

BUDGET GUIDELINES

Overview

Research Services' budget office is here to assist you in preparing or editing your budget. Please submit your final budget for review at least 5-7 business days before the proposal is due to allow adequate time for editing.

Proposal budgets are cost estimates applied to future project needs. They should be prepared with great care and provide a detailed breakdown of each proposed cost category. Budgets should be prepared for the entire project period (i.e., for all years of the sponsored project) and provide a breakdown of costs for each budget period year if different. Most agencies have their own budget forms and require you to use their format.

Proposal budgets are generally grouped into three primary categories: Direct Costs, Indirect Costs and Cost Sharing. **Direct Costs** are costs that can be specifically identified with a particular project. These costs include salaries & wages, fringe benefits, travel, equipment, supplies, consultant services, subcontracts, and other direct costs. **Indirect Costs** (now called Facilities & Administration or F&A) are institution-wide costs that cannot be tied specifically to a project, such as janitorial services, utilities, maintenance and depreciation of facilities, and general administrative costs. When preparing your budget, all direct cost items are listed first; then the appropriate indirect cost percentage rate is assessed against the total of allowable direct costs. **Cost Sharing** is defined in federal regulations as project costs not borne by the sponsor. The University shares in the cost of a sponsored program whenever there is a difference between the total cost of performing a project and the funding provided by the sponsor. Either Direct Costs or Facilities & Administrative (F&A) Costs may be cost shared.

Salaries and Wages

Normally only compensation for University faculty & staff and students that are necessary to meet the goals of the project are allowed as direct costs. To determine how much to budget for faculty/staff, think in terms of each person's percent-of-effort to be devoted to the project and apply that percentage to the appropriate base period. There are three basic salary (wage) bases: Calendar Year, Academic Year and Summer Term. Here is a month/week/hours breakout for each:

Calendar Year (CY)	12 months	52 weeks	2080 hours
Academic Year (AY)	9 months	39 weeks	1560 hours
Summer Term (SM)	3 months	13 weeks	520 hours

To fill out the budget forms for many grants you need to convert percent-of-effort to months.

Example: A PI on AY appointment at a salary of \$ 63,000 would have a monthly salary of \$ 7,000 (one-ninth of the AY).

25% of AY effort would be 2.25 AY month. The budget figure for that effort would be \$ 15,750 (25% of total AY salary).

Two Summer Salary months for this PI would be \$ 14,000 (equivalent to two-ninths of AY salary). Two summer months would be 66% of the three month summer term.

Example: A PI on a CY appointment at a salary of \$ 72,000 would have a monthly salary of \$ 6,000 (one-twelfth of total CY salary).

25% of CY effort would be 3 CY months. The budget figure for that effort would be \$ 18,000 (25% of total CY salary).

* Always check program guidelines to determine if there are any restrictions imposed on personnel costs (summer salary only; no AY time, no more than x% of PI time, etc.).

* NSF and many other federal agencies will only pay for 2 months summer salary. That is: two/ninths of the individual's regular Academic Year salary.

* For multi-year projects, DOR recommends using an annual salary/wage escalation factor of 3% for each year of the project.

* To budget funds for students, check with your Department Chair to determine normal departmental rates.

Percent-of-Time & Effort to Months

Conversion Chart

<u>9 month Academic Year</u>		<u>3 month Summer Term</u>		<u>12 month Calendar Year</u>	
<u>%</u>	<u>months</u>	<u>%</u>	<u>months</u>	<u>%</u>	<u>months</u>
100	9.00	100	3.00	100	12.00
95	8.55	95	2.85	95	11.40
90	8.10	90	2.70	90	10.80
85	7.65	85	2.55	85	10.20
80	7.20	80	2.40	80	9.60
75	6.75	75	2.25	75	9.00
70	6.30	70	2.10	70	8.40
65	5.85	65	1.95	65	7.80
60	5.40	60	1.80	60	7.20
55	4.95	55	1.65	55	6.60
50	4.50	50	1.50	50	6.00
45	4.05	45	1.35	45	5.40
40	3.60	40	1.20	40	4.80
35	3.15	35	1.05	35	4.20
30	2.70	30	0.90	30	3.60
25	2.25	25	0.75	25	3.00
20	1.80	20	0.60	20	2.40
15	1.35	15	0.45	15	1.80

10	0.90	10	0.30	10	1.20
5	0.45	5	0.15	5	0.60

Fringe Benefits

The fringe rate is expressed as a percentage of salary as follows:

Faculty & Staff Salaries (permanent, full-time) - 24%

The fringe benefit rate of 24% is an average rate that represents the cost for fringe benefits normally charged. It covers the costs for Social Security, Medicare, Retirement, Disability, and Life & Health insurance.

Part-time Employees - 7.65%

Students (academic year or summer - enrolled in University) - No charge

Equipment

Definition: Any item having a unit cost of \$5,000 or more and a useful life of one year or more. General purpose equipment, such as office furniture, copiers, PC's, fax machines etc., are generally deemed unallowable by most sponsors.

Most grants to federal agencies for equipment deal with specialized equipment as opposed to general-purpose equipment. See the definitions at attachment C.

Use catalog prices and/or vendor quotes to obtain best estimates.

Items with a life of one year or more that cost less than \$ 5,000 per unit should be budgeted in the Materials/Supplies category.

Check the program guidelines to determine if the sponsor imposes certain restrictions on equipment purchases or prohibits such purchases.

Materials and Supplies

Definition: Expendable items with a useful life of less than two years or a cost under \$5,000.

Expendable items (paper products, lab supplies, chemicals, etc)

Use catalog prices and historical records to determine best estimates.

Travel

Includes costs for air & ground transportation, lodging, meals, registration fees, etc.

Follow guidelines in the University's existing travel regulations to budget for travel expenses related to the project.

See <http://businessfinance.ncat.edu/Busmgr/Purchase/Travel1.htm> for auto mileage reimbursement rates, per diem, airfare restrictions, etc.

Foreign travel is usually budgeted as a separate line item in many federal grants. If the grant you are applying for does not have such a separation, then cover foreign travel as a separate paragraph in the budget justification.

Note that many federal grants require that foreign travel take place on American flag air carriers if available. Use fares from American owned airlines in budget estimates.

Consultants

Definition: An individual or firm that provides professional advice or services on the basis of a written agreement for a fee. These individuals are not normally employees of the organization receiving the advice or services.

Consultant costs consist of the consultant's normal daily rate (times number of days), plus any travel and subsistence costs.

Compensation should be based on the consultant's rate history for comparable services. Refer to the funding agency guidelines for caps on consultant rates.

Consultants do not receive fringe benefits and are not provided with supplies, administrative support or other standard business items.

Subcontracting

Subcontracting is the transfer of a significant portion of work on a sponsored agreement to a third party. It requires agency approval and must be identified in the proposal.

The subcontract is between the University and the subcontractor entity. The subcontractor must meet all grant requirements that the funding agency imposes upon the prime grantee.

The subcontractor should provide a statement of work, budget and documentation of its willingness to participate in the project (usually via a letter from the subcontractor's authorized representative).

NC A&T's appropriate F&A (Indirect Cost) rate is calculated on the first \$25,000 of each subcontractor's total cost.

Other Direct Costs

Definition: Other Direct Costs (ODC) are the remaining costs that are directly related to the project such as publications, tuition remission, payments to human subjects, animal costs, leases, and maintenance contracts.

ODC must be described in detail in the budget justification to adequately describe and support the amount of costs in the proposal.

Sponsor guidelines may categorize ODC differently. Some may break them out separately and some may lump them together in a single category marked ODC. See [OMB Circular A21](#) for a discussion of allowable costs.

Usually ODC does not include expenses for clerical and administrative salaries, memberships, postage, subscriptions, telephone line (local) charges, and office supplies. These are treated as facilities and administrative costs. Circumstances occasionally arise when these costs have such a specific relationship to the research being performed that treatment as a direct cost may be considered an allowable exception.

Facilities & Administrative Costs (Indirect Costs)

F&A rates are negotiated with NC A&T's cognizant federal agency, the Department of Health and Human Services.

F&A costs consist of general administration and general expenses such as executive management, accounting, payroll and personnel administration; operations and maintenance expenses, such as utilities building maintenance and custodial services; building depreciation and interest associated with the financing of buildings; administrative and supporting services provided by academic departments and other administrative units.

The University's negotiated F&A rates for the period beginning July 1, 2003 are:

<u>Sponsored Activity</u>	<u>On-Campus rate</u>	<u>Off-campus rate</u>
Organized Research	40%	26%
Instruction	41%	26%
Other Sponsored Activities	34%	26%

*On-campus vs. Off-campus: A project is considered to be off-campus when 50% or more of the work performed under the project is conducted outside of University-owned facilities.

The appropriate negotiated rate should be used for all proposals unless the sponsoring agency's solicitation mandates a different F&A rate.

Many Dept. of Education grants restrict F&A to 8% and many private foundations limit F&A to anywhere from 10% to 25%. Some agencies will not pay F&A at all. Always check the program guidelines.

When the full F&A cost recovery is allowed by the sponsor, use these steps to calculate the cost:

1) Determine the Modified Total Direct Cost (MTDC) base. Usually the easiest way to do this is to go back through the whole direct cost budget and subtract all the elements that are excluded cost items and/or dollar amounts.

MTDC Base includes:

Salaries and wages, fringe benefits, travel, materials & supplies, consultants, printing, the first \$ 25,000 of each subcontract and any other cost items not excluded below.

MTDC Base excludes:

Equipment, that portion of each subcontract in excess of \$ 25,000 and the following other cost items: tuition remission, scholarships and fellowships, participant support costs, patient care costs and rental costs for off-campus facilities.

2) Apply the appropriate F&A rate to the MTDC base. The proper rate is determined by the nature of the sponsored activity (research, instruction or other) and whether the project will be on-campus or off-campus.

Note: If you submit a continuation or supplemental proposal to an existing award, you must use the F&A rate used in the original award. OMB Circular A-21, section G.7 advises that rates should be fixed for the life of an agreement. An agreement life includes all actions that do not require a new agreement.

Sponsored agreements will not be subject to more than one facilities and administrative cost rate. If more than 50% of a project is performed off-campus, the off-campus rate will apply to the entire project. Similarly, if your project contains components from more than one classification (i.e. Research and Instruction) then only the rate of the most significant component will apply.

Cost Sharing

Cost sharing should be proposed only when required by the sponsor or strongly encouraged and should not exceed the levels required by the sponsor. Voluntary cost sharing should be avoided. Cost sharing consumes scarce resources and also places a heavy administrative burden on the University since it must be extensively documented. Cost sharing by the University must be identified as either "In-kind" or "Cash Match". The Division of Research's Form entitled "University Cost Sharing" must be filled out and signed by the appropriate individuals to document approval for in-kind cost sharing and cash matching. Proposals that require cost sharing will not be submitted to the sponsor until the Division of Research receives a written commitment from the appropriate Dean and/or Vice Chancellor.

In-Kind

Whenever possible, cost sharing should be limited to salaries and wages and the fringe benefits and facilities & administrative costs (indirect costs) attributable to those salaries and wages.

These costs are considered "in-kind" because the University provides the services of faculty and does not receive compensation.

Cash Matching

Sponsors occasionally request that the University contribute or "match" a portion of the funds requested. When required by a sponsor, matching funds become a condition of any award, which is made based upon the proposal. Items of equipment, which are purchased for and used exclusively during the life of the project, may be used as cost sharing with appropriate supporting documentation. The equipment must be listed in the proposal and identified as a cost sharing contribution by the University. Supplies and other costs may be used as well, but only if the charges can be monitored.

Third Party Cost Sharing

Though not encouraged, organizations other than the University may cost share in a project. The Division of Research must receive written commitment from the person authorized to financially commit the organization before the proposal is submitted.