Proposal Budgeting 101
Why budgets are more than just a bunch of numbers

Topics to be covered include:

– Responding to budget requirements by sponsor
– AY salary vs summer salary
– Including partners and/or subcontracts
– F&A and why it’s necessary
– Importance of the budget justification
– Evaluating cost share requirements
– Defining Purdue’s policy on cost sharing
– How to get assistance with your budget
Proposal Budgeting 101
Importance of a Budget

• Outlines the project in fiscal terms
• Budget items give an in-depth understanding of how the project will be structured and managed
• Helps reviewers determine if the project is:

FEASIBLE

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COSTING BASICS

• Costing Policy requires that all expenditures for sponsored projects meet the following criteria:
  – REASONABLE – Cost a prudent person would have agreed to under the circumstances (newspaper test).
  – ALLOWABLE – Must be allowable under any limitations or exclusions within the announcement, award, sponsor, or university guidelines.
  – ALLOCABLE – Charges are assigned to benefiting accounts in accordance with the benefits received. May be assigned as either direct or indirect costs.
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COSTING BASICS

• Why is it important to make sure a proposal is properly costed?
  – Ensure processes and systems are designed in accordance with government regulations
  – Ensure sponsors bear their fair share of total project costs
  – Ensure consistency in proposal budgeting
  – Proposed budget should be sufficient to carry out all program deliverables

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KEY CONSIDERATIONS

• How does Pre-Award support Investigators in proposal preparation?
  – Investigators – Know the RESEARCH
  – Pre-Award – Knows the BUDGET

  – Investigators must be able to communicate the budget needs to Pre-Award in order to build a successful proposal budget.
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KEY CONSIDERATIONS

• Review the Program Announcement (PA, RFP) and the applicable budget guidelines for allowable and unallowable costs.

• Some sponsors have general budget considerations not specific to a program (NSF, NIH).

• Identify budget considerations:
  – Minimums/maximums
  – Unallowable costs
  – Salary limitations
  – Required budget items (travel, salary, etc)
  – Cost Share Requirement
  – F&A Restrictions

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KEY CONSIDERATIONS

• Identify the costs necessary to successfully complete the Scope of Work (SOW)

• Questions to Consider:
  – How and where will the project be completed?
  – Who is needed to complete the project? How much of their time?
  – What items are needed to complete the project?
  – Will any partners be involved?
  – Will any travel be necessary?
  – Do I have the equipment needed for the project?
Types of Costs to Sponsored Programs

"Direct Costs" vs. "Indirect Costs"

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DIRECT COSTS VS INDIRECT COSTS

Components of a Budget

- Direct Costs
  - Costs that can be identified specifically for a particular sponsored project
  - Costs that can be directly assigned to such activities relatively easily with a high degree of accuracy
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Components of a Budget – Direct Costs

• Salaries and Wages
  – Fringe Benefits
  – Graduate Fee Remissions

• Consultants

• Participant Support

• Subcontracts

• Equipment

• Travel

• Supplies and Expense

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Components of a Budget – Direct Costs

• Salaries and Wages
  – Identify personnel needed to complete the work
    • Principal Investigators, Research/Professional Associates, Research Assistants, Post Docs, Grads, Technicians
  – Budgeted as a percentage of time. Examples:
    • 10% AY
    • 2 weeks summer – 100%
    • Some sponsors require person months
  – Must follow college and/or department guidelines
    • Some require AY time for faculty
    • Specific starting salaries for grads and post docs
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COMPONENTS OF A BUDGET – DIRECT COSTS

• Salaries and Wages – Summer vs AY
  – Summer – Faculty with a 9 month appointment can budget up to 100% of summer.
    • Summer salary is budgeted at an inflated rate to account for Purdue Summer Pay Policy.
  – Academic Year (AY) – AY time should be budgeted as needed to complete the project and in accordance with departmental guidelines.
    • Most departments offer course releases if a specific amount of AY time is budgeted (example: 20% per course per semester)
    • Some departments have AY requirements

• Salaries and Wages
  – Fringe benefits budgeted as a percentage of salary at a rate determined annually by Managerial Accounting Services based on averages by employment category
  – Graduate Fee Remissions budgeted at a monthly rate based on the time budgeted per Grad
  – Inflated annually
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COMPONENTS OF A BUDGET – DIRECT COSTS

• Why should we not over-commit key personnel?
  – Budgeting 100%--are there no other responsibilities?
  – All activities must be taken into consideration
  – Look at commitment across all sponsored projects

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COMPONENTS OF A BUDGET – DIRECT COSTS

• Consultants
  – Outside services necessary to complete the work
  – Not provided by University personnel
  – Service provided is routine in nature and not collaborative

• Participant Support
  – Stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (not employees)
  – Limited to conference or training grants
• Subcontracts
  – Collaborations with other institutions/agencies
  – Substantive, participating in the results, publications, and presentation of the research

_Budget Considerations:_
  – Consider giving each partner/subawardee a target budget early in the process
  – Purdue only collects indirect costs on the first $25K of each subcontract

• Equipment
  – Specifically needed for the project
  – Must be a single unit over $5,000
  – Are renovations needed? Will it fit through the door?
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COMPONENTS OF A BUDGET – DIRECT COSTS

• Travel
  – Field Work, Collaborative/Professional Meetings, Periodic Agency Meetings (Agency Required)
  – Include mileage, rental car expense, parking, airfare, per diem (meals)

• Supplies and Expenses
  – Resources necessary to complete the work
  – Estimate as close as possible
  – Sufficient supplies (lab, animals, chemicals, etc)

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COMPONENTS OF A BUDGET – INDIRECT COSTS

• Costs that are incurred for common or joint objectives
  – Depreciation and Use Allowances (building and equipment)
  – General, Sponsored Programs, Student, and Departmental Administration
  – Operation and Maintenance Expenses
  – Library Expenses
  – Office Supplies and Copying
  – Basic Local Telephone Services On Campus
  – Journals and Subscriptions, Memberships
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Facilities & Administration (F&A)

- West Lafayette F&A Rates
  - Research = 55%
  - Instruction = 54%
  - Other Sponsored Programs (OSP) = 38%
  - Off-Campus = 26%
  - Uncapped Research Rate = 64.75%
- Other terms used to describe F&A
  - Indirect Costs, IDC, or overhead
- Criteria for off campus rate:
  - Activity necessitates an off campus location, is for a full semester or summer session, and in a project leased space

How do you Charge the F&A Rate?

MODIFIED TOTAL DIRECT COST

- F&A Costs are charged as a percentage of direct costs
- If a project is bearing the full negotiated F&A rate, that rate is always applied to the MTDC base. MTDC exclusions include:
  - Capital equipment
  - Participant Support Costs
  - Tuition/Tuition Remissions
  - Scholarships and Fellowships
  - Alterations and Renovations
  - Cost of renting/leasing project space or equipment
  - Portion of each sub-award over $25K
- Example:

<table>
<thead>
<tr>
<th>Cost Category</th>
<th>Expense</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>$150,000</td>
<td></td>
</tr>
<tr>
<td>Supplies</td>
<td>10,000</td>
<td></td>
</tr>
<tr>
<td>Equipment</td>
<td>40,000</td>
<td>MTDC Exclusion</td>
</tr>
<tr>
<td>Total Direct</td>
<td>$200,000</td>
<td></td>
</tr>
<tr>
<td>Indirect Cost</td>
<td>88,000</td>
<td>$200,000-$40,000 = $160,000 * 55%</td>
</tr>
<tr>
<td>Total Sponsor Cost</td>
<td>$288,000</td>
<td></td>
</tr>
</tbody>
</table>
How do you Charge the F&A Rate?

**MODIFIED TOTAL DIRECT COST**

- Example:

<table>
<thead>
<tr>
<th>Cost Category</th>
<th>Expense</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Faculty Salaries</td>
<td>$150,000</td>
<td></td>
</tr>
<tr>
<td>Grad Salaries</td>
<td>25,000</td>
<td></td>
</tr>
<tr>
<td>Grad Fee Remits</td>
<td>12,000</td>
<td>MTDC Exclusion</td>
</tr>
<tr>
<td>Supplies</td>
<td>10,000</td>
<td></td>
</tr>
<tr>
<td>Subcontract</td>
<td>100,000</td>
<td>&gt;$25,000 excluded from MTDC</td>
</tr>
<tr>
<td>Equipment</td>
<td>40,000</td>
<td>MTDC Exclusion</td>
</tr>
<tr>
<td>Total Direct</td>
<td>$337,000</td>
<td></td>
</tr>
<tr>
<td>Indirect Cost (55%)</td>
<td>115,500</td>
<td>$337K - $12K – ($100K-$25K) - $40K = $210K * 55%</td>
</tr>
<tr>
<td>Total Sponsor Cost</td>
<td>$452,500</td>
<td></td>
</tr>
</tbody>
</table>

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**Facilities & Administration (F&A)**

- When will Purdue accept limitations on F&A?
  - Accepted when limited in published guidelines by Not-for-Profits and Foundations
    - Mission/goals of these types of organizations are to benefit the public well being as a whole
  - Industrial proposals less than or equal to $10K*
    - *When considered seed funding

- Why can’t Purdue accept limitation on F&A for For-profit entities?
  - F&A costs are REAL costs to the University
  - If granted, PU would be subsidizing a For-Profit entity
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BUDGET JUSTIFICATION

• Budget narrative must be provided to support the proposed budget
  – Explains the financial picture of the project
  – Budget should be realistic and justified by the aims and methods of the project
  – Provide any other information that will aid the sponsor in evaluating and funding the proposed item or cost
  – Needs to match what is in the budget

TYPES OF COST SHARING

1. Mandatory cost sharing: institutional support that is required in writing by the granting agency, and the amount is specified in a granting agency’s written solicitation.

2. Voluntary committed cost sharing: institutional support committed to the project solely at the discretion of the institution. These resources are pledged formally in a proposal and thereby become binding commitments that the granting agency may audit.

3. Institutional support/leverage: institutional resources not specified as mandatory or committed specifically yet discussed in the proposal as organizational resources or infrastructure necessary for, and available to enable, a project. Such resources are not quantified or allocated to a specific project. Institutional support/leverage is communicated to demonstrate Purdue’s capacity or capability.

4. Voluntary uncommitted cost sharing: institutional support provided by Purdue but not pledged formally in the proposal usually because of agency restrictions against cost sharing. Such cost sharing is subsequently made available to the project upon receipt of the award and is not binding or auditable. Such resources can be internally quantified and solely support a specific project, but they are not normally shared with the sponsor prior to award.
GENERAL GUIDELINES

- Handled consistently and in accordance with the Uniform Guidance (2 CFR 200.306).
  - Voluntary committed cost sharing is not expected and cannot be used as a factor during the merit review of applications.
  - It may be considered if it is both in accordance with Federal awarding agency regulations and specified in the notice of funding opportunity.
  - Criteria for considering voluntary committed cost sharing and any other program policy factors that may be used to determine who may receive a Federal award must be explicitly described in the notice of funding opportunity.

- Mandatory and voluntary committed cost-sharing commitments offered by the University in support of a sponsored project must be:
  - Allowable costs
  - Expended during the award period
  - Quantifiable
  - Auditable
  - Not allocated to more than one sponsored project
  - Treated consistently by the University

PROCESS

- Starting Point – Understand the Big Picture
  - An initial budget should be established for the total project costs, regardless of funding contributions.
  - Assess whether and/or how cost sharing should be part of the project budget.

- Requests for cost sharing should originate through discussions among the PI(s), their Department Head(s) and Associate Dean(s) for Research.
  - Early in the proposal development process, but no later than two weeks before the due date.
  - In accordance with intra-college/school/department processes or procedures.
  - For multi-college proposals, ADRs of all units involved must be included in all communications involving inter-college/school cost sharing early in process.

- EVPRP staff facilitates the process of developing and approving cost sharing requests during the proposal development process. However, department/school/college-level support should be in place prior to requesting EVPRP involvement and approval.

- Tentative cost sharing plans developed and approved within the originating unit or college should be communicated to the Pre-Award Office for their inclusion in the proposal budget.

- All cost sharing commitments must be fully documented on University Form 32(s), prepared by Pre-Award.

- Each letter-of-intent, new or renewal submission stands on its own, and cost sharing is typically re-evaluated for each resubmission.
COST SHARING PRIORITIES

The following priorities guide the allocation of central cost sharing funds for research proposals:

- Top priority will be given to mandatory cost sharing. Voluntary cost share support will be provided only in exceptional cases and primarily by the department-level unit.

- A mandatory cost sharing requirement **does not ensure** a University contribution. No form of central support should be considered pre-approved or relied upon as a standing or automatic contribution.

- Strategic research areas are given top priority among competing projects.

- Units must prioritize the proposed project through their contribution to the cost share:
  - Typically: 1/3 University and 2/3 provided by PI, Dept(s), and College(s). Contributions of external contributors will be evaluated on a case-by-case basis.
  - High matching requirement: Dept(s) and external contributors provide matching around 50% of the required amount with balance split between the college(s) and EVPRP.

- Proposed equipment/facility projects should add new capability to the infrastructure of the university, and/or help to build future competitiveness.

- For more resources:
  - [https://www.purdue.edu/research/funding-and-grant-writing/cost-sharing.php](https://www.purdue.edu/research/funding-and-grant-writing/cost-sharing.php)

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FINAL CONSIDERATIONS

- Plan Early – So that you do not get crunched for time.
- Read the Program Announcement (PA, RFP)
  - Read It, Highlight Items, Question, Read It Again
  - Watch for minimum and maximum funding levels
  - Do not guess or deviate from the proposal instructions
- Work with your Pre-Award Specialist
GUIDANCE – Proposal Deadline

1. Initial Notification/Initial Budget Request
   3 weeks (15 Business Days) in Advance

2. Final Budget, Justification, and Draft proposal
   1 week (5 Business Days) in Advance

3. Final Documents for Submission
   2 Business Days (16 hours) in Advance

4. FINAL SOW/Project Descr./Res. Strategy
   1 Business Day (8 hours) in Advance

Sponsor Deadlines Outside the Business Day (8:00 a.m.-5:00 p.m.): In the cases where proposals are due outside this timeframe, 5:00 p.m. EST of the day of the deadline should be considered the official submission deadline when calculating the on-time criteria.

Pre-Award Services

Budget Tool
https://www.purdue.edu/business/sps/preaward/budget_tool.html

Budget Tool – For use in drafting budgets only. DO NOT SEND TO SPONSORS.

The purpose of the SPS Pre-Award Budget Tool is to enable principal investigators to develop their own draft budgets within certain criteria (if desired) or to receive a budget created by Pre Award and be able to make adjustments on their own. The budget developed using this tool is not intended to be sent to a sponsor without Pre Award review and approval.

Assessing and Using the Budget Tool: The tool may be downloaded from this page and edited within Microsoft Excel. Once an investigator starts to work with a Pre-Award Specialist on reviewing/validating a budget, it will be encouraged to use the Purdue Box application for sharing and editing the Budget Tool as opposed to downloading and emailing multiple versions.

Current Version (September 2022): The current version of the Budget Tool is limited to a 16-month or less project period. Specific criteria and limitations for use are identified in the below table. Future versions are in development and will be released in the coming months.

<table>
<thead>
<tr>
<th>Budget Criteria</th>
<th>Limitations</th>
</tr>
</thead>
<tbody>
<tr>
<td>30-month or less project period</td>
<td>Cannot be used for NIH detailed budgets or NIH with salary cap</td>
</tr>
<tr>
<td>Project start date is the 1st of a month</td>
<td>Cannot be used for USDA</td>
</tr>
<tr>
<td>Must be for Organized Research at 50% F&amp;A or Testing Agreements at 30% F&amp;A or 0% F&amp;A (subject to Pre-Award approval)</td>
<td>Cannot include cost share</td>
</tr>
<tr>
<td>Can include a limited number of personnel:</td>
<td>Cannot include more than 3 subawards</td>
</tr>
<tr>
<td>5-AY</td>
<td>College of Science Graduate Students: This budget tool may not accommodate the 5Y/summer graduate student payroll actions for College of Science Schools.</td>
</tr>
<tr>
<td>5 Calendar Year (FY)</td>
<td></td>
</tr>
<tr>
<td>6 Grad (AY or FY)</td>
<td></td>
</tr>
<tr>
<td>3 Undergraduate Rates (unlimited number at three distinct rates)</td>
<td></td>
</tr>
</tbody>
</table>

DOWNLOAD BUDGET TOOL

Encounter an issue, want to provide feedback, or have a question? Email preawardbudget@purdue.edu
**Pre-Award Services**

**Contacting Pre-Award for Help**

- E-mail or Phone or Visit
  - To Center Address (see link next slide)
  - To Specific Specialist (see link next slide—consider availability risk)
  - Include as much information as possible

- TIMING - Contact as early as possible (as soon as you even think about doing a proposal). It is never too early! Do not wait until you are ready to submit!

*More detailed one-on-one orientations are available for new faculty at any time. Please contact your Pre-Award Center to schedule.*

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**Proposal Budgeting 101**

**RESOURCES**

- Cost Accounting Guidelines

- Pre-Award Website (Budget Guidelines)
  - [https://www.purdue.edu/business/sps/preaward/menu/2.proposalprepare/basic_elements/budget.html](https://www.purdue.edu/business/sps/preaward/menu/2.proposalprepare/basic_elements/budget.html)

- Cost Sharing
  - [https://www.purdue.edu/research/funding-and-grant-writing/cost-sharing.php](https://www.purdue.edu/research/funding-and-grant-writing/cost-sharing.php)

- Facilities & Administrative (F&A) Costs
  - [https://www.purdue.edu/business/sps/doc/FA_costs_policy_definition_use_ratedetermination.docx](https://www.purdue.edu/business/sps/doc/FA_costs_policy_definition_use_ratedetermination.docx)

- Pre-Award Staff – Call Us!
  - [https://www.purdue.edu/business/sps/doc/PreAward_Handout.docx](https://www.purdue.edu/business/sps/doc/PreAward_Handout.docx)