Develop A Budget

The budget should reflect the best estimate of the actual cost to conduct the scope of work. This includes materials and supplies, as well as overhead charges. Most sponsors have specific budget forms or formats that may be required.

Introduction

The budget should reflect activities described in the research plan. A detailed budget justification that describes requested costs must generally accompany the budget.

A budget consists of two major types of costs: direct costs and indirect costs also referred to as facilities and administrative (F&A) costs or overhead. Cost sharing is discouraged unless specifically required in the funding opportunity.

The assigned Research Services Coordinator (RSC) will be responsible for completing the budget guided by input from the PI and will answer specific questions about which costs are allowable. For further details on the roles and responsibilities of building a budget see Build a Proposals: Step 6 and the 2015 RMS Service Partnership Agreement.

Following are the primary considerations for building a budget:

Standard Budget Components:

- Direct Costs by Category (based on NIH budget categories)
- Indirect Costs aka Facilities & Administrative (F&A) Costs

Unallowable Costs

Budget Justification

Direct Costs by Category (based on NIH budget categories)

Direct costs can be identified specifically with a particular sponsored project or can be directly assigned to such activities relatively easily with a high degree of accuracy (§200.413).

Examples of direct cost by category:
• **Personnel** *(more information)*
  ○ Salaries and fringe benefits

• **Consultants** *(more information)*
  ○ Consulting service fees
  ○ Consulting travel reimbursements

• **Equipment** *(more information)*
  ○ Subzero freezer with unit cost of $5,000 or more

• **Supplies** *(more information)*
  ○ Cost of study animals (mice, rabbits, etc.)
  ○ Chemicals and reagents

• **Travel** *(more information)*
  ○ Cost of travel to attend conference and disseminate findings
  ○ Cost of travel to a study site

• **Patient Care Costs** *(more information)*
  ○ Cost of procedures performed on human subjects in a hospital or clinic using hospital/clinic resources

• **Alterations & Renovations** *(more information)*
  ○ Capital facilities installation to house study animals

• **Other Expenses** *(more information)*
  ○ Veterinary fees for subject animal care
  ○ Publication costs
  ○ Data Network recharge
  ○ IT Field Services (CCDSS) recharge

• **Consortium/Contractual Costs** *(more information)*
  ○ Cost of subcontract to Stanford University to design and conduct a specific aim of the project

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**Definitions of Direct Cost Budget Categories**

In order for an expense to be budgeted as a direct cost, the cost must be:

1. **Allowable**: The cost must be allowable under the terms and conditions of the sponsored award, under applicable sponsor regulations (§200.403) and under University policies.

2. **Reasonable**: The cost may be considered reasonable if the nature of the goods or services acquired, and the amount involved therefore, reflect the action that a prudent person would have taken under the circumstances prevailing at the time the decision to incur the cost was made (§200.404).

3. **Allocable**: The cost must benefit the project and be directly attributable to the project or activity being performed. The cost can only be assigned and allocated to the project(s) based on that portion of the expense that represents the direct benefit to the project (§200.405).

4. **Consistent**: Costs incurred for the same purpose in like circumstances must be treated consistently as disclosed to the University’s cognizant agency (§200.400(e) and §200.401(b)).
To develop the budget, collect the following information for each category that will apply to the budget:

**Personnel**

For all project participants involved, the salary, wages, and fringe benefits must be obtained based on the participant's level of effort devoted to the project. Include any UCSF employee involved with the project, including faculty, other academics, post-doctorates, graduate students, staff, etc. For guidance on budgeting graduate students, click here.

For each project participant, list the:

- Name (or ?To Be Named? for an unfilled position)
- University payroll title
- Current annual or monthly salary
- Number of months per year and/or percentage of effort
- Total salary requested

Please notify the assigned RSC of any special situations, including upcoming classification changes, merit increases, etc. See the NIH website for Salary Escalation Guidance and Salary Cap information.

**Note:** Every year since 1990, Congress has legislatively mandated a provision limiting the direct salary that an individual may receive under an NIH grant. For the current fiscal year, please check the NIH Salary Cap Summary. To convert the salary cap to an hourly rate, divide the cap by 2088 (average hours/year applied by payroll).

**Note:** For NIH Career Development Awards (K series), the PI's salary is capped by the individual supporting NIH IC. Budgeting best practice would be to contact the NIH IC that will be supporting the application if awarded, to obtain the current cap and their specific policies on budgeting effort, salaries and benefits for the K mechanism.

Visit Controller's Office Effort Reporting for FAQs, policies, procedures, and training.

If project personnel will not receive salary from the award, cost sharing may be required. For further guidance, visit the Controller's Office Cost Sharing page.

Fringe benefits are non-salary employee compensation (such as medical insurance) expressed as a percentage of salary. To calculate the fringe benefits, the salary requested for each individual on a proposal budget is multiplied by the applicable fringe benefit rate percentage. Visit Fringe Benefits for current rates.

**Consultants**
A consultant is an external expert who can provide special knowledge or advice. Consultant fees are generally paid only to individuals not employed by UCSF or other UC campuses.

For each consultant, specify the consultant’s name, daily rate of pay and number of days s/he will be paid. Also provide documentation to justify the pay rate.

Consortium agreement (subcontracts) vs. consulting agreement (consultant) vs service agreement (contractor).

**Equipment**

UCSF defines equipment as tangible or intangible property that can be used or consumed for more than one year, with a unit price of $5,000 or more. These items should be included as equipment in the budget and are excluded from modified total direct costs (MTDC). See Capital Equipment and Accounting on the Controller's Website for more details on policy concerning capitalization of software or fabricated equipment.

**Supplies**

Supplies are defined as expendable items costing less than $5,000. In order to be requested from a federal sponsor, supplies must be specifically related and allocable to the proposed project.

- List supplies by category (e.g., chemicals, glassware, survey forms, electronic components) with an estimated cost of each.
- Explain how proposed costs were derived. Historical pricing data can be the basis of budget estimates for ongoing projects or in cases where similar work has been performed on another project.

**Travel**

For each trip, specify:

- Purpose and destination (if known)
- Number of individuals traveling
- Mode and cost of transportation (e.g., airfare, mileage reimbursement)
- Number of days
- Per diem rate (foreign travel)

For more information, visit:

- UCSF Controller’s Office travel policies
- US Department of State foreign per diem rates by location
Patient Care Costs

If the proposal includes a study involving patients, notify your RSC immediately. NIH provides the following guidance on patient care costs:

Few budgets contain patient care expenses. However, if inpatient and/or outpatient costs are requested, the following information should be provided:

- The names of any hospitals and/or clinics and the amounts requested for each.
- If both inpatient and outpatient costs are requested, provide information for each separately.
- Provide cost breakdown, including number of days, number of patients and costs of tests/treatments.
- Justify the costs associated with standard care or research care.
  (See NIH Grants Policy Statement NIH Grants Policy Statement, Research Patient Care Costs)

Alterations and Renovations

Budgets may include essential alterations and renovations needed to convert interior space necessary to adapt an existing facility or to install equipment. Routine maintenance and repair are generally not considered alteration and renovation expenses.

?Specify the amount of the alterations or renovations

?Provide justification: Note that additional clearances and permissions may be required in order to propose alterations/renovations of existing UCSF facilities.

Other Expenses

The following costs do not fall into the budget categories defined above. Some of the costs in the list below must be budgeted per UCSF internal policy and will be applied as appropriate. Direct any questions about the allowability of certain costs, to the assigned RSC. Other direct costs may include, but are not limited to, the following:

- Data network recharge
  - DHHS Disclosure Statement
  - UCSF Budget and Resource Management - Budget Planning Assumptions
- Off-campus network
- Computing and Communication Device Support Services (CCDSS)
  - Visit IT Field Services FAQs for information and current charges
  - See Operating Guidance Memo - ITS Field Service Direct Charges on All Sponsored Awards
  - DHHS Disclosure Statement
Consortium/Contractual Costs

Many projects involve researchers at other institutions, which may require a subcontract agreement. If the proposal includes a subcontract(s), give your RSC advance notification to allow sufficient time to gather the required documentation. The PI may serve as point of contact for subcontractors.

The proposal should incorporate documentation from each subrecipient, including a complete itemized budget, budget justification, statement of work to be performed and a description of the subrecipient’s qualifications to perform that work. For more information, see the Subaward Proposal Toolkit.

Indirect Costs aka Facilities & Administration (F&A) Costs

F&A costs (also referred to as indirect or overhead costs) are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored project (§200.56, also see §200.414 for more details).

Per UCSF’s federally negotiated rate agreement, F&A is charged on the Modified Total Direct Costs or MTDC (total cost less Federally mandated exclusions - §200.68). Visit Facilities & Administrative (F&A) Rates for more information.

Federal Exclusions from F&A Costs

- Patient care
- Alterations and renovations
- Equipment
- Consortium (in excess of $25,000)
  - Note: Because the University of California is composed of ten campuses, the total cost of any subcontract to another UC campus should be excluded.
- Tuition and Fees
- Off-campus rent and related maintenance
- Scholarship and fellowships

Unallowable Costs

Unallowable costs are costs and activities that cannot be directly charged to a federal contract or grant, nor can they be included in F&A rate calculations.
See the UCSF CAS Guidelines (Appendix A, Unallowable Costs) for more information.

Budget Justification

The purpose of the budget justification is to highlight, explain and provide the rationale for each budget line item. It includes employees' project roles, tasks they will perform and the percentage of effort required. The budget justification follows the order of the detailed budget and needs to conform to the sponsor's requirements. The PI will draft the budget justification. The assigned RSC will provide template verbiage to justify institutional costs. Click here for a sample budget justification.

In general, all budget items should be fully detailed and explained in a proposal's budget justification. However, there are some exceptions, such as NIH's modular budget mechanism. Please contact your RSC for more information.

Source URL: http://osr.ucsf.edu/develop-budget