Proposal Budget Basics
BUDGET DEVELOPMENT

- Include both direct and F&A costs
- Should be detailed
- Include only allowable costs
- If required, include matching or cost-sharing (cost sharing should only be included if required by the Program Announcement)
- If Sponsor will not allow F&A or will only allow a lower F&A rate than NU’s, this is not considered a Waiver or Reduction of F&A
COST ELEMENTS

Direct Costs:

Costs that can be identified specifically with a particular sponsored project, an instructional activity, or any other institutional activity; or that can be directly assigned to such activities relatively easily with a high degree of accuracy.
COST ELEMENTS (cont.)

Examples of Direct Costs:

Salary of Researcher (including FB)
Laboratory Supplies
Animal Care Costs
Travel
Research Assistants
Computers???????
Salaries and Wages

Academic Year Salary Recovery – course buy-out
Summer Salary – limited to no more than 3.2 months
NIH Salary Cap – now at $179,700 (was lowered by govt.)

Administrative and Clerical Support* - allowable on federal projects only if programmatically warranted
Salaries should be based either on person months or % of effort, **Not Hourly Wage**
Include Increases for annual merit adjustments/Faculty Promotions (if know at proposal submission)
Follow institutional policies on FB
COST ELEMENTS (cont.)

- Equipment

- Note the differences between the sponsor’s equipment definitions/thresholds and NUs

- General purpose equipment is not allowable as a direct cost unless programmatically necessary and used exclusively for the conduct of the research – however, this does not include project reporting
COST ELEMENTS (cont.)

- Expendable Materials/Supplies
  Must be programmatically necessary; general office supplies should be treated as an F&A cost – unless a major program, another Unlike Circumstance

- Data Storage Costs
  Are not an allowable direct cost unless project requires data to be stored off-site (outside vendor)
COST ELEMENTS (cont.)

- Travel
  Adhere to Institutional Policy and Agency Guidelines
  Distinguish between Domestic and Foreign Travel
  Foreign Travel may require prior approval from sponsor prior to trip (even if in original budget/proposal)

- Subcontracts
  Proposed costs should be Reasonable and Allowable
  (however, keep in the mind the sub-contractor may be under different cost principals)
Consultants

External: required expertise needed for the project which cannot be provided by faculty or staff at the institution; rate must be reasonable; in most instances, consultants’ level of effort/participation should not rise to the level of “key personnel” – which implies substantive programmatic work

Internal: faculty/staff may serve on a project as a consultant, but only if the expertise required is not part of this person appointment or job function – VERY RARE
Facilities and Administrative (F&A) Costs

Costs that are incurred for common or joint objectives, and, therefore, cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity
Examples of F&A Costs:

Salary of Dept. Administrator
Building utility and maintenance costs
Purchasing, Controllers’ offices
Paper, Pens, Phone Lines
Computers???
Types of F&A Rate Bases

Total Direct Costs (TDC) - All direct costs of research

Modified Total Direct Costs (MTDC) - All direct cost of research less: Equipment, Subcontracts in excess of $25,000, Tuition Remission, Patient Care, Capital Expenditures, Rental Costs, Scholarships & Fellowships

Salaries and Wages (S&W)
COST ELEMENTS (Cont.)

- On-Campus Research Rate

  Applied to on-campus organized research activities
  Most frequently used rate; may be the only rate negotiated
Off-Campus Research Rate
Applied to sponsored agreements at off-campus facilities
Off-Campus is not an university-owned facility
Recovers administrative costs associated with sponsored agreements
Typically is the “A” portion of the On-Campus Research Rate; “F” costs can be direct charged
The “A” portion is generally 26% because of federal cap
Points to Consider:
F&A cost recovery is the reimbursement for actual costs incurred by the institution in support of sponsored projects.
F&A costs are incurred on all institutional activities, not just sponsored research.
F&A costs are REAL COSTS!
A significant portion of F&A costs not recovered
When an external sponsor pays less than the full F&A rate, the unrecovered F&A costs must be absorbed by the institution.
Composition of Total Costs
A-21, section C.1.
The cost of a sponsored agreement is comprised of the allocable direct costs incident to its performance, plus the allocable portion of the allowable F&A costs of the institution...
Therefore, Federal sponsors reimburse the institution for the allowable costs of a project, including direct costs and F&A costs....
What Does “Allowable” Mean?

An allowable cost must be:

**REASONABLE**: A prudent business person would have purchased this item and paid this price.

**ALLOCABLE**: It can be assigned to the activity on some reasonable basis.

**CONSISTENTLY TREATED**: Like costs must be treated the same in like circumstances, as either direct or F&A costs.
Assessing Whether a Cost Is Allowable or Unallowable
A cost may be “expressly” unallowable, i.e., it is always unallowable as either a direct or indirect.

Unallowable activities: fund raising, alumni relations, lobbying, etc.

Unallowable transactions: alcohol, entertainment, fines, etc.

A cost may be allowable but only as an indirect/F&A cost, not a direct charge, e.g., proposal preparation,
Assessing Whether a Cost Is Allowable or Unallowable

Generally, it is not the type of cost that determines allowability, it is the purpose and circumstance of the expenditure. Many categories of costs are allowable as a direct or indirect, e.g. salaries, travel, materials, etc.
Cost-Sharing/Matching Costs

is the portion of the cost of a project not borne by the sponsoring agency

Types of cost sharing:
  Mandatory
  Voluntary
  Voluntary Uncommitted
What Can be Used to Meet Cost Sharing?

Cash; Third Party Contributions (however, federal funds cannot be used as cost sharing on federal funds); Unrecovered F&A costs (can be used if agency has approved); Volunteer Services: if necessary and integral part of project; Other employee services (valued at regular rate of pay + fringe benefits); Donated supplies (must be reasonable and at fair market value)
Cost Sharing Considerations
Cash and third party in-kind contributions must meet all of the following criteria:
Are verifiable from the recipient’s records; Cannot be used as cost sharing on other federal projects; Are necessary and reasonable for accomplishment of project objectives; Are allowable under the cost principles; Are provided for in the approved budget when required by Federal agency; Conform to other provisions of A-110, as applicable
Potential Problems Associated with Cost Sharing

Can we demonstrate to the funding agency that the cost sharing commitment has been fulfilled? Do track cost sharing on a project-by-project basis? Are we treating cost sharing consistently with other project costs, i.e., classify it as organized research?
Cost Sharing (cont.)

Are we overstating our F&A rate by not capturing cost sharing?
Do effort reports capture cost shared effort (both mandatory and voluntarily committed)?
Are the same cost sharing funds used to meet the matching requirements on more than one project?
Do we recover cost sharing expenditures through our F&A rate?