



SUNY STARTUP
SUMMER SCHOOL

Grant Budget Basics – Managing Your Award Like A Pro



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Meet your presenter!



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Overview

- ▶ Budget Basics
- ▶ Overview of Typical Budget Elements
- ▶ Detailed Review of Budget and Budget Justification Elements
- ▶ Indirect Cost Rates
- ▶ How to scope the project/budget and common breakdown
- ▶ Company Financials and Accounting, and Audits
- ▶ Uploading and Submitting
- ▶ Common Pitfalls
- ▶ Questions

Budget Basics

- ▶ Phase 1: ~\$50,000 to \$256,000
 - ▶ To “establish the technical merit, feasibility, and commercial potential”
 - ▶ 6 -12 months (depends on agency)
- ▶ Phase II: ~\$400,000 to \$1,500,000
 - ▶ To “continue the R/R&D efforts initiated in Phase I”
 - ▶ 2 year limit
- ▶ HHS/NIH FastTrack: ~\$1,150,000
 - ▶ Combined Phase I & II application
 - ▶ To “bypass a Phase I award if they have already proved the feasibility of their technology”



Budget Basics

- ▶ Develop budget as soon as possible – Funding limits can affect your written Proposal (personnel, scope of work, consultants, etc.)
- ▶ Division of funds between small business, university partner, and outside contractors
 - ▶ SBIR: small business must spend 67%
 - ▶ STTR: small business must spend 40%, university must spend 30%
- ▶ Allowable Deviations from Budget (only certain agencies)
 - ▶ Exceeding the budget cap for specific topics. List of approved topics is available for each application round. Contact program manager for approval.
 - ▶ Deviations from budget guidelines are acceptable, but must be justified and discussed with program manager prior to submission



Overview of Typical Budget Elements

- ▶ Senior Personnel
- ▶ Other Personnel
- ▶ Fringe Benefits
- ▶ Equipment
- ▶ Travel Expenses
- ▶ Foreign Travel Expenses
- ▶ Participant Support Costs
- ▶ Materials and Supplies
- ▶ Publication/Documentation Costs
- ▶ Consultant Services
- ▶ Computer Services
- ▶ Subawards
- ▶ Other
- ▶ Indirect Costs
- ▶ Fee

- ▶ **Each agency has its own particular budget elements and associated rules, so always check the solicitation and guide!**



Review of Budget Elements (1)

- ▶ **Senior Personnel** – Individuals with critical expertise who are employed at the proposing company. Broad range of \$/hr. Calculate using person-months
 - ▶ *Justification example:* Dr. Jane Smith, Chief Technical Officer, will work two person-months on the project at an hourly rate of \$48/hr. 2 months × 173.33hrs/month × \$48/hr = \$16,640
- ▶ **Other Personnel** – Employed at proposing company
- ▶ Use Bureau of Labor Statistics (BLS) Code in your region for hourly rate. State/Metro area
<https://www.bls.gov/bls/blswage.htm>
- ▶ **Fringe Benefits** – Only allot funds here if you have established accounting practices. Otherwise, should be included as part of indirect costs.



Review of Budget Elements (2)

- ▶ **Equipment** – Item of property more than \$5,000 and an expected service life of more than 1 yr. (NSF - May not be purchased in a Phase I; NIH – May purchase in Phase I – NIH also has a line item for facility rental/user fees)
 - ▶ If buying equipment you must include at least three quotes
 - ▶ Ownership (aka title to equipment) vests in the Fed Government. The Government *may* transfer title to awardee if the transfer would be more cost-effective than recovery of the property
 - ▶ Equipment should be US made
- ▶ **Travel** - Must be directly attributable to the project
 - ▶ You may not go to general scientific meetings (e.g. conferences)
 - ▶ For lodging, food and incidentals, use GSA per diem rates.
<https://www.gsa.gov/travel-resources>
- ▶ **Foreign Travel Expenses** – Not permitted generally
- ▶ **Participant Support Costs** – Not permitted in NSF Phase I. Not permitted for NIH. Likely not at all what you think it is.

Review of Budget Elements (3)

- ▶ **Materials and Supplies** – Tangible personal property costing less than \$5,000. Justification should include quantity, unit cost, and total cost
- ▶ **Publication Costs/Documentation Costs** – Not permitted for NSF Phase I proposal. Ok for NIH. Not allowable other agencies
- ▶ **Consultant Services** – Work by professionals not employed by the company. For NSF, Need letter of collaboration (stating rate, cost and activities to performed) and biosketch. For NIH, need details in justification. May not be greater than 33% of budget.
 - ▶ *Justification example:* Dr. Irene Snow will be our consultant. She will work for a total of ten days (80 hours, 8 hours per day) at the maximum consultant rate of \$600/day. Total requested costs are \$6,000. A copy of the signed commitment letter from Dr. Snow is included with this budget justification.



Review of Budget Elements (4)

- ▶ **Computer Services**
- ▶ **Subawards** – Used when a significant portion of work performed by another organization (e.g. university or research lab). Subawardee will need own separate budget and budget justification. Letter of collaboration required.
 - ▶ Intellectual property rights agreements may be required at submittal
 - ▶ START EARLY! Universities can be very slow!
 - ▶ *Justification example:* One subaward has been reached with Brown University. A signed letter of commitment from the subaward lead, Dr. Fred Johnson, is included in the proposal package. A full subaward budget and budget justification is also included with the proposal (see below). The total subaward amount is \$35,000.



Review of Budget Elements (5)

▶ Other

- ▶ Hiring a CPA for financial assessments and reports (NSF)
- ▶ Beat the Odds Boot Camp (NSF)
- ▶ Patient care and tuition remission (NIH)
- ▶ Use of single Institutional Review Board (sIRB) for multi-site human subjects research (NIH)
- ▶ Technical Assistance Program (NIH)

▶ Indirect Costs (more on this in 2 slides)

- ▶ If you do not have a negotiated indirect cost rate with a federal agency, then use safe rate if possible (50% for NSF; 40% for NIH)
 - ▶ Base of Indirect Costs is Salaries and Wages (not all direct costs) (NSF)
 - ▶ Base of Indirect Costs is Total Direct minus Equipment and other items. Check with sponsored programs office (NIH)
- ▶ For agencies that do not have a safe rate (or if you choose to not take the safe rate) require that you negotiate an indirect cost rate with that federal agency, and/or Division of Financial Advisory Services (DFAS), Division of Cost Allocation and more



Review of Budget Elements (6)

- ▶ **Fee** - Up to 7% of the total indirect and direct project costs may be requested as a fee. Intended to be consistent with normal profit margins provided to profit-making firms for R&D work.
 - ▶ For a \$225,000 project the max fee is \$14,718
 - ▶ *Justification example:* The fee is calculated as 4.43% of the total direct plus indirect costs, or \$6,370. Taking the maximum allowed fee of 7% would lead to a project budget over the \$150,000 limit for Phase I.



Indirect Cost Rate

▶ Potential included items:

- ▶ Facilities
- ▶ Utilities
- ▶ Insurance
- ▶ Legal (Not including patent)
- ▶ Accounting
- ▶ Office Supplies & Fees
(e.g. printing)
- ▶ Taxes
- ▶ Telephone/Internet
- ▶ Conferences & Travel
- ▶ Marketing
- ▶ Fringe
- ▶ Maintenance/Equipment Depreciation

▶ Potential prohibited items:

- ▶ Independent research and development
- ▶ Patent and patent related expenses (also not direct cost)
- ▶ Sales and marketing expenses
- ▶ Business development
- ▶ Manufacturing and production expenses



Tips: Budget

- ▶ Take as close to 7% fee as possible
- ▶ Ask for consultant Letters of Collaboration and quotes way ahead of time
- ▶ If using a subaward, start work way ahead of time – can take a long time for university turn-around
- ▶ Use the maximum safe rate for indirect cost (e.g. 40-50%) if possible
- ▶ Use the budget template to develop your budget! Search for & use a budget justification template. Helpful links:
 - ▶ https://grants.nih.gov/grants/ElectronicReceipt/files/Annotated_Forms_SmallBus_FO_RMS-E.pdf
 - ▶ <https://seedfund.nsf.gov/fastlane/>
- ▶ Triple check your equations
- ▶ When in doubt, get your accountant to help
- ▶ Add a safety line item to round out your budget (e.g. if you are \$58 short of the maximum award amount, add a \$58 gloves/PPE line item)
- ▶ Rounding errors



How to scope the project/budget

▶ Start with award amount:		\$225,000
▶ Subtract fee (7% of total direct and indirect, NOT of award)		-\$14,700
▶ Assume \$22.5K for PI salary (3.1 mo × 173.33 hrs/mo × ~\$42/hour)		-\$22,500
▶ Subtract \$50K for estimated indirect		-\$50,000
▶ If NSF: Assume \$2,000 for travel to awardee conference, \$10,000 for boot camp, and \$5,000 for audit	NSF:	-\$17,000
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▶ This remainder is a good budget starting point for materials, other senior personnel, more PI salary, and subcontracts	NSF:	\$120,800
	Other:	\$137,800

Agencies



Common breakdown for Phase I

▶ Personnel	25-30%
▶ Equipment	0%
▶ Travel	<1%
▶ Materials and Supplies	20-40%
▶ Subawards & Consultants	10-30%
▶ Other	NSF 7.6%, NIH 0%
▶ Indirect Costs	13%
▶ Fee	6.54%



How money is disbursed

- ▶ NSF Phase I: \$200K at start, \$25K at end
- ▶ DOD: Varies, but generally you negotiate fixed cost disbursement or monthly reimbursement
- ▶ Other agencies: Similar schedules/options
- ▶ Agency disbursement cards: Mostly optional at this point and generally not a good idea. Great if you are cash strapped but otherwise, reimbursement and accounting are more effort and there can be fees!



Can I change my budget?

- ▶ Most often, yes, with program manager approval
- ▶ General rule of thumb on direction money can move within a budget (not written in stone)



Phase I Company Financials and Accounting

- ▶ Get an accountant and, if necessary, a bookkeeper
- ▶ Get professional accounting software & track expenses. (If using Quickbooks, track Phase I using classes)
- ▶ Track overhead rates, as well, using accounting software
- ▶ Make time sheets (Must adhere to min requirements in applicable cost principles FAR.31)
- ▶ Prepare for an audit
 - ▶ NSF lets you dip into your Phase I budget to pay for some of this. Take that money!
 - ▶ You need cash in the bank!
 - ▶ Debt to asset ratio > 0.5 (assets are double debt)
 - ▶ Liquidity ratio, generally > 1 but ideally 1.5 (cash/cash equivalents/accounts receivable is double current liabilities)



Uploading and Submitting

- ▶ Budget submittal is rarely in the form of an uploaded Excel sheet. You will enter in the quantities that were input into your budget template into an online form, or a sophisticated PDF.
- ▶ Budget justification is sometimes a single PDF file which can be a combination of your:
 - ▶ written justification
 - ▶ consultant letters of collaboration
 - ▶ consultant biosketches
 - ▶ quotes for items over \$5,000
 - ▶ subaward written justification
 - ▶ and/or more solicitation specific items
- ▶ Double-check instructions for what should be included.



Common Pitfalls

- ▶ Budget does not mesh with scope and timeline
- ▶ Not getting quotes and letters of commitment in time
- ▶ Not using appropriate government rates for salary and travel
- ▶ Not getting a separate subawardee budget and budget justification
- ▶ Inputting items in incorrect line item area
- ▶ Including items that are not permitted
- ▶ Materials and supplies over \$5,000
- ▶ Calculating indirect costs incorrectly
- ▶ Calculating fee incorrectly
- ▶ Budget and budget justification do not align
- ▶ Not checking your math!

Questions?

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Thank you!

- ▶ Please answer the Zoom poll question.
- ▶ Recording will be sent tomorrow.
- ▶ Don't forget to connect with us on [LinkedIn](#).
- ▶ See you next week for

Week 4: June 22

How To Win Grants – Mastering Non-Dilutive Funding

Casey McGrath from InteliSpark

