

# PREPARING SUCCESSFUL BUDGET JUSTIFICATIONS

By

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(DRDA)

## PRELIMINARY TOPICS

- Why is a detailed Budget Justification important?
- How do I prepare a good Budget Justification?
- What do I do if I have questions?

# WHY IS A DETAILED BUDGET JUSTIFICATION IMPORTANT?

- The “purpose” and “intent” of justifying anticipated costs
- Increased Scrutiny
  - sponsor-specific requirements

# EXAMPLES BY CATEGORY

- Salaries
  - What will the Investigator do?
  - How much effort will that entail?
- Graduate Student Research Assistants
  - What will the GSRA do?
  - What is the % of appointment level?
  - Differentiate Effort from Appointment
  - Keep Tuition separate
- Undergraduate Students

## EXAMPLES BY CATEGORY, CONTINUED

- Fringe Benefits
  - What rate or \$ amount was used?
  - How was that rate or \$ amount determined?
- Escalation rates
  - Did you use an inflation rate for future years?
  - Did you include a merit increase?
  - What were those rates, and how were they determined?

## EXAMPLES BY CATEGORY, CONTINUED

- Equipment
  - Itemize... Itemize... Itemize !!!
  - Use real quotes from websites, catalogs, and pending invoices, or past historical invoices and past experience with prior purchases
- General Purpose Equipment (i.e. Computers)
  - “... normally **not** requested unless they will be used primarily or exclusively for the project...”
  - “... indicate how each item of equipment... will be used as an integral part of the program...”

## EXAMPLES BY CATEGORY, CONTINUED

- Materials & Supplies
  - Itemize... Itemize... Itemize !!!
  - Include:
    - Quantities
    - Unit Prices
    - Proposed vendors if known
    - Basis for estimates (quotes, prior purchases, catalog prices, website searches)

## EXAMPLES BY CATEGORY, CONTINUED

- Travel – Who? What? When? Where? How?
  - Who will travel? List travelers for Trip A, Trip B, etc.
  - What is the purpose? Describe the conference, the presentation.
  - When? During Budget Year 2? Estimates are ok, but something is better than nothing.
  - Where? List the travel origin and destination.
  - How will the costs break down? List the categories with the prices (e.g. Airfare, Ground Transportation, Per Diem, etc.)

# EXAMPLES BY CATEGORY, CONTINUED

- Subcontracts
  - Include an “authorized” budget which includes the same level of detail as our budget
    - “Authorized” means you should get the budget from someone in authority for the subcontractor. This is usually not the subcontract researcher! It may be the Office Sponsored Programs of a partnering University, a direct quote from Industry, or an invoice from Industry.
  - Reminder: if we anticipate a grant, industry can not make a profit or charge a fee.
- Consultants
  - Breakdown (by hours, travel, etc.)
  - Consulting Agreement (potentially include the agreement if it is in place, or include a letter of intent from the identified consultant)
- Other Costs
  - Publication costs (how much does it cost per page, and anticipated # of pages)



# EXAMPLE JUSTIFICATIONS

- Example GSRA clauses

## Other Personnel

Graduate Student(s) — 2 graduate students will be conducting experiments and doing the analysis. One student will be supported at a 50% appointment level, which is the typical (full-time) appointment for students involved in laboratory research and coursework at the University of Michigan, 3 terms/vr. The other one will be supported at 25% appointment level. The rate per semester is calculated at \$ [REDACTED] per month, per rates established by the University July 2010 [REDACTED]. The GSRA compensation package includes tuition, which is in a separate category below.

## Graduate Student Tuition

Graduate student tuition has been included at the current rate for an [REDACTED] student with pre-candidacy status (\$ [REDACTED] plus a 5% increase for inflation. Tuition is typically incurred for two semesters per year per GSRA. Rates can also be found at:

<http://www.drda.umich.edu/proposals/students/gsra.html>

- Example undergraduate clause

TBN, support for summer undergraduate researchers to work in areas of sample preparation and computational modeling. The requested funds are estimated at approximately 2 students per year utilizing a total of 20hours of labor for 15 weeks at \$12/hr.

# EXAMPLE JUSTIFICATIONS

- Example Travel clause
  - See also the Model Detailed Justification

## Travel

Domestic: 1 trip/yr for PI or student to attend a conference and present results of this research.

Transportation \$200; Registration \$200; Hotel, incidentals and meals \$200/day x 2 days = \$1,000 in Years 1-5. The amounts were determined by comparing prices for registration, airfare and lodging on the web.

## Travel

Travel costs for Professor xxxxxxxxxxxxxx include travel to xxxxxxxx technical conference and xxxxxxxx meeting. Travel expenses were estimated based on past experience of the xxxxxxxxxxxxxx Laboratory and include estimates for conference registration (\$300), airfare (\$400), lodging (\$200), ground transportation and meals (\$50 per day). These rates are consistent with prices found using travel web services for quotes.

# EXAMPLE JUSTIFICATIONS

- **Example Fringe Benefits Clause**

Fringes

Fringe benefits are calculated using a 30% estimator for faculty and postdoctoral research fellow salary lines. Fringe benefits for GSRA's include Gradcare, the University of Michigan health insurance program for graduate students, and are based on a monthly cost of \$194 for a single person (2010 rates). Fringes for the undergraduate student(s) are estimated at 7.65% to cover Social Security and Medicare benefits.

- **Example Escalation Factor(s)**

Salary and stipend expenses use a 3% inflationary rate for each subsequent budget period. Tuition and Gradcare use a 6% rate which more accurately reflects inflationary pressure on these costs.

NOTE: A 4% inflation rate is assumed for years 2-5 except for tuition, which has an assumed rate of 7%.

# EXAMPLE JUSTIFICATIONS

- Example Indirect Costs clause

## **Facilities and Administrative (F/A) Costs (Indirect Costs)**

The University of Michigan has a Department of Health and Human Services approved indirect cost rate of 54.5% approved to June 30, 2011. The approved rate effective July 1, 2011 is 55.5%. This rate agreement was approved March 1, 2010. The indirect cost rate is applied to the modified total direct cost (MTDC) base. The MTDC base is calculated using the total direct cost and excluding equipment, capital expenditures, patient care expenses, tuition remission, off-site rental costs, scholarships & fellowships, and the portion of subcontracts in excess of \$25,000.

### **Fiscal 2010 - 2014**

**FY 2009, 2010 & 2011 is 54.5% (July 1, 2008 – June 30, 2011)**

**FY 2012, 2013 & 2014 is 55.5% (July 1, 2011 – June 30, 2014)**

<u>Type</u>	<u>Rate</u>
<b>Research: Federal</b>	on campus: <b>54.5%</b> <u>off campus: 26.0%</u>
<b>Instruction</b>	on campus: <b>54.0%</b> <u>off campus: 26.0%</u>
<b>Other Sponsored Activity</b>	on campus: <b>30.0%</b> <u>off campus: 26.0%</u>

# EXAMPLE JUSTIFICATIONS

- Example Equipment clause

**Equipment**

A [REDACTED] laser (wavelength = 1064 nm) with a pulse energy of 850 mJ. This laser can be frequency converted [REDACTED]. This nanosecond laser will enable [REDACTED]. Combined with the [REDACTED] we already have, we will be able to study [REDACTED]. The quote is attached for this piece of equipment.

- Example Materials & Supplies

**Supplies:** At the University of Michigan, the yearly supply budget (\$13,000) includes the necessary cost associated with the [REDACTED] experiments proposed for each task including [REDACTED] supplies. [REDACTED] will be performed at the [REDACTED] Laboratory [REDACTED]. It is estimated that \$3,000 per year is necessary for performing analyses such as [REDACTED] (based on a \$100 per sample average cost-30 samples per year). In addition, the cost associated with [REDACTED] and supplies needed for the [REDACTED] are estimated at \$3,000 per year. \$500 per year for research publication costs and \$500 per year for [REDACTED] and related [REDACTED] costs have also been allocated.

# TOP FIVE TIPS

1. Read the FOA / Sponsor Guidelines
2. Draft the Budget Justification early
3. Route the PAF within the DRDA deadline policy
4. Itemize... Itemize... Itemize
5. Watch out for travel, equipment, and computers

# RESOURCES

DRDA Deadline Policy:

<http://www.drda.umich.edu/proposals/processing/deadlines.html>

Budget Preparation (overview):

[http://www.drda.umich.edu/proposals/budgets/budget\\_plan.html](http://www.drda.umich.edu/proposals/budgets/budget_plan.html)

Direct Costs (other than Salaries):

[http://www.drda.umich.edu/proposals/budgets/direct\\_costs.html](http://www.drda.umich.edu/proposals/budgets/direct_costs.html)

Graduate Student Research Assistants:

<http://www.drda.umich.edu/proposals/students/gsra.html>

Indirect Cost Rate Agreement:

<http://www.finops.umich.edu/system/files/070111-063014.pdf>

Salaries (non-student):

<http://www.drda.umich.edu/proposals/budgets/salaries.html>

Staff Benefits Table:

[http://www.drda.umich.edu/proposals/budgets/staff\\_benefits\\_table.html](http://www.drda.umich.edu/proposals/budgets/staff_benefits_table.html)

# QUESTIONS?

<http://www.drda.umich.edu/>

Contact DRDA Staff:

<http://www.drda.umich.edu/contacts/drda/staff.html>

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