Considering All the Costs

Budgeting Proposals for Medical School Faculty

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High-level Philosophy

- Recovery of full costs of research
  - Doesn’t matter the sponsor type
- Once you know total cost, split among sources (sponsor, places within university)
- If you can’t “afford” the university portion of the project, it may not be worth doing the project…
How do I estimate the full recovery amount?

- Always put together an “internal” budget of costs
- Consider all aspects of the science
- Base it on prior history…
- You *are* proving you know how to accomplish the project
Budget Formats

Consider internal mock-up with more details than sponsor requires

- Provides internal clarification
- Creates a long-term financial map
- Serves as basis for actual budgets when awarded
- Sponsors may require you to treat costs at mandated caps when building
Sponsors may advocate only summary budgets and not detailed budgets. Does that lead to problems? Are internal budget worksheets necessary for your unit?
NIH Modular Budget – Good idea or not?

- Is there a correlation between submitting a modular proposal budget and successful funding?
- Start with statistics
- Hear from our panel…
UMMS R01 - Modular v. Categorical (# New Submit)
UMMS R01 Success - **Modular v. Categorical** (% Rate)

Source: MSGrants
UMMS R01 $ Success - **Modular v. Categorical**

![Line graph showing the success rates of UMMS R01 grants for Modular and Categorical categories from 2000 to 2009.

Source: MSGrants

- **Modular (%)**
- **Categorical (%)**

The graph illustrates the fluctuation in success rates over the years, with Modular grants generally maintaining a higher percentage compared to Categorical grants.
Modular Awards and Funded Average Direct Costs are visibly correlated....

Source: NIH
The Great Question:

Will the budget, Modular v. Categorical, affect peer review?
Costs – Under A-21

- Allocable – specifically identifiable
- Consistently Applied – like costs in like circumstances
- Allowable – is it in the budget? Sponsor guidelines specify?

Total Costs = Direct Costs + Indirect Costs
Direct Costs

A-21 Definition: Costs that can be identified with a particular sponsored project …, or directly assigned relatively easily with a high degree of accuracy.

Costs to do the sponsored project.

Examples:
- Salaries & benefits of employees working on the project
- Lab Supplies
- Travel where research findings are disseminated
- Approved equipment
- Graduate Student Tuition
Direct Costs - Unallowable on Federal Awards?

- Recognize “A-21 Sensitive”
- Be careful to NOT “Double Dip”
Building Budgets – A Basic What to Include

- Salaries/benefits
- Consultants
- Commodities
- Equipment
- Travel
- Other Direct Costs
- Indirect Costs
Effort & Salaries

- Distinctly different concepts…
  - Effort – how much time is spent on the project
  - Salary – how much is charged to the project

- The effort has to be proportionate to the Specific Aims proposed
Effort & Salaries

- $\$ for Effort = Salary Requested
- $\$ for Effort > Salary Requested
  - Cost Sharing
  - Career Award
  - Salary Cap
- $\$ for Effort < Salary Requested
NIH Salary Cap

- NIH restricts salary payment to an individual for a full time / 12 month appointment.

- *Check current legislation for levels and amounts*

- Applied on all NIH awards proportionately to appointment and effort.

- Amount over cap must be paid on an institutional fund.

Slide updated 2/12 to remove dated information.
Ways to treat Salary Caps

- Ask for full institutional base with increases (even if it exceeds cap) for all years
- Start Yr 1 at the current cap and inflate in subsequent budget periods
- Keep at the cap across all budget periods

Regardless of method, be consistent!
When would you use/agree to a salary cap?

- It is required
- Sponsor has a capped award amount
- Submitting to feds without a detail budget
- Someone else is submitting the project and they used the cap method for others in the budget
Where salary goes, fringes follow

Components:
- FICA
- Retirement
- Disability insurance
- Worker’s compensation
- Life insurance
- Unemployment insurance
- Health insurance
- Defined contributions
As a Real Cost

- Staff benefits in post award are charged to sponsored project accounts on a real cost (actual) basis
  - Different salary recoveries have variable charge rates
  - Real cost can be determined by a Benefits Table for the institution
As an Estimator

- An *estimator* is often used, based on some average percentage of salaries committed to the project

- Recommended estimator by campus
  - “Comfortably defendable” if questioned by sponsor as an overall campus average
Independent Consultants

The services they provide are:

- Urgently Needed
- Special
- Temporary
- Highly Technical

and...

- Cannot be performed economically or satisfactorily by University staff
Independent Consultants

Important to know and watch for:

- They are not efforted
- They perform a defined task in an allotted time
- In budgeting, make sure the relationship is understood
Equipment

- Sponsor defines equipment threshold

- Multi-part equipment may meet a sponsor’s definition
  - Connected to form one system
  - Bought on one purchase order or from multiple vendors with a fabrication account
Travel

- What can you reasonably charge a sponsor?
  - Professional Society/ Scientific Meetings
  - Visits to/from Subcontract Sites
  - Local Travel & Parking for study subjects

- Are there special requirements of the program announcement?
Commodity Needs

- Tuition for Graduate Students
- Supplies for the project
- Publications
- Phone/Fax conference costs with participants
- Space
  - Rental
  - Campus – ex. UM estimates at > $43/sq ft
Additional Commodities

- Supplies for Graduate Students or lab support
- Postage and copying
- Computers (…?)
- Animals
A side trip into Animals

- Proposals – now calculate all animal costs like any other direct cost
- Straight charge for purchases, husbandry, shipping

- It is now uncomplicated to propose and (in future) to execute
When involving Human Subjects

- What is the likelihood of completing a subject? Additional cost?
- Can expenses be prorated by visit, procedure?
- What about screen failures, dropouts?
- How long will it take to “complete” a subject?
When involving Human Subjects

- Fees – pharmacy dispensing
  - (if Federal, no IRB fees allowed)
- Upfront - advertising, pre-enrollment, recruiting
- Are you using the Clinical Pricing tool?
  - https://www.umms.med.umich.edu/crprices/
- Will you deal with fixed reimbursement?
When involving Human Subjects

- Adverse Events
  - General Rule: the sponsor should cover the cost of medical care required due to an adverse event.
Facility & Administrative Costs

A-21 Definition: Costs that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular direct activity.

Support costs to complete the sponsored project.

It is *NOT* profit … It is the cost of doing business.

Also Known As:
- Overhead
- ICR, Indirect Cost Recovery (ICR)
What are F&A in lay terms?

It is the cost of completing sponsored agreements over and above the direct costs

- Lights to see
- Water supply
- Maintenance of buildings and lab space
- Internet connections, phones
- University personnel infrastructure to support research - secretaries, central services
Rates: Which rate do you use? It depends!

- The activity performed drives the recovery

- We have a negotiated rate with the government for:
  - On-Campus Organized Research
  - Off-Campus Organized Research
  - General Academic Instruction
  - Research Training Grant
  - Other Sponsored Activity / Public Service
Rates: Which rate do you use? It depends!

- It may be based on Sponsor allowance
  - NIH K Awards: 8%
  - NIH Fellowships: 0%
  - State & Local: 20%

- Review sponsor guidelines - if silent, request recovery

- Ask for the maximum allowable
F&A (Indirect Cost) Basis

- Modified Total Direct Cost – MTDC

- For Federal Projects or Sponsors recovering federal rates or higher

- Not-for-profit we will agree if it applies to all applicants
F&A (Indirect Cost) Basis

- Our negotiated federal exclusions:
  - Sub K over $25,000
  - Equipment over $5,000
  - Patient Care
  - Tuition
  - Rent
  - Alterations & Renovations
Calculating the F&A

- Determine Basis (MTDC)
- Determine F&A Rate – what ‘activity’
- Exclude appropriate costs
- Multiply basis by the Rate

Example:

Basis is MTDC  
Activity determined as On Campus Research  
Total Direct Costs = $100,000, includes $5,000 in tuition  
MTDC = $ 95,000  
F&A = 55.5% x $95,000 = $52,725
Representing the F&A

- Broken Out
- Baked In
Future Years

- Cost out the same as the initial
- Use 3-4% inflationary factor
- Take into consideration “comings & goings”

Note added 2/12: An exception to inflationary increases – If applying for a modular budget, NIH requires all caps (salary, GSRA, and inflation) to be used when formulating the budget. Check the current NIH guidance on caps prior to pursuing inflationary increases.
Budget Justifications

- NIH Requires Budget Justification
- NSF - Optional
- Other Sponsors - Not Included in Guidelines
- We recommend that you always provide one
Budget Justifications

- Which items do you justify?
- Can you ever justify too much?
- Can you ever justify too little?
- Are there items of particular interest?
The more dollar detail you include, the more there is to nit-pick!!

There is a difference between providing enough info to get funded and too much info.
Budget Justifications - Personnel

- Include duties as well as expertise
- Look for FUTURE verbs!
Names and organizations

Describe the services to be performed

Include the number of days of anticipated consultation, the rate of compensation, travel, per diem and other related costs

Include letters from consultants confirming their roles in the project

Don’t forget consultant physicians and persons who serve on external monitoring boards or advisory committees
Budget Justifications - Equipment

- Purpose for purchase
- Necessity of purchase, for example, *unavailable within the University*
- Benefit to multiple users on the project
- Whole system use if on a fabrication account
Budget Justifications - Travel

- Provide
  - purpose and destination of each trip
  - the number of individuals for whom funds are requested

- Federal: Foreign travel
  - specifically detailed and justified
  - not combined with domestic travel

- Professional meetings should be justified as specifically tied to the proposed project
Budget Justifications – A-21 Item

- Have to be project specific
- Justify “unlike circumstances”
- But don’t say “This is project specific.” Give a reason
- Call a spade a spade!

Examples: Clerical & administrative salaries, postage, telephone rental, memberships, etc.
Anything left to Justify?

- Anything that seems to be unusual
  - To the science proposed
  - Out of market-expected cost (High or Low)
  - A benefit to the sponsor
So, where are we?

- Always think through the full cost of the Specific Aims / work statement proposed
- After identifying the full costs, determine where the funding will be “found”
- Use the budget and justification to leverage peer review, not just a compulsory exercise!
Remember the Important Points

- Let the costs you need to support your project drive the budget format
- Don’t second guess your approach
- The sponsor wants you to succeed almost as much as you do!
Who can you contact for help?

- Department Research Administrators
  - [http://med.umich.edu/medschool/grants/contacts.html](http://med.umich.edu/medschool/grants/contacts.html)

- School Grant Review & Analysis Office
  - [msgrants@umich.edu](mailto:msgrants@umich.edu) or 3-4272

- Peers and Mentors