

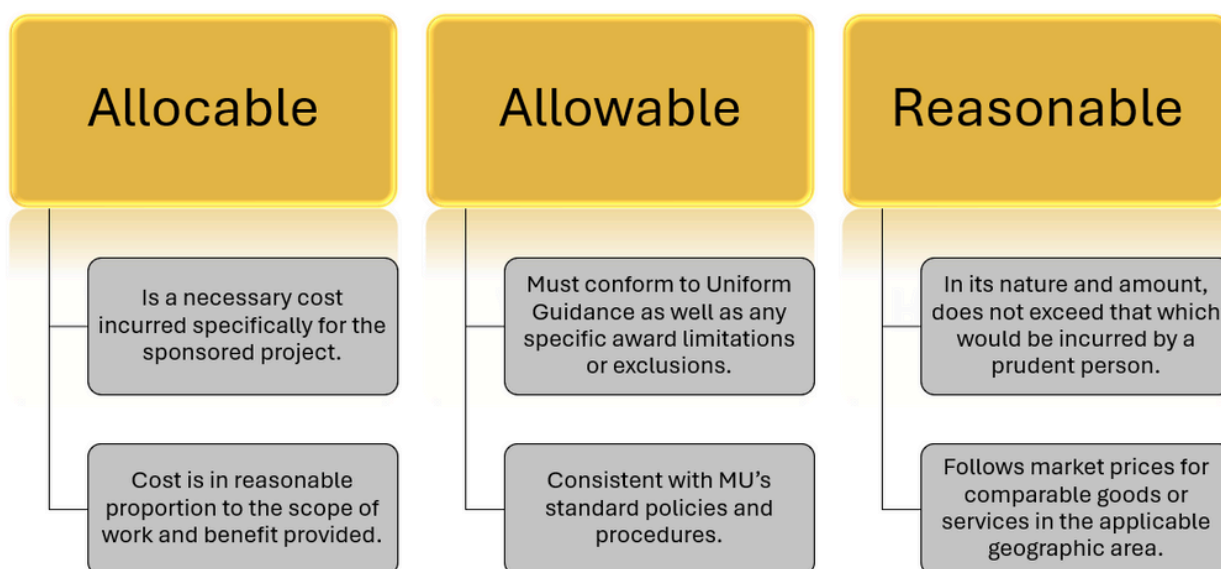
Budget Considerations

*A Guide for Faculty & Principal Investigators at MU Extension
Developing Grants & Contracts Budgets*

A **sponsored project** is a project in which activities are funded by an entity outside the University of Missouri (MU) for a specific purpose. **Sponsored projects can dramatically expand the resource base from which we deliver MU Extension's mission.** A key component to obtaining and managing external funding is through developing a detailed budget. A project budget, and the corresponding budget narrative, is an essential way to provide the funder with an overview of your project's goals and to demonstrate that MU is capable of executing the proposed scope of work.



Having a detailed budget demonstrates thoughtful planning and increases the likelihood of securing funding. It reassures sponsors that a well-prepared strategy is in place and that all funds will be managed responsibly. As stewards of financial resources, we must have accountability and integrity by ensuring every expense is **allocable, allowable & reasonable.**



As you develop a budget, consider the [University of Missouri's](#) policies, the sponsor's specific funding guidelines, as well as [Uniform Guidance](#). It is crucial to read a Notice of Funding Opportunity (NOFO) in its entirety as understanding a sponsor's programmatic priorities will influence how a budget is built.

The budget section of the guidelines will typically include relevant cost considerations such as maximum budget allowability and unallowable costs. Each sponsor, and even specific program solicitations by the same sponsor, may have unique restrictions.

Examples of Unallowable Costs

Examples of costs that are unallowable on all sponsored projects per [Uniform Guidance](#):

- Alcoholic Beverages
- Alumni Activities
- Contributions and donations from the recipient to other entities
- Entertainment and prizes without a specific and direct programmatic purpose

Examples of costs that could be restricted or limited by a specific solicitation include:

- Indirect (either restricted entirely or reduced to a lower percentage)
- Graduate Research Student Tuition
- Broad categories (ex: personnel not to exceed 10% of overall budget)
- Certain types of travel, such as professional development conferences

A sponsor will notice an inflated budget and will likely exclude your proposal from consideration if this is suspected. On the other hand, we shouldn't undersell our work! The University of Missouri has many assets that set our capabilities apart, and these benefits do cost money.

Ensure budget estimates are calculated with the highest possible accuracy, giving equal care to neither overestimate nor underestimate costs.

Most budgets include the below categories to organize major areas of funding. Many of the items or rates mentioned below can be found on MU's [Grant Fact Sheet](#). When possible, avoid budgeting cents by rounding to the nearest dollar unless otherwise requested by the sponsor.



Budget Categories

Personnel



Salary: Effort reflects the estimated time an individual will spend on a project and is included for all relevant personnel when the available funding allows. The total person months included should be appropriate for the proposed work.

Effort represents the portion of time an individual will spend on one specific project. Full-time capacity equates to 100% effort and is based on 40 hours of work per week.

Here are three ways to show the same effort for an individual with a 12-month appointment working on a 12-month project:



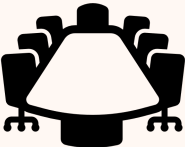

25% Effort

3.0 Calendar Months

10 Hours per Week

Graduate Student costs include stipends, tuition support, and medical insurance. These rates are determined based on the applicable graduate school's policies in conjunction with the sponsoring agency regulations.

Fringe Benefits: Fringe benefits for full-time personnel are based on MU's federally negotiated rates by fiscal year. Only FICA, at the rate of 7.65%, is needed if part-time.

<p>Travel</p> 	<p>Travel is often a necessary part of completing a sponsored project’s scope of work. Examples include driving to farms to collect samples, presenting at a community event, or contributing to a conference. Budget considerations for travel typically include mileage reimbursement, meal per diems, lodging, airfare, etc.</p> <p>For overnight travel within the United States (other than Missouri), meals will be reimbursed on a per diem basis according to rates published by the Governmental Services Administration for the travel destination.</p>
<p>Supplies</p> 	<p>Supplies are another common budget category for most sponsored projects. Examples include folders and notepads to hand out at meetings, laptops or adapters for new hires, materials and signage to host a required event, etc. Any supplies that must be purchased or replaced in order to execute a specific scope of work should be included in the budget. However, general office supplies such as toner, staplers and pens cannot always be included as these items are often used for a variety of projects and are departmental needs regardless of a specific grant or contract (these are considered indirect expenses).</p> <p>Equipment is defined as individual items with a single unit value of \$10,000 or greater and an estimated useful life of more than one year. These costs are typically budgeted separately as they are not subject to indirect and are occasionally prohibited by a sponsor’s published guidelines.</p>
<p>Other</p> 	<p>Department Operating costs may include, but are not limited to:</p> <p>Rent/Lease is distinguished as all rental and maintenance of off-site activities for leased space that is utilized for at least a one month duration.</p> <p>Collaborators provide expertise or services that are vital to completing a project’s scope of work. These partners are typically categorized as either Consultants or Subcontracts; determining the appropriate classification is vital at the proposal stage as it impacts the indirect calculation and also determines the level of budget details and other documentation required from our collaborator. Detailed explanations in regards to distinguishing differences can be found below.</p> <p>Presentation/Conferences include costs such as short term venue rental, meals or refreshments to be provided, speaker fees, audio-visual equipment, etc.</p> <p>Marketing/Communications expenses may include producing content such as shooting and editing video footage, creating and maintaining a website, etc.</p>
<p>Indirect</p> 	<p>Indirect costs are costs incurred for a common or joint purpose benefitting more than one cost objective, and are not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved.</p> <p>Indirect Costs at higher education institutions are infrastructure costs of the University needed to support the programs of the institution. Examples include building depreciation, maintenance costs, the cost of electricity and heat, accounting services, personnel services, departmental and human subject administration, etc.</p>



Indirect

Project types and specific solicitations require different indirect cost calculations. MU's federally negotiated indirect rates are applied to a Modified Total Direct Cost (MTDC) base unless the sponsor or funding source imposes a published restriction. When such a restriction exists, indirect costs are calculated using the method that results in a lower indirect amount.

Indirect Types

TFA (Total Funds Awarded) - All project costs, including both direct and indirect. This may be referred to in other ways, such as Total Contract Budget.

TDC (Total Direct Costs) - All direct project costs.

MTDC (Modified Total Direct Costs) All direct project costs, minus the following:

- Capital expenditures (buildings, significant renovations, etc.).
- Items of equipment with a value of \$10,000 or greater and useful life of more than one year.
- Tuition remission and fees.
- The portion of each individual sub-award (subcontract) in excess of \$50,000.
- Hospitalization and other fees (patient care costs) associated with patient care.
- Rental/maintenance of off-site activities (leased space utilized for >1 month).
- Student support costs (e.g., student aid, stipends, scholarships, fellowships).
- Animal care costs paid as a per diem based on Office of Animal Resources (OAR) rate.
- Participant support costs (in connection with conferences or training projects).
- IRB Fees

Budget Examples

10% TFA Indirect		10% TDC Indirect		10% MTDC Indirect	
Salary	\$ 50,000.00	Salary	\$ 50,000.00	Salary	\$ 50,000.00
Fringe	\$ 15,000.00	Fringe	\$ 15,000.00	Fringe	\$ 15,000.00
Travel	\$ 10,000.00	Travel	\$ 10,000.00	Travel	\$ 10,000.00
Supplies	\$ 20,000.00	Supplies	\$ 20,000.00	Supplies	\$ 20,000.00
Rent	\$ 5,000.00	Rent	\$ 5,000.00	Rent	\$ 5,000.00
Total Direct Costs	\$100,000.00	Total Direct Costs	\$100,000.00	Total Direct Costs	\$100,000.00
Modified Total Direct	\$ 95,000.00	Modified Total Direct	\$ 95,000.00	Modified Total Direct	\$ 95,000.00
Indirect (10% TFA)	\$ 11,110.00	Indirect (10% TDC)	\$ 10,000.00	Indirect (10% MTDC)	\$ 9,500.00
Grand Total	\$111,110.00	Grand Total	\$110,000.00	Grand Total	\$109,500.00

In each of the above budget examples, rent costs are excluded from the MTDC base, although this exclusion only impacts indirect in the third example.

Calculation conversion for the **10% TFA** restriction shown in the first example above.

- $0.10 / 0.90 = .1111$
- $\$100,000 * 11.11\% = \$11,110$
- $\$100,000 + \$11,110 = \$111,110$

Calculate the restricted rate as well as MU's applicable rate to determine the lesser cost. An example based on the direct costs above:

- 30% TFA = \$42,857
- 30% MTDC = \$28,500



Budget Narrative

A budget narrative is your opportunity to show the funder how your budget supports the project goals by providing detailed calculations and written explanations to justify cost estimates. Minimally, each category should include a subtotal; the level of additional detail included will be determined by the sponsor's specific requirements and/or page limitations.



It is essential that the budget narrative and project narrative present a cohesive story; each document should reflect the same overall objectives. The budget narrative should be laid out cleanly and address any potential questions that may arise from the budget figures alone. Careful attention should be paid to consistent terminology, accurate calculations and concise descriptions.

Budget Narrative Example

Travel	Year 1			Year 2			Total
	Rate	Quantity	Total	Rate	Quantity	Total	Travel
Mileage	\$ 0.700	3500	\$ 2,450.00	\$ 0.700	1,550	\$ 1,085.00	\$ 3,535.00
Per Diem	\$ 63.00	0	\$ -	\$ 63.00	15	\$ 945.00	\$ 945.00
Hotel	\$ 160.00	0	\$ -	\$ 160.00	10	\$ 1,600.00	\$ 1,600.00
Airfare	\$ 500.00	0	\$ -	\$ 540.00	5	\$ 2,700.00	\$ 2,700.00
Total Travel			\$ 2,450.00			\$ 6,330.00	\$ 8,780.00

Travel in Year 1 will support the project-related field work conducted by the PI and Co-PIs. All five key personnel will drive to farms across the state of Missouri to collect samples and discuss local issues. Mileage is estimated at 700 miles per person at the rate of \$0.70/mile for a total of \$2,450.

Travel in Year 2 will support attendance at a three-day conference for all five key personnel to contribute in presenting project findings. Sharing results at this national venue will maximize the project's impact for farmers across the United States. Travel costs include mileage to and from the airport (310 miles at \$0.70/mile per person), roundtrip airfare for five participants (\$540/person), per diem meals (\$63/day for three days per person) and lodging (\$160/night per person). The total travel cost in Year 2 is \$6,330.

The total estimated travel cost for both years of the project is \$8,780.

Significant fluctuations between project periods or budget categories often warrant additional explanation. For instance, higher year two travel costs in the above example is explained by the dissemination of results. A comprehensive budget narrative may include a cost breakdown by line item (e.g., mileage for three personnel, per diem for two days) as well as general programmatic rationale (e.g., four presentations and one conference).

Ultimately, the budget narrative should closely correspond to the provided budget's format and will reinforce the overall vision and feasibility of the proposed project.



Clarifications

<p>Match (Cost Share)</p>	<p><u>Definition</u></p> <p>Match is a specified commitment to the project in addition to what the primary sponsor is covering.</p> <p>Only included when it is mandatory to receive an award; it will not exceed the sponsor's requirement.</p> <p>All match must be fully approved by the appropriate directors prior to a proposal submission.</p>	<p><u>Sources & Types</u></p> <ul style="list-style-type: none"> ● Cash match: Funds that will be spent and documented as expenditures. ● In-Kind: Non-monetary contributions such as donated space or volunteer hours. ● University match: Match provided by MU. Can be in the form of cash and/or in-kind. ● Third party: Match provided by an organization other than MU. Can be in the form of cash and/or in-kind.
<p>Indirect (F&A)</p>	<p><u>Definition</u></p> <p>Expenses that support MU's ability to obtain and manage external funding but cannot be included as a direct cost to any one particular project.</p> <p>Indirect is also referred to as Facilities & Administrative Costs, or F&A.</p>	<p><u>Applicable Rates</u></p> <p>MU has federally negotiated indirect rates for different project types. Extension typically utilizes the on-campus 'Other Sponsored Activity' (OSA) rate of 30% MTDC. However, MU will honor published restrictions and use a reduced rate when applicable.</p>
<p>Effort vs Shared Credit</p>	<p><u>Effort</u></p> <p>Reflects the estimated amount of time an individual will spend on a project and is included in the budget for all relevant personnel.</p>	<p><u>Shared Credit</u></p> <p>Reflects intellectual contribution and shared responsibility for executing a project. Typically only allocated to the PI and internal key personnel and is <u>not</u> reflected in the budget.</p>
<p>Consultant vs Subcontract</p>	<p><u>Consultants</u></p> <ul style="list-style-type: none"> ● Specific hourly/daily rate. ● Operates in a competitive, for-profit environment. ● Provides similar goods or services within its normal business operations to many different purchasers. ● Has a minor contribution to the overall project. ● Activities are performed by an unidentified personnel. 	<p><u>Subcontractors</u></p> <ul style="list-style-type: none"> ● Partnership will be identified to the sponsor as having a key role on the project. ● The work performed will be unique to the project, designed specifically to enhance the research goals and outcomes of the primary project. ● The organization may have publishing rights to their portion of the activities performed. ● Requires additional documentation.



Final Considerations

Proposal and budget development require time. Early notification to the Extension pre-award team enables stronger support with documentation and compliance. Although future budget revisions are often possible, the initial budget usually determines the award amount and later changes may required sponsor approval, so proposal accuracy is critical.

The Extension Pre-Award team is here to help interpret guidance, verify calculations, advise on potential costs, complete required templates/portal forms, and more!

Extension Resources

[Extension Grant Process](#) - Additional budget considerations, internal budget templates, timeline information, county grant administration considerations, etc.

[Grant Resources](#) – Resource documents, templates, overviews, boilerplate language, decision trees, etc.

[Finding Funding](#) - Guide to assist faculty in finding potential funding opportunities.

[Grant Activity and Reports](#) - Grant data (proposals & awards) by Program Area for the previous Fiscal Year.

Other Resources

[Uniform Guidance](#) - A Code of Federal Regulations by the Office of Management and Budget (OMB).

[Grant Fact Sheet](#) – Commonly requested University information including organizational contacts and budget rates.

[The Connector](#) - Provides consulting and connections to enhance outreach and research success.

[Research Training](#) - Self-paced professional development recordings and resources.



Contact Information

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Still have questions or not sure where to start? Reach out to the Extension Pre-Award team!