a piece of equipment, include those costs as well.

- Budgets should be a close estimate of what you plan to spend so put effort into estimating actual costs in the proposal phase.

- You do have some flexibility and it is possible to reallocate dollars between cost categories during the award, however that may require sponsor approval.
Why was my budget rejected?

- No sustainable funding plan beyond sponsor funding.
  - “We will continue to look for alternative sources of support” – does little to inspire confidence.
- The budget is too high for the expected results.
- The budget is too low for the expected results.
- The PI is requesting sponsor to carry costs that are typically covered by institution operating budget.
- Budget includes personnel that are 1) not needed, 2) not justified, 3) not qualified.
Why was my budget rejected? (cont)

- The budget request exceeds funding cap of the RFP.
- Budget request is not linked to specific project objectives.
- The budget does not identify sources and amounts of in-kind contributions.
- Letters of commitment from third party contributors are not included as required by the RFP.
- Key personnel commitment is not appropriate for the project (too much or too little).
- Funds for evaluation activities are not adequate or funds not included for an “outside” evaluator --- per the RFP.
Cheryl Reeser
reeser@hawaii.edu
984-3415