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Popular With Industry, 'Milestone' Budgets May Result in Greater Risk

By Theresa Defino

As government funding becomes more difficult to obtain and institutions look to increase their sponsorship portfolio to include more industry support, it becomes crucial to employ budgeting strategies that will ensure universities and their researchers are protected, financially and otherwise.

Sharpening contracting skills was the purpose behind a recently concluded webinar series offered by the University-Industry Demonstration Partnership (UIDP). The final segment, on budgeting strategies for industry agreements, was the 10th in the set.

During this session, Jarrett Ellis, senior associate with the Georgia Tech Research Corporation, was joined by Austin Kozman, research and development director with External Innovations at PepsiCo Inc. The rise of "milestone" contracts and the need for universities to implement consistent budgeting strategies across all projects, regardless of funding sources, were among the themes in the discussion.

According to the program announcer, Kozman is "charged with identifying research and developing emerging novel technologies in both food and beverage processing and packaging." He also has 20 years' experience as a thermal engineer,three U.S. and three U.K. patents, and six pending U.S. applications.

Ellis' position is with the contracting arm of Georgia Tech, where he "leads negotiations for complex industry-sponsored research agreements [and] manages strategic relationships with enterprise-level sponsors and supervisors, industry contracts for administration and support."

Detailed Budgets Useful to Both Sides

Developing contracts with industry will require the university to follow its usual framework for budgets as much as possible, and legal requirements, but to also understand "the interplay between what the university is accountable for with respect to budget preparation and what the company wishes to see," said Ellis.

He pointed out that institutions, under the Uniform Guidance,[1] are required to have their "budgeting practices be consistent with the university's accounting practices." This means, said Ellis, that "budgeting principles are applied consistently across the entire research enterprise, making it very difficult for a university to sustain variable approaches to budgeting."

How to account for both employed investigators and students who might work on the project is an area of focus in contracting. This can be more easily handled if "fully burdened" budgets that show indirect and direct costs are prepared and utilized, said Ellis, adding, "From the university's perspective, it makes sense to always go with a detailed budget."

While Kozman said "the sum total at the end is the same, and that's ultimately what we care about," for PepsiCo, "seeing the detailed budget is helpful."

This may be more useful "when...multiple research programs are being run by a single department or looking at different legs of the program," said Kozman. He said PepsiCo officials often ask, internally, "what is the overhead, how much is allocated to time and how much is fringe benefits—things of that nature. So, definitely having those details, whether it's presented in the proposal or whether it's known in the background...normally we do like to have the detailed budgets."

These are also important when "we break it out by milestone," Kozman said.

When PepsiCo is "evaluating purchase orders and statements of work, we need greater specificity to be able to ensure compliance," Kozman said.