Coffee with ORPA:
Proposal Budgeting and Princeton ERA

February 22nd, 2022

Presenters:
Kyle Burkhardt
Courtney Kohut
Paula Looney
Agenda

› Budgeting: A 15 minute Refresher
› Additional Budgets on Projects in Princeton ERA
› Non-Standard Budget Periods in Princeton ERA
› Quiz
› Q&A
BUDGETING:
A 15-MINUTE REFRESHER

Paula Looney
What is a budget?

- The financial expression of the project/scope of work
- Budgets are good faith estimates, reflecting due diligence at the time the budget was developed
- Using University budgeting/costing policies, procedures and rates, such as:
  - F&A Rate Agreement
  - Benefits Rate
  - Graduate Student Rates
  - Institutional Allowance
  - Escalation Rates
- Budgeting information can be found on the ORPA website under Institutional Information and on our posted rate sheet.
- Incorporating federal regulations (e.g., the Uniform Guidance), sponsor policies, solicitation terms, caps and/or guidance
Building a budget

- Familiarize yourself with the institutional costing rates/procedures
- Read the funding call and familiarize yourself with the sponsor and program requirements
- Communicate with the Principal Investigator on the budget needs to perform the Scope of Work (SoW)
  - Personnel-related costs (often make up the majority of the budget)
  - Nonpersonnel-related costs
- Understand any line item or direct/total cost funding limits
- Know the start date and budget periods
Costs that make up a budget

Direct
- Persons Months (salary does not equal effort!)
  - Postdocs
  - Students
  - PIs/Faculty
- Materials and Supplies
- Equipment
- Consultants (domestic and foreign)
- Tuition
- Travel
- Other

Indirect
- Organized Research On-Campus (62%)
- Organized Research Off-Campus (26%)
- OSA
- Sponsor Requirements (e.g., published policies on F&A)
- MTDC vs. TDC
- Waiver Requests
Budgeting – What is the base?

» Modified Total Direct Costs
  » **MTDC**: Per the University’s F&A rate agreement with the government, rate includes all direct costs except fellowship stipends, participant support costs, equipment over $5,000, subaward costs over the first $25,000 (for each subaward), renovation costs.
  » Excludes tuition and fees until AY/FY23, when tuition will no longer be budgeted or charged

» Total Direct Costs
  » **TDC**: Rate applies to all budget items and should be used when sponsor does not allow the **federally negotiated rate** (i.e., many/most nonprofit sponsors)
  » Sponsor solicitations with IDC caps and requirements must be uploaded into the Princeton ERA record
Cost-Reimbursable vs. Firm Fixed Price

Cost-Reimbursable
- Budgets are based off planned costs, including direct and indirect
- The University’s preferred reimbursement method
- Invoices are submitted based on actual costs
- No-cost extensions are requested as needed to complete project aims
- Residual balances are returned to the sponsor

Firm Fixed Price
- Budgets are based off planned costs, including direct and indirect
- Financial risk related to meeting milestone deliverables (PI/Unit assumes risk)
- Invoices are tied directly to technical performance/deliverable milestones
- These should be expensed in the same manner as cost reimbursable projects
- No-cost extensions are requested as needed to complete project aims
- Policy on residual balances
- We used to see very few of these, but now we are seeing more
Stipend/Tuition Changes – AY/FY23

- Tuition will no longer be budgeted on G0001 and G0002 projects
- Assistantship in Research (AR) stipend will increase from $31,720 to $40,000
- New stipend rate step increases go into effect for AY/FY23
  - Summer $8,000
  - One month = $4,000
- The current post-FY23 stipend inflator assumption is 3%
Stipend/Tuition Changes

Accepted Awards
- Stipend rate step increases go into effect for AY/FY23
- No tuition charges on G0001/G0002 projects in AY/FY23
- Utilize expanded authority as applicable
- Sponsor notices/re-budgets to be completed as necessary (project specific)

Incoming Awards
- Stipend rate step increases go into effect for AY/FY23
- No tuition charges on G0001/G0002 projects in AY/FY23
- Utilize expanded authority as applicable
- Re-budget/Relinquish at acceptance where applicable
ADDITIONAL BUDGETS ON PROJECTS IN PRINCETON ERA

Courtney Kohut
Additional Budgets

- Just like a COEUS hierarchy, multiple budgets allow for costs to be compartmentalized for one of several reasons:
  - Award has multiple PI’s
  - Fabrication(s)
  - Participant Support Costs (Required)
  - On/Off Campus Activities (Required)
  - Special projects on an award
  - Subawards
  - Sponsor requirement to financially report by project specific aims

- Sponsor will be unaware of multiple projects
Multiple PIs on an Award

A project can be setup for each faculty PI – *some lead PIs want to manage all of the funds and will not agree to separate projects*

- Each PI will receive their own chartstring
- Each department can manage their own expenses, though the lead department of the award bears overall financial responsibility for spending on the award
- Costs most likely include summer salary, student costs, post-docs, materials and supplies
- Easier to administer when each PI has their own funding
- Depending on expenses, may not be easy to split between PIs if sharing graduate students, or other costs on a project.
- Sometimes the lead PI wishes maintain overall management responsibilities and projects may be setup under the lead dept. only
Fabrications

What is a fabrication?
When a PI will be building, or fabricating a piece of equipment from smaller material and supply costs with a value of less or more than $5,000, but when permanently combined into a single unit, the total value will be over $5,000 and the unit will be treated as a capital asset.

Budget does not use standard F & A cost base and rates in ERA.

No need to journal expenses to remove IDC on charges.

No Personnel Costs (unless you are paying for glass shop charges).

Adding General Costs to your budget like materials and supplies (6456), not equipment costs (6551) (unless a piece of equipment is part of the total costs of the fabrication).

When purchases are being made, they will be M & S costs, to be charged to this non-overhead bearing chartstring.
Fabrications - continued

- Add each cost element to the fabrication budget.
- There will be no indirect costs on the entire budget.
- The PI normally is aware of what they are building and will have a name for the final item.
- Ensure this is clearly described in the budget justification under equipment.
- If the PI is fabricating something to be delivered to the sponsor, this is not a fabrication and overhead should be budgeted.
- Will be included in a sponsors budget as equipment, since this will be a single unit when completed and receive a single asset tag.
- The budget justification should refer to this as a fabrication, or build. Confirm with your PI’s that they are building something.
- If they do not end up building something, IDC will ultimately be assessed as appropriate/at closeout.
## ERA Budgets

### Working Budgets

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Office of Research and Project Administration
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Participant Support Costs

- This category requires a separate budget in ERA.
- This budget category refers to direct costs for items such as stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with NSF-sponsored conferences or training projects.
Participant Support Costs

- In ERA – you will choose the appropriate categories for this budget.
- Best to add costs to a category to ‘open’ the expense category, or you will need to request sponsor approval to re-appropriate costs.
Participant Support Costs

- Participant support costs must be accounted for separately should an award be made. (as per PAPPG)
- Project has 0% IDC on ALL COSTS
- Highly scrutinized category by Sponsors
- Moving funds out of this category requires Sponsor approval
- Moving funds into this category does not require Sponsor approval
- Should not include breakfast, coffee, training supplies, room rental, materials and supplies

- Create this project at proposal stage
- Need to easily isolate costs for sponsor reporting and compliance
- Charges will hit this chartstring directly, removing need to journal costs later
- Payments to employees are not participant support costs
- Human subject payments are not participant support costs
- Speakers and trainers generally are not considered participants and should not be included in this section of the budget
Participant Support Costs

NSF Guidance

- This section of the budget also may not be used for incentive payments to research subjects. Human subject payments should be included on line G.6. of the NSF budget under “Other Direct Costs,” and any applicable indirect costs should be calculated on the payments in accordance with the organization’s Federally negotiated indirect cost rate.

- Participant support costs must be specified, itemized, and justified in the budget justification section of the proposal.

- Sponsor normally breaks down costs between certain categories:
  - Stipends
  - Travel
  - Subsistence
  - Other
On and Off Campus Costs

- Projects that occur both on and off campus will need to have different budgets based on the off-campus policy.
- Please review the updated Princeton off-campus policy to ensure compliance.
- Depending on the budget and the percentage of total direct off-campus costs, will need to have an on (62%) and off-campus budget (26%).
- Backup regarding the calculation of on vs. off campus costs should be uploaded as an attachment (excel spreadsheet).
- If you have questions, please contact your ORPA GCA to discuss further.
On and Off Campus Costs

Grant or Contract Award (annual level) under $100,000 in Modified Total Direct Costs (MTDC): Projects of this size which are partially performed off-campus are not apportioned between their on-campus and off-campus components for F&A rate purposes; instead, either the on-campus or the off-campus rate will be used in its entirety. If 50% or more of the project’s Modified Total Direct Costs (MTDC) is to be expended on campus, the entire project is charged the on-campus F&A rate. If 50% or more of the MTDC is determined to be off campus, the entire project is charged the off-campus F&A rate.

Grant or Contract Award (annual level) of $100,000 or more in Modified Total Direct Costs (MTDC): For projects of this size which are partially performed off-campus, MTDC is apportioned between on-campus and off-campus components for F&A rate application purposes when the lesser component is 20% or more of the MTDC of the project. However, if 80% or more of the project’s MTDC is determined to be on-campus, the entire project is charged the on-campus rate. If 80% or more of the MTDC is determined to be off-campus, the entire project is charged the off-campus rate.
Special Projects on Awards

- Supplemental funding from a Sponsor may need to be separated.
- Some awards require the separation of activities for the purpose of invoicing/financial reporting.
- Providing ability for information warehouse to provide reports to PIs on their spending.
- May be other reasons that warrant separate projects for Sponsor requirements.
- REUs
- Workshop costs.
Subcontract Costs

Some awards have more than one subcontract in which isolating subcontract costs will help a PI understand how much funding Princeton has, and how much each sub has.

- Separate PI and Subaward budget costs for easy expense management if have multiple subawards
- PIs want to easily see only their own available expenses
# Subcontract Budgets

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5 items  
Page 1 of 1  

Office of Research and Project Administration
Subcontract Budgets

Subcontracts

Sponsor: NSF - National Science Foundation

PI: Courtney Kohut

Funding Proposal: CWO Testing Proposal

Grand Total: $1,833,000

Budget Type: Federal

Subaward Count: 2

Subaward

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2 items

Office of Research and Project Administration
Additional benefits of creating multiple budgets

- Awards are easier to administer
  - Each department can manage their own funds
  - Easy to see how much funding each PI has

- Projects will be setup at inception
  - Can track expenses as the award tasks progress

- Why do it at proposal stage? No budget distribution forms!
  - Save time at award setup – no back and forth, etc.
  - Some budgets are required for compliance reason, to be setup and costs separated.
Why not to add multiple budgets?

- For instances where separate projects are not required (unlike Participant Support costs and Fabrications), PI wishes to keep it simple.
- One subaward so no need to separate costs.
- No special reporting requirements by a Sponsor.
- At proposal stage, may not know whether it would be beneficial to set up separate project(s).
- Prefer to provide a budget distribution spreadsheet once details are finalized if awarded.
- Short turnaround time of proposal submission.
NON-STANDARD BUDGET PERIODS

Kyle Burkhardt
Topics

➢ What formula does Huron use to calculate salary cost?
➢ What does that look like for:
  ➢ 12 month budget periods
  ➢ Non-12 month budget periods

➢ Effort Tool
➢ Person months calculation
Effort Tool is available to help

› Tool has been updated multiple times since Princeton ERA go-live
  › Variety of approaches to “make the math work”
  › Dec 2021: uses the Huron recommended method
  › Feb 2022: updated NIH cap

› Calculates the fields you should enter into Huron

› Works for all Huron **cost calculations**
  › 12 month budget periods
  › Less than 12 month budget periods
  › More than 12 month budget periods

› There are some downstream effects for person months
Future Good News

- Huron is planning for budgeting by person months for version 10.5
- Version 10.5 anticipated release Fall 2022
- Princeton would probably upgrade to 10.5 ~Spring/Summer 2023
Need help?

› Don’t have to understand what Huron or the Effort Tool is doing
› Use the Effort Tool
  › You enter key values + the Effort Tool displays values to enter in Huron.
  › Tabs for screenshots of formulas from this presentation
› Plug and chug using the formulas presented today
› Get stuck? Email erasupport@princeton.edu
  › We’re here to help you!
The formula
Huron Salary Cost Formula

\[
\text{% Sal Req} \times \text{Base Salary} \times \left(\frac{\# \text{ budget period months}}{12}\right) = \text{Salary Cost}
\]
Salary Cost Formula

\[
\% \text{ Sal Req} \times \text{Base Salary} \times \left( \frac{\# \text{ budget period months}}{12} \right) = \text{Salary Cost}
\]

- Includes the ratio of \# budget period months divided by 12
  - AKA “The Ratio”
- 12 is the constant in this formula
12 month budget periods
12 month budget periods

\[
\text{\% Sal Req} \times \text{Base Salary} \times \left( \frac{\# \text{ budget period months}}{12} \right) = \text{Salary Cost}
\]

\[
\text{\% Sal Req} \times \text{Base Salary} \times 1 = \text{Salary Cost}
\]

\[
\text{\% Sal Req} \times \text{Base Salary} = \text{Salary Cost}
\]
12 month budget periods:
person makes $10k/month
budget 1 month

**Formula:** % Sal Req × Base Salary × 1 = Salary Cost

**9 month appt type**

9 month salary

\[
\left(\frac{1}{9}\right) \times 90K \times 1 = 10K
\]

11.11% \( \times \) $90K \( \times \) 1 \( = \) $10K

**12 month appt type**

12 month salary

\[
\left(\frac{1}{12}\right) \times 120K \times 1 = 10K
\]

8.33% \( \times \) $120K \( \times \) 1 \( = \) $10K
12 month budget periods

- Use the “PM 12 month budget periods” tab
- Example: Want to budget 1 month
- Demo in the effort tool

- Located in the tools tile:
  https://orpa.princeton.edu/resources/princetonera
Non-12 month budget periods

~8% of all FPs have budget periods that are not 12 months
Salary Cost Formula

\[
\% \text{ Sal Req} \times \text{Base Salary} \times \left( \frac{\text{# budget period months}}{12} \right) = \text{Salary Cost}
\]

• Includes the ratio of # budget period months divided by 12
  • AKA “The Ratio”
• 12 is the only constant in this formula
Salary Cost Formula

\[ \text{Salary Cost} = \% \text{ Sal Req} \times \text{Base Salary} \times \left( \frac{\# \text{ budget period months}}{12} \right) \]

• Why does the formula include The Ratio?
• Example:
  • 18 month budget period
  • Need to budget all 18 months of a person’s salary
  • 12 month salary is $100K
  • 100% is the maximum %Sal Req in Huron
  • $100K x (18/12) = Salary Cost
  • $100K \times 1.5 = $150K
Two guiding principles for non-12 month budget periods:

1. % Sal Req is a % of the budget period, **not** the appt type
2. The base salary **must** be annualized

▶ There are downstream side effects related to person months
1. % sal req is a % of the budget period, not the appt type

\[
\left( \frac{\text{\# person months budgeted}}{\text{\# budget period months}} \right) \times 100 = \% \text{ Sal Req}
\]

Example:
- Want to budget 1 person month
- Budget period is 3 months
- Calculation is $1/3 \times 100 = 33.33\%$
2. The base salary **must** be annualized

\[
\left( \frac{\text{Base salary amt}}{\# \text{ of months in base salary}} \right) \times 12 = \text{annualized base salary}
\]

Example:
- 9 month base salary is $90K
  - \((\frac{\$90K}{9}) \times 12 = \text{annualized base salary}\)
  - \$10K \times 12 = \$120K

The Ratio is the reason the base salary must be annualized because the constant in the ratio is 12.
To be more specific...

For non-12 month budget periods

\[
\left(\frac{\text{\# person months budgeted}}{\text{\# budget period months}}\right) \times \text{Annualized Base Salary} \times \left(\frac{\text{\# budget period months}}{12}\right) = \text{Salary Cost}
\]
Budget period is less than 12 months

*Example: 3 months*
3 month budget period

\[
\left( \frac{\text{# person months budgeted}}{\text{# budget period months}} \right) \times \left( \frac{\text{# budget period months}}{12} \right) \times \text{Annualized Base Salary} = \text{Salary Cost}
\]

3 month budget period
9 month appt type
Salary is $10k a month
Budgeting 1 month
Must use annualized salary
% Sal Req is a % of the budget period

\[
\frac{1}{3} \times \frac{3}{12} \times \$120K = \text{Salary Cost}
\]

33.33% \times 0.25 \times \$120K = \$10K
3 month budget period

\[
\left( \frac{\text{# person months budgeted}}{\text{# budget period months}} \right) \times \left( \frac{\text{# budget period months}}{12} \right) \times \text{Annualized Base Salary} = \text{Salary Cost}
\]

3 month budget period
9 month appt type
Salary is $10k a month
Budgeting 1 month
Must use annualized salary
% Sal Req is a % of the budget period

\[
\frac{1}{3} \times \frac{3}{12} \times $120k = $10k
\]
3 month budget period

▷ Use the “PM non-12 month budget periods” tab
▷ Example: Want to budget 1 month
▷ Demo in the effort tool
Budget period is more than 12 months

*Example: 18 months*
18 month budget period

\[
\left( \frac{\text{# person months budgeted}}{\text{# budget period months}} \right) \times \left( \frac{\text{# budget period months}}{12} \right) \times \text{Annualized Base Salary} = \text{Salary Cost}
\]

18 month budget period
9 month appt type
Salary is $10k a month
Budgeting 1 month
Must use annualized salary
% Sal Req is a % of the budget period

\[
\frac{1}{18} \times \frac{18}{12} \times \$120K = \text{salary cost}
\]

\[
5.55\% \times 1.5 \times \$120K = \$10K
\]
18 month budget period

\[
\left( \frac{\text{# person months budgeted}}{\text{# budget period months}} \right) \times \left( \frac{\text{# budget period months}}{12} \right) \times \text{Annualized Base Salary} = \text{Salary Cost}
\]
18 month budget period

› Use the “PM non-12 month budget periods” tab
› Example: Want to budget 1 month
› *Demo in the effort tool*
Non-12 month budget periods: 
*downstream effects*
Number of Person Months Calculation

- **SF424:**
  - % sal req \(\times\) appointment type

- **IW pending section of C+P:**
  - % effort \(\times\) appointment type

- The Ratio is NOT currently included in this calculation
12 month budget periods: Budgeting 1 month

**Formula:** \( \% \text{ sal req} \times \text{ appointment type} \)

The Ratio is NOT currently included in this calculation

**9 month appt type**

9 month base salary

\[
11.11\% \times 9 \text{ months} = 1 \text{ month}
\]

\[
\left(\frac{1}{9}\right) \times 9 \text{ months} = 1 \text{ month}
\]

**12 month appt type**

12 month base salary

\[
8.33\% \times 12 \text{ months} = 1 \text{ month}
\]

\[
\left(\frac{1}{12}\right) \times 12 \text{ months} = 1 \text{ month}
\]

No downstream effects: Person months is correct.
Non-12 month budget periods:
Budgeting 1 month

<table>
<thead>
<tr>
<th>3 month budget period</th>
<th>18 month budget period</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Formula:</strong> % sal req x appointment type</td>
<td></td>
</tr>
<tr>
<td>The Ratio is NOT currently included in this calculation</td>
<td></td>
</tr>
<tr>
<td>33.33% ( \times ) 12 = # person months</td>
<td></td>
</tr>
<tr>
<td>1/3 ( \times ) 12 = 4 person months</td>
<td></td>
</tr>
<tr>
<td>5.55% ( \times ) 12 = # person months</td>
<td></td>
</tr>
<tr>
<td>1/18 ( \times ) 12 = 0.66 person month</td>
<td></td>
</tr>
</tbody>
</table>

**Downstream effects:** Person months is incorrect.
Downstream effects of the Huron method
For non-12 month budget periods

The SF424 will be wrong for person months

- Huron doesn’t include The Ratio in the PM calc
- You can manually correct the SF424

If the person has a 9 month appt type, their SF424 base salary will be wrong

- It will display the annualized salary
- You can manually correct the SF424

After updates are made to the C&P calculation, the pending section of the C&P will have the correct person months for new proposals going forward

All proposals that had non-12 month budget periods from the past will continue to have the wrong person months on the pending section of the C&P, because we weren’t using the Huron method.
Need help?

- Don’t have to understand what Huron or the Effort Tool is doing
- Use the effort tool
  - You enter key values + the Tool displays values to enter in Huron.
  - Tabs for screenshots of formulas from this presentation
- Plug and chug using the formulas presented today
- Get stuck? Email erasupport@princeton.edu
  - We’re here to help you!