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# Budgets 101: How to Build a Grant Budget-T203

Carly Pigg, CRA, CPRA  
LSU Health Sciences Center

Sean Scott, CRA, CPRA, CFRA  
University of Maryland, College Park

# OBJECTIVES

**At the end of the presentation, attendees will have:**

- 1. Knowledge of allowable and unallowable costs**
- 2. An understanding of allowable budget categories**
- 3. A basic understanding of indirect cost calculations, specifically Modified Total Direct Costs**

# INTRODUCTION TO BUDGETS



## FOUR KEY POINTS FOR 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? *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?

# ALLOCABLE?

- Allocable (hardest to understand). The guidelines specific from the Federal Government state that the item (Uniform Guidance Subpart E Cost Principles)
  - Is incurred specifically for the Federal award; **AND**
  - 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**
  - 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 VERSUS 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
  - Exs: 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
  - Exs: 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, a grant application requires a minimum budget of \$50,000 spent over the life of the project.

# INTRODUCTION TO NIH BUDGETS



U.S. Department of Health & Human Services



National Institutes  
of Health

# NIH BUDGET SPECIFICS

- Modular versus Direct Cost Budgets <https://grants.nih.gov/grants/how-to-apply-application-guide/format-and-write/develop-your-budget/modular.htm>
  - 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:
    - 1) Personnel Justification, 2) Consortium Justification (if applicable), & 3) 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)

# MODULAR BUDGET SAMPLES

- Modular Budget Sample Same Module Number:  
[https://grants.nih.gov/grants/funding/424/SF424R-R\\_PHS398\\_ModBud\\_Sample.pdf](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](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 that are 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>

# ALLOWABLE COSTS



# COMMON ALLOWABLE COSTS

- Personnel
- Fringe Benefits
- Supplies
- Equipment
- Consultants
- Travel
- Other Expenses
- Subrecipients/ Subawards
- 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.
  - Some 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 \$221,900.
  - Ex. A personnel with a base salary of \$250,000 & their percent effort is 10%. When calculating salary charged to the grant, multiply 10% against \$221,900 not \$250,000.
  - Final calculation= Effort charged is \$22,190 for the budget year not \$25,000.

# 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  $\$100,000 \times 10\% \text{ effort} = \$10,000$
  - Fringe Benefits of  $46\% \times \$10,000 = \$4,600$
  - Total annual charge to the grant for Person 1:  $\$14,600$

# UNIFORM GUIDANCE UPDATES

## UNIFORM GUIDANCE BEFORE SEPTEMBER 30, 2024

- EQUIPMENT: \$5,000 OR MORE AND AN EXPECTED SERVICE LIFE OF A MINIMUM OF ONE YEAR
- SUBAWARDS: INDIRECT COSTS ALLOWED ON THE FIRST \$25,000 OF SUBAWARDS
- DE MINIMUS RATE: 10% FOR ENTITIES WITHOUT A NEGOTIATED FEDERAL RATE AND FUNDING OPPORTUNITY DOES NOT CAP INDIRECT COSTS

## UNIFORM GUIDANCE ON OR AFTER OCTOBER 1, 2024

- EQUIPMENT: \$10,000 OR MORE AND AN EXPECTED SERVICE LIFE OF A MINIMUM OF ONE YEAR
- SUBAWARDS: INDIRECT COSTS ALLOWED ON THE FIRST \$50,000 OF SUBAWARDS
- DEMINIMUS RATE: 15% FOR ENTITIES WITHOUT A NEGOTIATED FEDERAL RATE AND FUNDING OPPORTUNITY DOES NOT CAP INDIRECT COSTS

**\*Changes are not applicable until the new definitions are reflected in the Negotiated Cost Rate Agreement (NICRA). \***

# SUPPLIES AND EQUIPMENT

- Federal definition of equipment: A single unit/item and an expected service life of a minimum of a year.
- Supplies 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.
- *Are they contributing to the decision making for the project?*



# 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. Example: State guidelines versus Federal
- 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.
- Examples 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/SUBAWARDS

- 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 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?

# SUBRECIPIENTS/SUBAWARDS

- Not a subrecipient/ subaward:
  - 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

# SUBRECIPIENTS/SUBAWARDS

- Provides services to the project that the pass-through entity cannot normally provide, but supports the project
- Budget items are similar to what is included in a pass-through entity 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, the de minimus rate, 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

# 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 this can be included.

# MODIFIED TOTAL DIRECT COSTS



**VS**



# CALCULATING INDIRECT COSTS WITH MODIFIED TOTAL DIRECT COSTS (MTDC)

- One method for calculating indirect costs is 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 (\$5,000/\$10,000)
  - Patient Care
  - Alterations/ Renovations
  - Rental Costs
  - Participant Support Costs
  - Student Stipends/ Tuition
  - Subawards over \$25,000/\$50,000 (First \$25,000/\$50,000 is included for each subcontract budgeted)

# CALCULATING MTDC AND TOTAL COSTS

- 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

# CALCULATING MTDC AND TOTAL COSTS

- 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)

# CALCULATING MTDC AND TOTAL COSTS

- Total MTDC Base: \$258,500 (Amounts added from previous slide)
- $\$258,500 \times 47\% = \$121,495$  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 (project specific)
  - 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.

# QUESTIONS



# REFERENCES/LINKS

- Electronic Code of Federal Regulations-Uniform Guidance: <https://www.ecfr.gov/cgi-bin/text-idx?SID=d02e5cfbde9d3d7143ae9a5b3cbe6b9a&mc=true&node=pt2.1.200&rgn=div5#sp2.1.200.e>
- National Institutes of Health
  - NIH Modular Research Grant Applications: <https://grants.nih.gov/grants/how-to-apply-application-guide/format-and-write/develop-your-budget/modular.htm>
  - Modular Budget Samples: [https://grants.nih.gov/grants/funding/424/SF424R-R\\_PHS398\\_ModBud\\_Sample.pdf](https://grants.nih.gov/grants/funding/424/SF424R-R_PHS398_ModBud_Sample.pdf) and [https://grants.nih.gov/grants/funding/424/SF424R-R\\_PHS398\\_ModBud\\_Variable\\_Sample.pdf](https://grants.nih.gov/grants/funding/424/SF424R-R_PHS398_ModBud_Variable_Sample.pdf)
  - Develop Your Budget: <https://grants.nih.gov/grants/how-to-apply-application-guide/format-and-write/develop-your-budget.htm#difference> and NIAID Example <https://www.niaid.nih.gov/grants-contracts/create-budget>

# CONTACT INFORMATION

CARLY PIGG, CRA, CPRA  
RESEARCH FISCAL ANALYST  
LSU HEALTH SCIENCES CENTER NEW  
ORLEANS  
SCHOOL OF MEDICINE  
[cgerva@lsuhsc.edu](mailto:cgerva@lsuhsc.edu)

SEAN SCOTT, CRA, CPRA, CFRA  
CONTRACTING MANAGER  
UNIVERSITY OF MARYLAND,  
COLLEGE PARK  
OFFICE OF RESEARCH  
ADMINISTRATION  
[sscott10@umd.edu](mailto:sscott10@umd.edu)

thank  
you!