



TUTORIAL 25

Completing the Budget Justification Form

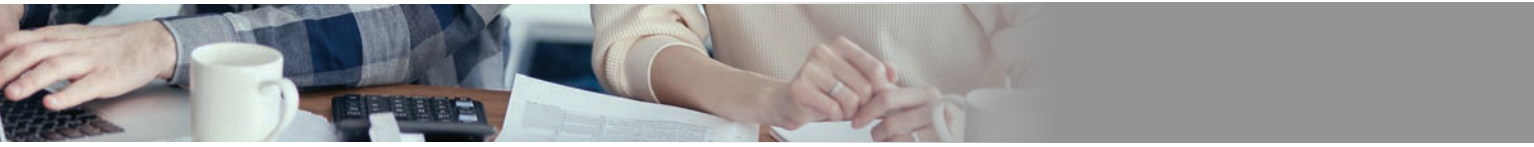
The Budget Justification Form is an important and mandatory document and is not something that you can complete quickly. As you first scan this form, you will frequently see the request to provide the “basis for the cost estimate.” This means that DOE wants you to identify, itemize, estimate, and justify all of your costs, so be sure to attach any supporting documentation with this form. If an element of the budget justification form is not applicable, it’s best to insert the phrase Not applicable or N/A, rather than just leaving that section blank. Also be sure that the cost figures that you provide in the Budget Justification form are consistent with those in your proposed budget pages. There are five major sections in the Budget Justification form: (1) Personnel, (2) Equipment, (3) Travel, (4) Other Direct Costs and (5) Indirect Costs.

PERSONNEL SECTION

Start by completing the Personnel section first. You are asked to Identify each position or “Role in the Project” to be supported under the proposed award. This includes the name of the Principal Investigator and other Key Personnel. You are expected to identify by name and job title those individuals within your organization who will be supporting the program as Key personnel. If “other personnel” are not yet hired, identify the intended labor category (for example, Sr. Electrical Engineer).

The Budget Justification Form contains a Disclaimer which states that although the information that is requested is required. The actual template is a sample.

Next, briefly justify the need for each individual. If your budget includes any proposed labor that is primarily administrative or managerial in nature, particular effort should be made to justify this inclusion, as these positions are not customarily proposed or recorded as



A work year typically contains 2,080 hours. To calculate the hourly rate, divide the annual salary by 2,080 hours. If you are not sure what an acceptable hourly rate is, use the Bureau of Labor Statistics to find the average labor rate for hundreds of job titles, by geographic location.

direct labor charges. Typically, administrative and/or managerial roles are part of a company's indirect rate. However, the Principal Investigator can include his or her effort to manage the program in the direct labor budget. Producing reports typically falls within direct labor, unless administrative help is required.

Next, you are asked to state the number of hours to be expended, and the hourly labor rate for each position proposed. Don't overthink this. A work year typically contains 2,080 hours. To determine the hourly rate you take the base salary and divide that by 2,080 – This will give you the hourly rate. If people work part time and are paid on an hourly basis, then you have what you need. In addition you will need to estimate the number of hours each person will work. Be sure that the information that you place in the budget justification form aligns with yet another required form, the SF424 budget form.

In the Personnel section, you will also be asked to identify the basis for the labor rate(s) and to explain why these rates are reasonable in consideration of education, skills, experience, and geographic location. Please note it is insufficient to merely state that the proposed compensation is an individual's actual salary. An excellent resource commonly used to determine a fair labor rate is data accessed through the [Bureau of Labor Statistics](#) which provides the average labor rate for hundreds of job titles, based on geographic location.

The Personnel section concludes with a question regarding fringe benefits – The form states If separately proposed, indicate the basis for the rate used or the computation applied, including the types of benefits to be provided. If the rate or computation protocol used has been approved by a Federal agency already, provide a copy of the agreement.

EQUIPMENT

After Personnel, the next section in the Budget Justification Form is Equipment which is defined as an article of tangible, nonexpendable, personal property,

including exempt property, charged directly to the award, having a useful life of more than one year and an acquisition cost of \$5,000 per unit or more. Items of equipment to be leased or purchased must be described and justified in this section. The Title to equipment purchased under this award lies with the government. However, it may be transferred to the grantee where such transfer would be more cost effective than recovery of the property by the government. Make it a point to suggest you only need the equipment for this project and any potential follow-on Phase II work.

You are then asked to briefly itemize and justify the need for each item of equipment to be purchased. Be sure to provide the basis for the cost estimates such as vendor quotes, catalog prices, invoices, past experience purchasing similar or like items, and attach any written vendor quotes, catalog pages, etc., supporting the proposed cost.

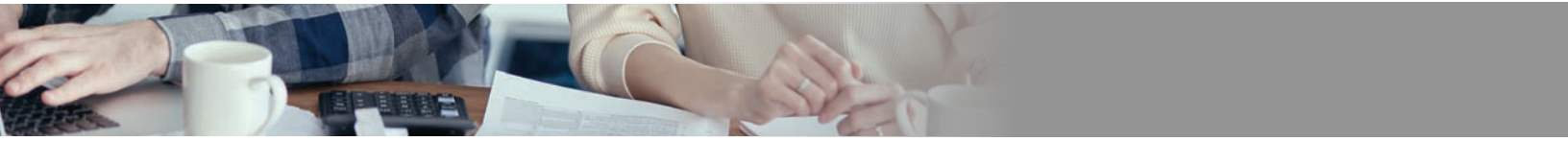
TRAVEL

The next section is Travel – It's customary to use the Federal Travel Regulations (FTR) found on the GSA website to determine per diem rates for lodging, meals and incidentals for a specific geographic location. These should be used when determining travel costs. Airfare should be estimated at the lowest available price. It's relatively easy to get both airline quotes and rental car quotes. You may also consider adding in personal mileage (using GSA rates), airport and hotel parking, and other fees.

OTHER DIRECT COSTS

The next section is "Other Direct Costs" which contains numerous subheadings – with the first being, Materials and Supplies. It's best practice to develop a Bill of Material (BOM) file, or listing of all materials and supplies needed for the project.

Also, under "Other Direct Costs" is **Publication Costs** – Here you should itemize publication cost estimates by type/nature of expense. Provide the basis for cost



Be sure to allow sufficient time to gather all the information required for the budget justification.

estimates or computations (e.g., vendor quotes, prior purchase of similar or like items, etc.). Remember that if you are going to publish in a journal article you will need to review the criteria for Data Management Plans.

The next Other Direct Cost is **Consultant Services** – As defined at FAR 31.205-22, consultant services (i.e. professional services) as those services by persons who are members of a particular profession or possess a special skill that the contractor does not possess internally. You are asked to Identify the individual/firm proposed and the professional services to be provided. Provide a brief justification for the use of the party selected. State the number of hours to be devoted to the project, and the hourly rate to be charged to this award. Consultant documentation should include a signed letter from the consultant confirming his/her agreement to perform the labor hours proposed, at the payment rate listed, and should provide verification that this rate is consistent with, or more favorable than, recent billings for similar work, e.g., copies of paid invoices.

ADP/Computer Services or IT is considered another potential Direct Cost. IT costs are commonly provided as an administrative cost and are part of the indirect rate pools. However, under certain circumstances, advanced computing services may be required from a specialized source. The guidelines again make it apparent that you need to provide vendor quotes, or relevant information from prior purchase of similar or like services, etc..

This brings us to another Direct Cost category called **Subawards/Consortium/Contractual Costs** (Including Research Institutions and any Other Subcontractors. Subawards are distinguished from consultants in that they include more than just “professional services.” A subaward may involve a number of specialized services plus testing, inspection, or fabrication. Your STTR partner would be considered a Subaward. The five sections under Subawards ask you to describe, quantify and justify the need for this support.

Describe the support and/or the services to be acquired and provide a brief justification for the use of the research institution or other subcontractor selected. State the amounts of time to be devoted to the project, and the costs that will be charged to this award. A budget and budget support documentation, formatted in the same or similar manner as your own, must be obtained from the research institution or other subcontractors. Submit the research institution or other subcontractor documentation together with your written review comments confirming your determination of the reasonableness and acceptability of each element of the proposed budget.

Be aware that there are special pricing approval rules involving the use of DOE National Labs on an SBIR/STTR award and this should be discussed with the Laboratories contracting officer several weeks in advance of your proposal submission.

The last Other Direct cost category is **Equipment or Facility Rental/User Fees**.

As noted this is for rental or user fees of specialized equipment or facilities. Briefly itemize and justify the need for each item of equipment or facility to be rented or otherwise utilized. Indicate the estimated unit cost (rent or user fee) for each item of equipment or facility. Provide the basis for the cost estimates (e.g., vendor quotes, catalog prices, invoices, past experience with similar or like items or facilities, etc.). Attach any written vendor quotes, catalog pages, etc., supporting the proposed cost. Other List items by major type and provide justification for the proposed cost (e.g., vendor quotes, prior purchase of similar or like items, etc.).

In this podcast we have provided an overview of four of the five major categories in the Budget Justification Form. We have not discussed the last category – indirect costs. In order to address this topic adequately, it is addressed in a separate tutorial.

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