

DEVELOPING AN EVALUATION BUDGET ESTIMATE

The budget estimate should provide a detailed picture of the resources needed to conduct the evaluation and the anticipated costs of these resources and other expenses related to conducting the evaluation. Specifically, the total estimated cost should include the total costs for Direct and Indirect Labor, Other Direct Costs (ODC), Indirect Costs, and fees, applicable to the proposed evaluation.

There are four standard budget templates which have been included to aid with the development of an accurate and reasonable budget. Please adjust the budget templates to suit your project needs. Provided are general guidelines to help in the preparation of an evaluation budget estimate. An example of an evaluation budget is presented at the end of this appendix. The figures used in the example are for illustrative purposes only.

Contact the contracting officer of your Institute or Center (IC) for information on specific cost estimates. The contact list of contracting officers is available at: http://oamp.od.nih.gov/AcquisitionOffices/OA_Customer.asp.

Which Standard Budget Template to Use

Budget Template 1:

Use this template when your Direct Labor rates are loaded with Fringe Benefits. The Direct Labor costs will consist of Direct Labor rates plus Fringe Benefits. Additionally, travel costs are for local travel (e.g., parking, gas mileage) within the Washington, D.C. metropolitan area, not requiring lodging or meals and incidentals.

Budget Template 2:

Use this template when your Direct Labor rates are NOT loaded with Fringe Benefits. This template requires you to break out the Fringe Benefits calculated as a percentage of Direct Labor Costs. The Fringe Benefits will be listed on the template under Indirect Labor Costs. Additionally, travel costs are required to be broken out by individual trips and should capture relevant costs such as transportation, lodging and meals and incidentals as applicable. If the services of Consultants and/or Subcontractors are utilized, the hourly rate and estimated work hours should be entered under Other Direct Labor Costs.

Budget Template 3:

Use this template when the proposed project is divided into multiple tasks or time periods. Additional columns can be inserted for more tasks and periods. The Direct Labor rates are NOT loaded with Fringe Benefits. This template requires the user to break out the Fringe Benefits calculated as a percentage of Direct Labor Costs. The Fringe Benefits will be listed on the template under Indirect Labor Costs. Additionally, travel costs are required to be broken out by individual trips and should capture relevant costs such as transportation, lodging and meals and incidentals as applicable. If the services of Consultants and/or Subcontractors are utilized, the hourly rate and estimated work hours should be entered under Other Direct Labor Costs.

Budget Template 4:

Use this template when the proposed project is divided into multiple time periods and the hourly rate for the direct labor changes yearly. Additional columns can be inserted for more time periods. Additionally, the Direct Labor rates are NOT loaded with Fringe Benefits. This template requires the user to break out the Fringe Benefits calculated as a percentage of Direct Labor Costs. The Fringe Benefits will be listed on the template under Indirect Labor Costs. Moreover, travel costs are required to be broken out by individual trips and should capture the relevant costs such as transportation, lodging and meals and incidentals as applicable. If the services of Consultants and/or Subcontractors are utilized, the hourly rate and estimated work hours should be entered under Other Direct Labor Costs.

The four templates can be found on page 4.

Guidelines to assist with the Preparation of the Various Cost Components of the Budget Estimate

Estimating Direct Labor Costs

A contractor is an individual or a firm hired to perform evaluation activities as described in the contract. Direct Labor Cost is the cost of salaries and wages paid to the individual or contracting firm for the services specified in the contract. The process for calculating the Direct Labor Cost is as follows:

- Identify the skills needed to complete the evaluation and how many resources with those skills would be needed. For example, do you need one evaluator, one statistician, and one editor?
- Determine their hourly rate by dividing each labor category's estimated annual salary by **2080 hours**.
- Determine the total number of hours required for each labor category. The product of hourly rate and total number of hours would determine your Direct Labor Cost.

The Direct Labor rates used could be loaded with Indirect Labor Costs such as Fringe Benefits. In this case, the Direct Labor Costs will consist of Direct Labor rates plus Fringe Benefits. Fringe Benefits are provided to employees of the contracting firm, which include paid vacations, sick leave and other benefits.

When Direct Labor rates are not loaded with Fringe Benefits, the cost of Fringe Benefits must be calculated separately (see **Estimating Indirect Costs** below).

To estimate Direct Labor Costs, it may be helpful to review the budgets for other projects of similar purpose and scope, and/or check the GSA schedules for commonly used contracting firms to obtain an average Direct Labor rate for a labor category. (For GSA schedules, visit <http://www.gsaelibrary.gsa.gov/ElibMain/home.do> and search by the firm's name.)

In the Budget Justification Worksheet (see page 4), specify the tasks that will be carried out by each of the labor categories that are included in the Direct Labor Costs.

Estimating Other Direct Costs

Other Direct Costs (ODCs) are charges in direct support of the project. These include but are not limited to miscellaneous supplies and materials, travel costs, honorarium, etc.

- **Miscellaneous supplies and materials** are minor incidental expenses incurred during the course of the evaluation project. They consist of consumable materials and supplies such as postage expense, photocopy cost, or delivery services, just to name a few.
- **Travel costs** are costs incurred as part of the planning and implementation of the evaluation project. These costs include site visits, expert panel reviews, local or out of area events. To develop the cost estimate for travel costs
 - Determine the number of events, number of days for each event and the number of people required to attend each of these events.
 - Calculate the cost estimate for each event based on expected cost of travel, per diem and lodging. For information about travel rates, please check the GSA per-diem website at <http://www.gsa.gov/portal/category/21287>.
 - The product of the cost estimates, number of days and number of people will provide the total cost of each travel.

- An *Honorarium* is an ex gratia payment made to a person for their services in a volunteer capacity or for services for which fees are not traditionally required. If included, provide a justification for the honorarium and the proposed per-person amount in the Budget Justification Worksheet.

Estimating Indirect Costs

- *Indirect Labor Costs* consist of Fringe Benefits provided to employees of the contracting firm, which include paid vacations, sick leave and other benefits. The product of Direct Labor Cost and Fringe Benefit rate will determine your Indirect Labor Cost. The range for Fringe Benefits rate is 25% - 30%. If the Fringe Benefit rate is above 30%, provide an explanation in the Budget Justification Worksheet.
- *Other Indirect Costs (OIC)* consists of General and Administrative (G&A) Costs which is stated as a fixed percentage of total Labor costs (direct, indirect and other direct) and total Other Direct Costs. G&A include executive administrative costs and general infrastructure costs. The range for G&A is 5% -15%. If the G&A rate is above 15%, provide an explanation in the Budget Justification Worksheet.

Estimating Other Direct Labor Costs

- *Consultant*: A consultant is an individual retained to provide professional advice or services for a fee but usually not as an employee of the contracting firm hired to conduct the evaluation. A consultant is hired to provide expert professional advice or service required to accomplish the specific contract objectives. A consultant is usually compensated at an hourly rate higher than the employees of the contracting firm conducting the evaluation. List specific tasks to be carried out by the consultant in the Budget Justification Worksheet.
- *Subcontractor*: A subcontractor is hired by the prime contractor to perform a specific task as part of the overall project. If significant costs will be incurred by using subcontractors to perform specific tasks, a cost estimate for each subcontract should be developed. Subcontracts may be necessary if the evaluation involves specialized skills and capabilities that are not available from the organization conducting the study. For example, a subcontractor might be used for analysis of patient data. In most cases, the estimate for subcontract costs is listed in the budget as a lump-sum amount. List specific tasks to be carried out by the subcontractor in the Budget Justification Worksheet.

Estimating the Fee

The fee (or profit) in an evaluation budget estimate is the dollar amount over the allowable costs which will be paid to the organization for conducting the evaluation. The complexity of the task, the level of risk to the organization performing the work, and other factors determine the fee. The fee is stated as a fixed percentage of total costs, i.e., a sum of Direct and Indirect Labor costs, Other Direct Costs, Other Indirect Costs and Other Direct Labor costs (consultants and subcontractors). The range for fee is 5%-8%. If the fee is above 8%, provide an explanation in the Budget Justification Worksheet and attach supporting documentation to the application.

Choosing the Appropriate Budget Template for Your Project

	Template 1*	Template 2	Template 3	Template 4
	 Budget_Template 1 12-17-13.xls	 Budget_Template 2 12-17-13.xls	 Budget_Template 3 12-17-13.xls	 Budget_Template 4 12-17-13.xls
Direct labor rates include fringe benefits; project may include local travel (within the Washington, D.C. metropolitan area, not requiring lodging or meals and incidentals)	X			
Direct labor rates do not include fringe benefits		X	X	X
Project requires out-of-area travel and travel costs are broken out by individual trips		X	X	X
Project requires the services of consultant(s) and/or subcontractor(s) (Other Direct Labor Costs)		X	X	X
Project is divided up into multiple tasks or time periods, and <i>hourly rate for Direct Labor stays the same for each task/period</i>			X	
Project is divided into multiple time periods, and <i>hourly rate for Direct Labor changes for each period</i>				X

Complete the Budget Justification Worksheet and submit it with your budget template. In the application, list both documents in Section 5.1 (“Required Appendices”) and submit them as separate attachments.



Budget Justification
Worksheet 1-14-14.d

*If your project’s direct labor rates include fringe benefits, but your project requires out-of-area travel and/or the services of consultant(s)/subcontractor(s), you should use Template 2. This template allows you to break down travel costs and/or include consultant/contractor costs. Since the direct labor rates include fringe benefits, enter “0” for *Fringe Benefits (% of DL)* on the template.

NOTE:

There are some costs that are unallowable and cannot be included in the budget estimates. A list of those unallowable costs is on the OAMP website at

<http://oamp.od.nih.gov/dfas/unallowables.asp>

Example of an Evaluation Budget (Budget Template 2)

Below is a sample budget for an Evaluation Set-Aside proposal. The figures provided in this example are for illustrative purposes only. Labor categories, hourly rates, and other cost estimates depend on many factors, such as the expertise needed to conduct the evaluation and the location of meetings or site visits. Contact your IC or OD contracting officer for specific cost estimates to assist you in creating a budget for your planned evaluation.

Evaluation Budget					
<u>Direct Labor (DL) Costs</u>					
	<i>Labor Category</i>	<i>Hourly Rate</i>	<i>Hours</i>	<i>Amount</i>	<i>Totals</i>
	Project Director	\$170	50	\$8,500	
	Research Associate	\$150	120	\$18,000	
	Information Specialist	\$60	100	\$6,000	
	Writer-Editor	\$50	80	\$4,000	
	Subtotal Direct Labor Costs				\$36,500
<u>Indirect Labor Costs¹</u>					
		<i>Percentage</i>			
	Fringe Benefits (% of DL)	15%		\$5,475	
	Subtotal Labor Costs (Direct + Indirect)				\$41,975
<u>Other Direct Costs (ODC)</u>					
		<i>No. of People</i>	<i>Cost</i>	<i>No. of days</i>	<i>Amount</i>
	Misc. Supplies and Materials				\$950
	Travel Costs				
	<u>Trip A - [Denver, CO]</u>				
	Transportation	4	400		\$1,600
	Lodging (per night)	4	149	3	\$1,788
	Meals and Incidentals	4	49	3	\$588
	Subtotal ODC				\$4,926
	Subtotal Labor and ODC				\$46,901
<u>Other Direct Labor Costs</u>					
		<i>Hourly Rate</i>	<i>Hours</i>	<i>Amount</i>	
	<i>Consultants</i>				
	ABC Corp. (evaluation expert)	170	50	\$8,500	
					\$8,500
	<i>Subcontractors</i>				
				\$-	
					\$-
	Subtotal				\$55,401
<u>Other Indirect Costs</u>					
		<i>Percentage</i>			
	<u>General and Administrative (G&A) Cost</u> ²				
	(% of Labor and ODC)	10%		\$5,540	
	Subtotal Labor, ODC and G&A				\$60,941
		<i>Percentage</i>			
	<u>Fee</u> ³				
	Profit (% of total cost)	8%		\$4,875	
	Subtotal Labor, ODC, G&A and Fee				\$65,816
Total Estimated Costs					\$65,816

¹The range for Fringe Benefits is 25%-30%. If the Fringe Benefit is above 30%, please provide an explanation in the Budget Justification Worksheet.

²The range for G&A is 5%-15%. If the G&A is above 15%, please provide an explanation in the Budget Justification Worksheet.

³The range for Fee is 5%-8%. If the Fee is above 8%, please provide an explanation in the Budget Justification Worksheet.