

Life Cycle of the Award Webinar Series



BUDGETS

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Learning Objectives

- Calculate differing fringe benefit costs associated with salaries.
- Design and build a budget utilizing a variety of prescribed formats
- Explain at a level understandable by a non-financial person how budgets work.
- Explain the differing types of budgets and their respective requirements
- Distinguish between budgetary categories.
- Utilize interactive budget models to facilitate evaluation of different budget scenarios
- Choose the best basis for a particular budgetary application
- Analyze the relationships among differing budgetary categories.
- Analyze the factors which cause changes to budgets in differing environments and applications.



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Agenda

Day 1 – Nov. 9

- 1. Budgets in general
- 2. Salaries
- 3. Fringe benefits
- 4. Consultant and Professional Services

Day 2 – Nov. 12

- 1. Equipment Costs
- 2. Materials and Supplies Costs
- 3. Travel Costs
- 4. Alteration and Renovations
- 5. Participant Support
- 6. Patient Care Costs
- 7. Other Direct Costs



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Day 3 – Nov. 16

- 1. Subawards
- 2. Inflation/COLA Increases
- 3. Exchange rates
- 4. Service Center costs
- 5. Collective bargaining issues
- 6. Budget Transfers
- 7. Changes in effort
- 8. Budgeting unallowables
- 9. Indirect Costs

And Wrap Up.....



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Definition....

budg·et 'bəjət' noun

1. an estimate of income and expenditure for a set period of time.
"keep within the household budget"
2. an annual or other regular estimate of national revenue and expenditure put forward by the government, often including details of changes in taxation.
3. the amount of money needed or available for a purpose.
"they have a limited budget"
synonyms: allowance, allocation, quota; More
grant, award, funds, resources, capital
"a cut in the defense budget"

<https://www.google.com/search?q=Define+budget&ie=utf-8&oe=utf-8>



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Lets start with two questions

1.Why Do We Budget?

1.How Do We Budget?



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Why Budget?

A budget is simply a formal expression of the plans for any operation for a specific period. This agreed upon plan is usually then frozen.

A budget can also help set the definition for the successful completion of an program or operation.



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Budget Cycle

- Budget preparation
 - Budget forms and procedures
 - Broken out over a single or several time periods
- Budget approval
 - Budget message
- Budget execution
- Financial audit and evaluation



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Budget Decisions

- The program year (different from your institution's fiscal year)
- Strategic plan
- Budget "reserve" amounts?
- Budgetary and accounting system
- Cost Sharing
- Approvals of budget plans



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Budget Analyst Review

Who is your audience?

- Possible roles
 - Watchdog only
 - Facilitator only (captured)
 - Watchdog and facilitator
 - Compliance Guru
 - The matching game



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Types of Budgets

- Line-item
- Modular
- Performance
- Zero-based
- Target v. open-ended
- Entrepreneurial
- Multi-year
- Current services
- Base v. expansion
- Capital replacement



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Why Budget and Forecast?

Budgets and Forecasts

Measure actuals and forecasts against the budget throughout the planning process.

Analyze anticipated versus actual results.

Predict future performance and anticipate changes.

Assist in monitoring control of current performance.

Provide early warning of deviations from plans.



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How to Budget and Forecast

Information Needed to Start Your Budget or Forecast

- Current costing information
 - Salaries of personnel
 - Fringe Rates
 - SWAG of materials and supplies
 - Quotes for capital items or other large dollar purchases
- From Where?
 - Prior year's proposal
 - Other proposals
 - Vendors
 - Other University resources – HR, Payroll, Purchasing, IT, etc.



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How to Budget and Forecast

First Steps Depend Upon Your Organization

What is the largest part of your budget?

By funding type?

By expense type?

Does one portion of your budget depend upon another portion of the budget?



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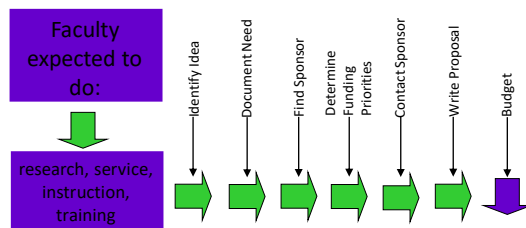
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Salary and Fringe



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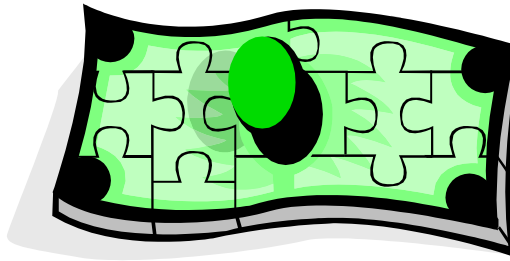
BUDGET DEVELOPMENT



- What will you be doing and how much will it cost?
- Don't forget about fringe benefits, indirects and other non-obvious costs.
- Be able to justify all costs.



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Budget Terminology

Budget: Things to Think About

- | | |
|--|---|
| <ul style="list-style-type: none"> • Faculty think about: <ul style="list-style-type: none"> – what salaries do I need – what equipment – do I need to travel – who else is involved | <ul style="list-style-type: none"> • We think about: <ul style="list-style-type: none"> – Reimbursement of all costs – Non-federal Policies <ul style="list-style-type: none"> • University policies • State policies • Non-profit policies – Industry policies – Federal <ul style="list-style-type: none"> • Government-wide OMB Uniform Guidance, FARs • Cost Accounting Standards • Specific agencies |
|--|---|

Proposal Budgeting Basics

TOTAL PROJECT COSTS

All allowable costs incurred by the Recipient and the value of the in-kind contributions made by the recipient or third parties in accomplishing the objectives of the grant or other agreement during the project or program period.



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Proposal Budgeting Basics

ALLOWABILITY OF COSTS

- must be **reasonable**
 - reflect the actions of a prudent person
- must be **allocable**
 - assignable in accordance with benefits received
- must be **treated consistently**
 - like treatment based upon purpose and circumstance
- must conform to the limitations in **Uniform Guidance 2 CFR 200**
 - allowable per the sponsors & Institution's regulations



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Proposal Budgeting Basics

DIRECT COSTS

- those that can be specifically identified with a single sponsored project.
 - Direct costs should be reflected by major budget categories with an attached narrative detailing how the costs were calculated.
 - i.e., salaries/wages, fringe benefits, contracted services, supplies, equipment, travel, communication, awards (tuition remission) and participant support costs.



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Proposal Budget Preparation Guidance

• Programmatic Salary Costs 200.430

Costs related to protocol development and maintenance, managing substances/chemicals, managing and securing project-specific data, and coordination of research subjects are allowable direct costs when they are “contributing and directly related to work under an agreement.” Thus, these programmatic costs may be direct charged using the same underlying requirements as other types of direct costs, and are not subject to the extra approval requirements applicable to administrative and clerical costs. They are still subject to all regular costing requirements (e.g.; allocability, reasonableness, allowable by the terms of the award, incurred within award period).



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PROPOSAL BUDGETING BASICS

FACILITIES AND ADMINISTRATIVE COSTS

- Costs that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular project
 - Utilities, plant operations and building maintenance
 - General, departmental, OSP administration
 - Student services and library administration
 - Police force and the president's office
 - Business office and accounting functions



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Budget Overview

- Direct Costs
 - Salaries and wages
 - Fringe benefits
 - Equipment
 - Expendable supplies
 - Travel
 - Sub-awards
 - Other
- Indirect/F&A Costs



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Direct Costs

- Salaries and wages
 - What salaries, technical support, students is needed to conduct the activities? (academic year/summer)
 - Postdoctoral Research Associates?
 - Technical and Clerical Support, as justified?
 - Students?
- Will the faculty member know to consider:
 - Fringe benefits?
 - Cost of living increases?
 - Indirect costs?



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Direct Costs

- Equipment
 - What equipment needs to be purchase for this project?
 - What needs to be upgraded? expanded? built upon?
- What expendable materials and supplies?
- Travel
 - What presentations are anticipated?
 - What presentation opportunities for students?
- Are others participating in this activity?
 - Will the faculty member know the distinctions between Subcontracts? consultants? procurement?



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Direct Costs

- What other costs might this activity have?
 - Communications?
 - Publications?
 - Animal Care Costs? Human Subject Costs?
 - Shop Charges?
 - Equipment Maintenance /Service Contracts?
 - Computer Costs?
 - Graphic Arts /Photographic Services?
 - Rental /Lease of Facilities?
 - Construction /Renovation /Remodeling Costs?



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Budget Building Challenges



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First Things First

Effort is a Pre-award Matter!



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Top Ten Things About Effort That Every Faculty Member Should Know

1. Effort is your work on a project, whether the sponsor pays your salary or not.
2. When you write yourself into a grant proposal, you are *committing* your effort to the sponsor.
3. If you reduce your effort, paid or unpaid, on a federal grant by 25% of your committed effort, you must have agency approval. If you reduce your paid effort, you may choose to document cost-sharing so that the total effort does not decrease.



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Top Ten Things About Effort That Every Faculty Member Should Know

4. Many activities cannot be charged to a federally sponsored project. For example, the time you spend on these activities cannot be charged:
 - Writing a proposal
 - Serving on an IRB, IACUC or other research committee
 - Serving on a departmental or university service committee



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Top Ten Things About Effort That Every Faculty Member Should Know

5. If you work on a sponsored project, you must certify your effort.
6. Certifying effort is not the same as certifying payroll.
7. Certification must reasonably reflect all the effort for all the activities that are covered by your University compensation.



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Top Ten Things About Effort That Every Faculty Member Should Know

8. Effort is *not* based on a 40-hour work week. It's not based on hours at all.
9. Effort must be certified by someone with *suitable means of verifying* that the work was performed.
10. Auditors look for indications that certification was based on factors other than actual, justifiable effort.



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Institutional Base Salary (IBS)

IBS: "The annual compensation paid by an organization for an employee's appointment, whether that individual's time is spent on research, teaching, patient care, or other activities. Base salary excludes any income that an individual may be permitted to earn outside of duties for the applicant/grantee organization. Base salary may not be increased as a result of replacing organizational salary funds with NIH grant funds."
(NIH Grants Policy Statement, 10/01/2013)



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Clinician Faculty

Depending on your AMC, a Clinician faculty member may

have multiple appointments.

- Hospital
- Physician Foundation or Practice Plan
- University- Academic Appointment



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Basic Science Faculty

Basic Science Faculty who are viewed as Research Intensive are appointed within an academic department under the University.



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Joint University-VA Appointments



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A faculty member who is primarily housed at the VA has certain 8ths. In addition, has a University Joint appointment in a Department.



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Activities at universities are based upon percent effort not based upon hours.

Activities at the VA are based 8ths (hours)



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VA Compensation vs. University Compensation

Compensation for a grant at a university is based upon the institutional base salary at the university.

Compensation received from the VA is not included in the institutional base salary at the university



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VA Appointment vs. University Appointment

University is the applicant organization.

The university institutional base salary is the base for computing the proposal budget request. The VA appointment is excluded

for the purpose of proposing effort, the MOU should primarily be used to ensure that the investigator is not being paid at both the university and VA for the same work.

Ensure sufficient commitment is available to handle responsibilities at both the university and VA.



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VA Time & Effort vs. University Time & Effort

Universities and the VA record time differently.

The VA defines a full workweek as 40 hours or 8/8ths

A-21 is based upon percent of effort. This is the method that AMCs must use for effort reporting

This fundamental difference creates inconsistencies between how an investigator tracks their time at the VA versus their university.



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VA Appointment vs. University Appointment

The joint appointment of the investigator is his or her total professional effort.

Total professional effort includes both the percent FTE at the university and the number of 8ths at the VA.

It is reasonable for a funding agency to determine if an effort commitment can be met.

It is not appropriate for the agency to demand the commitment be measured in terms of hours.



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Tracking Effort Number of Hours or Percent FTE?

OMB Circular A-21 Section J10.d(1)

“Charges for work performed on sponsored agreements during all or any portion of such period are allowable at the base salary rate. In no event will charges to sponsored agreements, irrespective of the basis of computation, exceed the proportionate share of the base salary for that period.”



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Next Section

Consultants



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BUDGET CONSIDERATIONS

Misconception... Consultants are often confused with subrecipients.

Consultant or vendor is not responsible for scope of work.

Subrecipient is responsible for a portion of the scope of work.



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CONSULTANTS

- Category should be itemized
- Check your guidelines:
 - Most agencies require prior approval for all consultants
- Univ. employees CANNOT be paid as a consultant and as an employee during the same fiscal year (unless they cross disciplines)



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Budget Development cont.

- Consultants
 - Not an employee
 - Proven professional of technical competence and provides this to your organization
 - Is not controlled with regard to the manner of performance or the result of the service
 - Considered a work for hire and does not retain any rights to the end product
 - Reasonable & allowable
 - Letter of intent (confirmation)



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Consultant vs Subcontract Agreements

Consultant – Limited activities performed by a private individual who is not an employee of the institution. *Must meet IRS test.*

Subcontract – When a material portion of the work will be accomplished by another institution or organization, use of the subawardee must be integral to the completion of the scope of work.



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What's the Difference Between a Procurement and a Subaward?

- A procurement action is merely the purchase of goods/service, but no intellectual contribution to the project
- A subaward transfers a portion of a sponsored award to another entity for the purpose of programmatic effort on the project
- The new Uniform Guidance offers specific guidance on the difference between a Subrecipient and a Contractor (§ 200.330 Subrecipient and contractor determinations.)



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Who are Typically Our Subrecipients?

- Another organization which will assist in carrying out a portion of the proposal's scope of work.
- This other organization will have its own project director or principal investigator.
- Most often, our subrecipients are other colleges and universities.
- The other organization's budget needs to be part of the proposal budget.



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Subrecipient or Contractor?

- **Subrecipient**
 - Performance measured against whether the objectives of the federal program are met
 - Has responsibility for programmatic decision making
 - Has responsibility for adherence to applicable federal program compliance requirements
- **Is issued a subaward that:**
 - states work to be performed, conditions to be imposed on subrecipient, flow-down of Federal regulations & laws, terms and conditions of prime award
 - constitutes a part of your institution's proposal to sponsor



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Subrecipient Characteristics

- *UG 200.330*
- *Subrecipients.* A subaward is for the purpose of carrying out a portion of a Federal award and creates a Federal assistance relationship with the sub recipient. See *§200.92 Subaward.* Characteristics which support the classification of the non-Federal entity as a subrecipient include when the non-Federal entity:
 - (1) Determines who is eligible to receive what Federal assistance;
 - (2) Has its performance measured in relation to whether objectives of a Federal program were met;
 - (3) Has responsibility for programmatic decision making;
 - (4) Is responsible for adherence to applicable Federal program requirements specified in the Federal award; and
 - (5) In accordance with its 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 passthrough entity.



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Subrecipient or Contractor?

- **Contractor**
 - Provides the goods and services within normal business operations
 - Provides similar goods or services to many different purchasers
 - Operates in a competitive environment
 - Provides goods or services that are ancillary to the project
 - Not subject to compliance requirements
 - Is issued a purchase order or vendor agreement.



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Contractor Characteristics

- *UG 200.330*
- *Contractors.* A contract is for the purpose of obtaining goods and services for the non-Federal entity's own use and creates a procurement relationship with the contractor. See §200.22 Contract. Characteristics indicative of a procurement relationship between the non-Federal entity and a contractor are when the non-Federal entity receiving the Federal funds:
 - (1) Provides the goods and services within normal business operations;
 - (2) Provides similar goods or services to many different purchasers;
 - (3) Normally operates in a competitive environment;
 - (4) Provides goods or services that are ancillary to the operation of the Federal program; and
 - (5) Is not subject to compliance requirements of the Federal program as a result of the agreement, though similar requirements may apply for other reasons.



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IRS Test for Consultant states:

1. Consultant does his/her work independently without supervision.
2. Consultant's work is not under control of institution
3. Consultant offers their services to the public and not just institution
4. Consultant has not been an employee of the institution within the past 12 months.
5. Consultant uses his or her own facilities or equipment to conduct the work.
6. Consultant is not included on the list of excluded, suspended, or otherwise ineligible for participation in federal programs.



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FINAL QUESTIONS FOR THE DAY



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Thanks for your time today

- See you on the 12th.....

Pam Webb, University of Minnesota
W Scott Erwin, Texas State University
Jamie Caldwell, University of Kansas Medical Center
Mario Medina, The University of Texas at San Antonio



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