

# The Zen of Project Design and the Tao of Budgeting

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# Direct and Indirect Costs

- Direct Costs
  - Costs specifically identified with a particular project
- Indirect Costs or Facilities and Administration
  - IDC or, increasingly, F & A
  - costs that cannot be tied specifically to a project, such as libraries, utilities, maintenance, and general administrative costs.

# Direct Costs

- Salaries and Wages
- Fringe Benefits
- Consultant Services
- Equipment
- Supplies
- Travel
- Other
  - Including tuition waivers

# Salaries and Wages

- Principal Investigator(s): Assumes responsibility for project administration
  - Project Coordinator: Usually a PhD to whom some administrative work may be delegated
- Key Faculty: People with limited but important roles
  - Course Instructors: For a course that's not taught regularly in existing curricula
- Research Assistants

# Salaries and Wages

- In your proposal, you will answer the question: What are project participants' roles and responsibilities?
  - Do the roles and responsibilities change from semester to semester or year to year? How?
- You will also address: How much time is required to satisfy these roles and responsibilities?
  - Often represented as a percent of load.

# Consultants

- When you lack sufficient expertise at home
- Roles
  - Project Evaluation (particularly when an independent evaluation is called for)
  - Project Oversight or Advisory Board membership
  - Data Analysis (such as services offered by CAPES)
  - Special Expertise

# Equipment

- Check to be certain the funder allows it
  - Generally speaking funders are not looking to upgrade your desktop computer...
- Equipment is excluded from the Indirect Cost calculation
- An individual piece of “equipment” must exceed \$5,000 in value
  - Anything less may be purchased as a “supply”

# Travel

- What schools or districts are you working with?
- Where do you need to go to collect data\*?
  - How are you going to get there?
  - How many times do you have to go?
  - How many people will be traveling with you?
- \*...or to teach classes or offer professional development or technical assistance...



# Travel

- Does the funder require you to attend an annual meeting?
- Do you need to bring people together for board meetings or other kinds of planning?
  - Can such a meeting be conducted virtually?
- Do you need to bring your consultants to town or can you meet at a conference?
- Can you request money to travel to conferences?

# Cost Accounting Standards

- General Principle: You cannot charge as direct costs, items that UF has agreed to pay for with indirect costs
- Specifically, you cannot charge the following items as direct costs
  - Administrative and clerical salaries
  - Postage, telephone, and office supplies
- Unless a CAS Exemption is obtained for...
  - Unusually high demand (e.g., postage on survey research project)
  - Administrative and clerical costs on large, complex projects
- For details, see...  
[http://www.research.ufl.edu/research/handbook/researcher\\_handbook/section4.html#RTFToC4](http://www.research.ufl.edu/research/handbook/researcher_handbook/section4.html#RTFToC4)

# Indirect Costs or F & A

- Applicable Federal IDC rate = 49%
  - For On-campus Research
  - For other rates, see:  
<http://www.research.ufl.edu/research/idcrates.html>
- Computed on the basis of either
  - Total Direct Cost or
  - Modified Total Direct Cost (Total Direct Cost minus tuition, participant support, and equipment)
- Non-profits and Foundations:
  - Subject to program guidelines or agency policy

# Total Costs

- $\text{IDC} = \text{Direct Costs} \times \text{Applicable IDC Rate}$ 
  - Or  $\text{Modified Total Direct Cost} \times \text{Applicable IDC Rate}$
- $\text{Total Costs} = \text{Total Direct Costs} + \text{IDC}$ 
  - Or  $\text{Modified Total Direct Cost} + \text{IDC}$
- Thus, for an on-campus research project with total direct costs of \$100,000
  - $\text{IDC} = \$100,000 \times 49\% = \$49,000$
  - $\text{Total Costs} = \$100,000 + \$49,000 = \$149,000$

# Modified Total Direct Cost

- For an on-campus research project, the Total Direct Costs are \$125,000
  - Assume \$25,000 is spent on equipment
- On Total Direct Cost Basis,  $IDC = \$125,000 \times 49\% = \$61,250$ 
  - Total Cost is  $\$125,000 + \$61,250 = \$186,250$
- On Modified Total Direct Cost Basis,  $IDC = (\$125,000 - \$25,000) \times 49\% = \$49,000$ 
  - Total Cost is  $\$125,000 + \$49,000 = \$174,000$

# What Happens to IDC?

- 10% return to the PI (or PIs)
  - In the previous example, that's \$4,900, provided that all direct cost is spent
- 7.5% return to the PI's home department(s)
  - About \$3,675 to the department
- 7.5% return to centers, if the proposal is submitted through a center
- The rest is returned to the College, which is used to pay DSR tax and run OER

# Direct Cost Categories: Salaries and Wages

- How salary money is used is typically determined in negotiation with your chair
- Most COE PIs use salary money in grants to cover summer or some part of it
  - 100% for 6.6 pay periods
- Generally speaking, a 1-course buy out per semester during the academic year requires 25% for 19.5 pay periods

# Salaries and Wages

- \$80,000 annual salary
  - \$4,102.56 biweekly
- 100% summer appointment for 6.6 pay periods = \$27,076.90 in salary
  - Expect no load reduction during the academic year
- A 2-course academic year buy-out (1 course per semester) =  $\$80,000 \times .25 = \$20,000$  in salary
  - Expect no summer salary



# Salaries and Wages

- What happens to the \$20,000 of salary savings?
  - It is returned to the department to cover the cost of the instructor who will teach the course you bought out of
  - Typically, there is a bonus to departments that department administrators may use at their discretion
    - If an adjunct costs \$4,000/course and your course can be taught by an adjunct
    - The department nets \$12,000
  - Thus, buy-outs can benefit both you and your department

# Salaries and Wages

- Research Assistants
  - Or Teaching or Graduate Assistants
- Going rate in the College = \$16/hour
- So a half-time RA costs:
  - $80 \text{ hours/pay period} \times .50 \times \$16 = \$640 \text{ per pay period}$
  - $\times 19.5 \text{ pay periods in the AY} = \$12,480$
  - $\times 26.1 \text{ pay periods in the calendar year} = \$16,704$

# Fringe Benefits

- Faculty: 26.3%
- Staff:
  - Exempt TEAMS/USPS: 33.3%
  - Non-Exempt TEAMS/USPS: 45.5%
- Graduate Assistants: 7.2%
- Student OPS: 1.7%

# Fringe Benefit Calculation: Faculty

- For our \$80,000/year colleague who's buying out 25% of his or her time...
- In addition to \$20,000 in salary...
  - Fringe benefits:  $26.3\% \times \$20,000 = \$5,260$
- Total cost of 25% buy out =  $\$20,000 + \$5,260 = \$25,260$

# Fringe Benefit Calculation: Research Assistant

- For our 12-month, half time RA...
- In addition to \$16,704 in salary...
  - Fringe benefits:  $\$16,704 \times 7.2\% = \$1,203$
  - Tuition Waiver: \$12,384 (for 2013-14)
- Total cost of 50% RA =  $\$16,704 + \$1,203 + \$12,384 = \$30,291$

# Why Not Quarter-time RAs?

- 25% Research Assistant incurs:
  - Salary:  $\$16/\text{hour} \times 20 \text{ hours/pay period} \times 26.1 \text{ pay periods/year} = \$8,352$
  - Fringe benefit:  $\$8,352 \times 7.2\% = \$601$
  - Tuition Waiver:  $\$12,384$
- Total Cost:  $\$8,352 + \$601 + \$12,384 = \$21,337$ ...over 2/3 the cost of 50% RA

# Annual Increases

- Budget for annual salary increases of 3%
  - Unless you can anticipate a promotion (in which case budget for 12% that year)
- Budget for annual increases in tuition waiver of 15%
- For projects with fixed budgets, in subsequent years, there will be less and less money for “discretionary” spending, as in this example...

# Years 1 and 2 Comparison

- Faculty Salary: \$20,000
    - Fringe: \$5,260
  - RA Salary: \$16,704
    - Fringe: \$1,203
    - Tuition: \$12,384
  - TOTAL = \$55,551
- Faculty Salary: \$20,600
    - Fringe: \$5,418
  - RA Salary: \$17,205
    - Fringe: \$1,239
    - Tuition: \$14,242
  - TOTAL = \$58,704



# Key Question

- With fixed annual budgets, where do you find \$3,153 in direct costs to cover salary increases?
- The more personnel heavy your project is, the more difficult this problem is to solve.

# Subcontracting

- Working with colleagues elsewhere
- Who submit to UF, a subcontract proposal
  - Scope of work
  - Budget and budget justification
- When the project is funded, a contract is drawn up and money is sent to your collaborators' institution
- IDC paid on first \$25,000 of subcontract

# Questions?



# Activities

- Locking in meeting times
- Budget Development
- A word or two About Budget Narrative
- Writing Boilerplate
  - Quality of Key Personnel
  - Adequacy of resources

# Budget Development

- Using your resource estimates from last week, the information in Brian's slides, and the budget template I sent, develop a draft project budget
  - Step 1: Personnel
    - What faculty members are involved? What % on the project? What is their annual salaries?
    - How many RAs are employed? Are they 50% time?
    - Do you plan to employ an hourly worker? How much/hour? How many hours? How many weeks?

# Budget Development

- Step 2: Excel performs fringe and tuition waiver calculations automatically
- Step 3: What additional expertise is required from consultants? Who are they? What do they charge/day? How many days will you need them?
- Steps 4 and 5: Estimate equipment and supply needs.
  - Does your funder allow equipment purchases?
  - Will you require a CAS exemption for the supplies?

# Budget Development

- Step 6: Travel See: [UF Travel REimbursement Regulations](#)
  - Is local travel required for data collection? How many participants? How many trips? Cost/trip?
  - Are you budgeting for trips to Project Directors Conferences? To present findings at conferences?
    - Where is the meeting and what does it cost to get there?
    - How many nights in the hotel? Room rate?
    - How many days per diem? What is the per diem?
    - What about incidental expenses?
      - Cab fare from the airport? Airport parking? Tips?
      - Conference registration?

# Budget Development

- Step 7: Other
  - Tuition Waivers are calculated automatically for half-time RAs
    - Caution: You may be hiring quarter-time or even three quarter-time RAs
  - Incentives for Participants
- Step 8: Calculate total direct costs and modified total direct costs
  - Indirect cost is not paid on equipment
  - Indirect cost is not paid on tuition waivers



# Budget Development

- Step 9: Indirect Costs
  - Does your agency/foundation allow indirect costs? If so, do they cap IDC rates or totals?
  - If IDC is allowed and unrestricted, what UF rate is appropriate for the work your are proposing to do?
- Step 10: Calculate Indirect Costs and Total Costs

# Budget Development

- Step 11: Repeat Steps 1-10 for year 2 and all subsequent years
  - How has your work scope changed?
  - How have your resource needs changed?
  - Remember that:
    - Salaries and wages are increased by 3%
    - Tuition waivers must be increased by 15%

# Budget Narrative

- Use the same headings in the budget narrative that you used in the budget
- Explain how each of your estimates was obtained
  - Personnel: % effort, annual salaries
    - % effort must be commensurate with the scope of the work involved
    - Annual salaries are fixed (i.e., you cannot pay yourself more on a grant than you would be paid otherwise)

# Budget Narrative

- Fringe benefit rates are set by the university
- Consultant fees
  - Effort must be commensurate with the scope of the work involved
  - Consultant sets daily fee
- Equipment: Take advantage of educational discounts (i.e., don't simply list retail costs; UF probably gets it cheaper)
- Supplies: Use catalog from your department's vendor

# Budget Narrative

- Travel
  - Local travel
    - Explain the need (e.g., data collection)
    - Explain how you estimated costs, including pertinent UF regulations regarding travel reimbursement
  - Out-of-town trips
    - Explain why you're going where you're going
    - Explain how you estimated costs, including pertinent UF regulations regarding travel reimbursement
- Other
  - Tuition Waivers are set and required by UF

# Budget Narrative

- Participant Incentives
  - Explain the need
  - Explain the costs
- Indirect Cost Rates are set by the University
- In all subsequent years, be sure to explain
  - How the work scope changes
  - That UF's Division of Sponsored Research requires that salaries be increased by 3%
  - That DSR requires that tuition waivers be increased by 15%

# Adequacy of Resources

- Take a look at the IES proposal posted on the course website!
- Smith & Daunic



# With apologies to Smith & Daunic

The University of Florida, College of Education (COE), founded in 1906, ranks 22nd among public institutions in the elite Association of American Universities. Innovative research and scholarship that enhance school improvement, student achievement, and leadership development in various education disciplines are college hallmarks. The college enrolls more than 1,900 students in graduate degree programs offered within three academic units: Special Education, School Psychology, and Early Childhood Studies; Human Development and Organizational Studies in Education; and Teaching and Learning. Four of the college's academic programs are nationally ranked: counselor education (No. 2), special education (No. 4), elementary education (No. 12), and curriculum and instruction (No. 22). The proposed project will be conducted under the auspices of the COE Office of Educational Research (OER), which will offer resources including space, technical support, and administrative and budgetary support. Currently, COE faculty manage over \$23 million in funded projects. The Education Library in the COE holds over 125,000 books and maintains subscriptions to more than 700 journals. An online computer catalog allows access to materials from other campus libraries, and libraries around the state...



# Quality of Project Personnel

- Quality of the personnel who will carry out the proposed project, including
  - relevant training and experience of *key project personnel*;
  - qualifications, including relevant training and experience, of *project consultants or subcontractors*
  - **See sample proposals on the course website**

# For Next Time...

- Due:
  - Adequacy of Resources (1 page or more)
    - This may be borrowed or original
    - <http://education.ufl.edu/educational-research/writing-a-proposal/boiler-plates/>
  - Quality of Key Personnel (1 page or more)
    - You and any other named personnel (e.g., Jenni and Christine should include Dr. David Therriault)
    - Gather curriculum vitae