STANDARD OPERATING PROCEDURE (SOP)
UW Oshkosh Office of Sponsored Programs

SOP Number: 26	**OSP Contact Information**
Effective Date: 12/16/2020	
Last Reviewed: 03/21/2022	Business Hours: 8:00 a.m. to 4:30 p.m., Monday-Friday (excluding holidays).
Title: **NIH Modular Budgets**	Main: 920-424-3215
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I.   Overview:

The following procedure provides guidance on how to build an appropriate NIH modular budget that is compliant with NIH guidance. This procedure will provide a review of the criteria required by NIH to submit a modular budget, how a modular budget differs from the standard NIH detailed budget, and how to appropriately build a modular budget for your grant proposal.

Some NIH application packages include two budget forms:
   a. R&R Budget Form (i.e. detail budget)
   b. PHS 398 Modular Budget Form

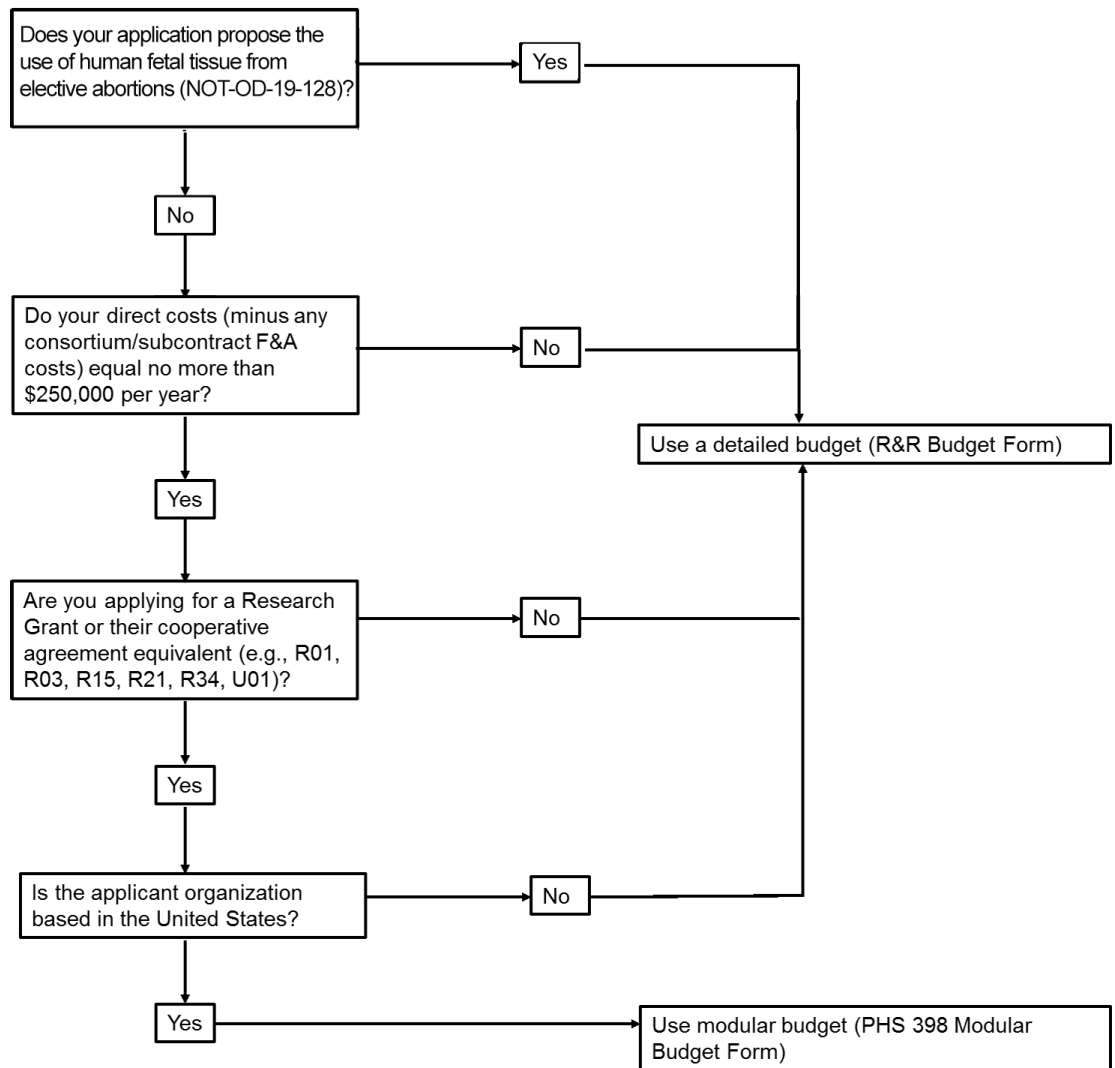Applicants must only include one budget form in their application, not both

II.   Applicability:

This procedure applies to any NIH grant application (SF 424 R&R Application Form) that meets all of the following criteria:

1. U.S. applicant (domestic) institution is submitting a new, renewal, resubmission, or revision (competing supplement) application.

2. Requesting $250,000 or less in annual direct costs, excluding facilities and administrative (indirect) costs.

3. Applying for any of the following grants or their cooperative agreement equivalent whether investigator-initiated or in response to a program announcement or request for applications:
    a. Research project grant (R01/U01)
    b. Small grant (R03)
    c. Exploratory/developmental research grant (R21/UH2)
    d. Clinical trial planning grant (R34/U34)
    e. Academic Research Enhancement Award (R15)
        i. Note: The R15 solicitation allows a maximum of $300,000 in direct costs for the project period. The R15 budget period is three years but is reported within one year. As a result, the modular budget form can only be used if total project direct costs are less than $250,000.

Applicants submitting an application that meets all of the criteria listed above must proceed with developing a modular budget rather than a detail budget, however, the Funding Opportunity Announcement (FOA) for the specific application package should be reviewed for additional guidance on which budget form to use.

To determine whether to use a detailed versus modular budget for your NIH proposal, see the flowchart below, provided by NIH at https://grants.nih.gov/grants/how-to-apply-application-guide/format-and-write/develop-your-budget.htm#modular :

The PHS 398 Modular Budget form can be found at the link provided in Section V. Templates/Forms below.

III.   Procedure:

General:
1. Modular budgets are simplified, therefore, detailed categorical information is not submitted with the application
    a. UW Oshkosh process is to collect detailed budget information during the pre-award phase. The detailed information is saved in the project file for use during award setup and in times of audit. The Pre-award Administrator will use the detailed budget as guidance when building the modular budget and will convert the detailed budget information to modular format prior to application submission.
2. Modular budgets request total direct costs in modules of $25,000. A typical modular grant budget will request the same number of modules in each budget period. There will be no future year escalations.
3. Provide an additional narrative budget justification (under the "Additional Narrative Justification") for any variation in the number of modules requested in subsequent years.

a. For example, if funds are set aside for consultants in the final project year, provide a justification in the "Additional Justification" section of the budget narrative.
4. Modular budget format is not accepted for:
   a. SBIR and STTR grant applications
   b. Applications from foreign (non-U.S.) institutions
   c. Applications that propose the use of human fetal tissue
5. NIH does not have a policy on salary escalation submitted in the application. NIH advises applicants to request the actual costs needed for the budget period and to request cost escalations only if the escalation is consistent with institutional policy.

Using the Modular Budget Form:

A visual of the NIH Modular Budget Form can be found here: https://grants.nih.gov/grants/how-to-apply-application-guide/forms-e/general/resources/images/newforms2017/newformpdfs2017/g320_modularbudget_2017.pdf
1. Direct Costs Less Consortium Indirect
   a. Enter the amount of direct costs for UWO but do not include actual consortium indirect costs.
   b. This amount must be presented in $25,000 increments and may not exceed $250,000 in a budget period (any given year).
   c. Subtract any consortium F&A from the Total Direct Costs and then round to the nearest $25,000 increment.
2. Consortium Indirect:
   a. If the application includes a subaward or consortium, enter the actual consortium indirect costs for the budget period. Leave blank if no consortium or subaward is included
3. Total Direct Costs
   a. This field will auto-populate
4. Indirect Cost-Type
   a. Enter the type of indirect cost. Type for UW Oshkosh is currently Modified Total Direct Costs (MTDC). See MTDC definition below.
   b. If more than one rate or base is involved for a given type of indirect cost then list them as separate entities
5. Indirect Cost-Rate (%):
   a. Indicate the most recent indirect cost rate assigned by your cognizant federal agency.
6. Indirect Cost-Base ($):
   a. Enter the funds requested for each indirect cost type. The indirect cost base is the summation of all costs that are allowable for use in your base
7. Funds Requested ($)
   a. Enter the funds requested for each indirect cost type
8. Cognizant Agency
   a. Enter the name of the cognizant Federal Agency and the name and phone number of the individual responsible for negotiating your rate.
9. Indirect Cost Rate Agreement Date:
   a. Enter the date of your negotiated rate agreement date.

Budget Justification:

The modular budget justification is different than a standard detailed budget justification. The modular budget justification includes three sections. Each section is uploaded as a separate PDF file at the bottom of the PHS 398 Modular Budget form:

1. **Personnel Justification:**
   a. List all personnel, including names, percent effort (use Person Months metric), and roles on the project. Do not provide individual salary information

b. The salaries of administrative, secretarial and clerical staff are typically included as part of indirect costs. Examples of direct charging these costs, under certain situations, can be found at 45 CFR 75.403. Inclusion of such costs may be appropriate only if all the following criteria are met:
  i. Administrative or clerical services are integral to the project
  ii. Individuals involved can be specifically identified with the project or activity
  iii. Such costs are explicitly included in the budget or have prior written approval of the federal awarding agency; and
  iv. The costs are not also recovered as indirect costs
c. Provide justification of Personnel here, including any requests to direct charge administrative, secretarial or clerical costs. For each person identified with this role, provide: percent effort, role, and justification how they meet all four criteria.

2. **Consortium Justification**
   a. Provide an estimate of total consortium/subaward costs (direct plus indirect costs) for each budget period, rounded to the nearest $1,000.
   b. List the individuals and organizations with whom consortium or contractual arrangements have been made and indicate whether the collaborating institution is foreign or domestic
   c. List all personnel, including names, percent effort (using Person Months metric) and roles on the project.
   d. Do not provide individual salary information

3. **Additional Narrative Justification**
   a. The Additional Narrative Justification is not needed in applications with direct costs spread evenly across all budget periods. If the modules vary between budget periods then this section is required.
   b. Quotes may be included here
   c. Describe any direct costs that were excluded from the total direct costs (equipment, tuition remission) and any work being conducted off-site, especially if it involves a foreign study site or an off-site indirect cost rate.

IV. **Guidance Documents/Policy Links**

1. Research Instructions for NIH and Other PHS Agencies
2. 45 CFR 75.403: Factors affecting allowability of costs
3. NIAID's "Create a Budget": https://www.niaid.nih.gov/grants-contracts/create-budget 🔗
4. NIGMS's "Tips for New NIH Grant Applicants": http://www.nigms.nih.gov/Research/Application/Pages/Tips.aspx 🔗
5. NIMH's "Common Mistakes in Writing Applications": http://www.nimh.nih.gov/funding/grant-writing-and-application-process/common-mistakes-in-writing-applications.shtml 🔗
6. FIC's "Frequently Asked Questions" (especially relevant to applications that involve foreign components): http://www.fic.nih.gov/Grants/Pages/Frequently-Asked-Questions.aspx

V. **Templates/Forms**
   a. PHS 398 Modular Budget Form
      Note: This form must be completely downloaded to your computer. Once downloaded, you can open and view the document. Standard federal forms are not viewable unless downloaded.

VI. **Definitions**
1. **Direct Cost**: Direct costs are those costs that can be identified specifically with a particular sponsored project, or that can be directly assigned to such activity relatively easily with a high degree of accuracy. Direct cost must be reasonable, allocable, treated consistently with other similar costs incurred in similar circumstances, and be allowable.

2. **Indirect Cost (FAR Part 31.2):** Any cost not directly identified with a single, final cost objective, but identified with two or more final cost objectives or an intermediate cost objective. It is not subject to treatment as a direct cost. After direct costs have been determined and charged directly to the contract or other work, indirect costs are those remaining to be allocated to the several cost objectives. An indirect cost shall not be allocated to a final cost objective if other costs incurred for the same purpose in like circumstances have been included as a direct cost of that or any other final cost objective.

   In simpler terms, indirect costs are those costs not readily identified with a specific project or organizational activity but incurred for the joint benefit of both projects and other activities. Indirect costs are usually grouped into common pools and charged to benefiting objectives through an allocation process/indirect cost rate.

3. **Modified Total Direct Cost (MTDC), (2 CRF 200.68):** *MTDC* means all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first $25,000 of each subaward (regardless of the period of performance of the subawards under the award). MTDC excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each subaward in excess of $25,000. Other items may only be excluded when necessary to avoid a serious inequity in the distribution of indirect costs, and with the approval of the cognizant agency for indirect costs.

4. **Person Months:** A person month is the metric for expressing the effort (amount of time) principal investigators (PIs), faculty and other senior personnel devote to a specific project. To calculate person months, multiply the percentage of your effort associated with the project times the number of months of your appointment.

   For example:
   25% of a 9 month academic year appointment equals 2.25 (AY) person months (9 x 0.25= 2.25)

VII. **Contact Information:** For questions or comments please contact OSP@uwosh.edu or 920-424-3215

VIII. **Revision History**:
   Created: 12/10/2020
   Revised: 12/16/2020; 03/21/2022