



## Preparing Industry Budgets ...

---

Iowa State and our industry partners think about budgets very differently. Industry evaluates the total cost and the value proposition while our budgets include line items to meet our accounting standards. We also approach facilities & administrative costs (F&A) very differently. For Iowa State, F&A is part of the total cost of research. The allowed rate is negotiated with the federal government. Most companies manage their F&A at the executive or corporate level. The company researchers do not usually see F&A on their internal project budgets and, therefore, perceive F&A as a "tax" on the research.

The recommended way to present budgets to companies is to use a loaded budget, which mirrors the typical internal industry budget. The budget should be a value proposition – is the research worth, to the company, the amount of money proposed in the budget?

---

### Recommended/Loaded Budget (used with Industry)

Personnel	\$ 100,000
Equipment	\$ 5,000
Supplies	\$ 11,250
Travel	\$ 3,000
Other	\$ 10,500
Subcontract	\$ 3,750
<b>Total</b>	<b>\$ 133,500</b>

### Traditional Budget (used with GoldSheet)

Personnel	\$ 50,000
Benefits	\$ 15,000
Tuition	\$ 2,500
Equipment	\$ 5,000
Supplies	\$ 7,500
Travel	\$ 2,000
Other	\$ 7,000
Subcontract	\$ 2,500
F&A/Indirect	\$ 42,000
<b>Total</b>	<b>\$ 133,500</b>

Budget Justification: Personnel – one graduate student and one ½ time post-doc.  
Equipment – a new lens is needed for the microscope  
Supplies – 5,000 slides will be prepared at \$1.50/slide, plus material prep  
Travel – two people attending 1 conference, plus 2 visits to the company  
Subcontract – slide analysis by XYZ  
Other – analysis cost to buy time on supercomputer



## TIPS

### BUDGET DEVELOPMENT

- Use the Loaded Budget for industry sponsors located at <http://www.ospa.iastate.edu/forms> (Loaded BOB). It will create the loaded budget table automatically. See the first tab of the Excel workbook for instructions.
- Budget enough to accomplish the proposed project without over-budgeting (making a profit).
- Assume yours is a fixed price project. Request full payment upfront in the payment schedule and avoid a big lump sum payment at the end.
  - Sketch out the budget before agreeing on a ballpark figure with the company.
  - Include F&A in estimates (loaded, not broken out) from the beginning. When the initial budget only shows direct costs, companies often get sticker shock after F&A is factored in and the bottom line increases significantly.
- For a cost reimbursable project, Iowa State will be paid what is actually spent on the project, up to the budgeted amount. An accurate budget gives the company confidence in your ability to manage a project.
- Forecast travel expenses to include those times that you are going to have face-to-face meetings with the company.

### OTHER CONSIDERATIONS

- The company should pay the full cost of the research, including F&A. If the company wants to reduce the project cost, discuss how to modify the scope of work to fit the company's budget.
  - Iowa State is required by federal mandate to not charge the federal government more for a project than we would charge any other sponsors.
  - It is important to understand that if we were to charge industry less, we would be putting Iowa State's federal funding at risk.
  - Iowa State can occasionally waive some costs, but that is the exception rather than the rule. These decisions are made at the discretion of the PI's college and the VPR's office.
-