

Sponsored Projects Module 3

Budgeting Policies, Forms,
Regulations, Cost Share and F&A

BUDGETING BASICS

- YOU ONLY NEED TO REMEMBER FIVE THINGS:
 - ALLOWABLE
 - ALLOCABLE
 - REASONABLE
 - CONSISTENT
 - CORRECT ADDITION & MULTIPLICATION

BUDGETING BASICS Allowable Costs

- To be allowable, a cost:
 - (a) must be reasonable;
 - (b) must be allocable to sponsored agreements under the principles and methods provided herein;
 - (c) they must be given consistent treatment and
 - (d) they must conform to any limitations or exclusions set forth in these principles (section J) or in the sponsored agreement as to types or amounts of cost items.

BUDGETING BASICS UNALLOWABLE COSTS

- Unallowable Costs Include:
 - Alcohol, Entertainment (food), lobbying, public relations, alumni, student recruitment, bad debts, criminal/civil legal costs, commencement, proposal preparation, gifts, honorarium, trustees, fines & penalties, etc. (See OMB A-21 Section J for details).

BUDGETING BASICS ALLOCABLE COSTS

- the costs of goods or services are charged in accordance with where a benefit was received. A cost is allocable to a sponsored agreement if
 - (1) it is incurred solely to advance the work under the sponsored agreement;
 - (2) it benefits both the sponsored agreement and other work of the institution, in proportions that can be approximated through use of reasonable methods, or
 - (3) it is necessary to the overall operation of the institution and, in light of the principles provided in OMB A-21, is deemed to be assignable in part to sponsored projects.

BUDGETING BASICS REASONABLE COSTS

- If the nature and amount and cost of the goods or services reflect the action that a prudent person would have taken under similar circumstances. Major considerations:
 - (a) the cost is necessary for operation of the institution or the performance of the sponsored agreement;
 - (b) the person followed Fed and State laws and regs & agreement terms and conditions (arms-length);
 - (c) the person acted with due prudence, considering their responsibilities to the institution, its employees, its students, the Federal Government, and the public at large; and,
 - (d) the cost is consistent with established institutional policies and practices applicable to the work of the institution generally, including sponsored agreements.

Budgeting Basics: Direct Costs

- Salary
 - Effort vs. hourly
 - A and B contract
 - LOA
 - LOA salary base must be reasonable – use academic term salary to calculate base – or similar to others in the same area of work.
- Base Salary x %
Effort = Allocable amount to project.
- What is your base?
Must be consistent with effort – including ALL institutional activities.

Budgeting Basics: Direct Costs

- Fringe benefit rates: Salary x

A or B Contract Faculty	27%
Classified	40%
Grad Assistants	15%
LOA's	10%
LOB	27%
Postdoc	27%
Summer Faculty	4%
Undergraduates	2%

Covers worker's comp, FICA, Unemployment, health & life insurance, retirement, etc. (Does not cover sick, vacation, or other admin leave).

Budgeting Basics: Direct Costs

- Supplies & operating
- Vendors, subcontractors, and consultants
- Tuition, stipends
- Travel
- Other costs

Budgeting Basics: Restricted Costs under OMB A-21 (F6B)

- Administrative and Clerical Salaries
- Postage
- Memberships/subscriptions/books
- General purpose computers
- Office supplies
- Additional compensation and overtime
 - THESE ITEMS MUST BE FULLY JUSTIFIED IN THE PROPOSAL BUDGET NARRATIVE AS TO WHY THEY ARE NOT GENERALLY INCLUDED IN F&A AND THE SPONSOR MUST APPROVE THESE COSTS OR THEY CAN NOT BE CHARGED AS A DIRECT COST

Budgeting Basics: Commitments

- Levels of effort must be consistent with the effort necessary to complete the project in relation to the employee's total effort on all Institutional Activities
- No employee can be committed to more than 100% effort. This applies to active awards and non sponsored institutional activities. Pending proposals are excluded from this requirement.
- Cost share must be trackable and met in its entirety. Institutional accounts must be identified at the time of the proposal.

Budget Justifications

- Different sponsors require differing levels of detail but generally:
 - Document basis for salary calculations
 - Document travel expenses (where, why, how much? –especially for foreign travel)
 - This is where many sponsors want to see subcontractor line-item budgets
 - Always identify equipment and source of costing information

Budgeting Basics: Facilities and Administrative Costs

aka indirect / overhead

- F&A negotiation process
 - UNR negotiates the F&A rate with the federal government every 3 – 5 years
 - The calculation is based on the space dedicated to research and the costs to support research
 - Because of a 26% cap on administrative costs, the university never recovers all it expends to support research

Facilities and Administrative (F&A) Costs: What are they

- Covers costs that can not normally be allocated to one specific project. Includes:
 - Space, Heat, Electricity, Plumbing, etc.
 - Central Administration - Sponsored Projects, Accounts Payable, Controller, Payroll, HR, VPR, Library Services, Plant Operations, etc.
 - Departmental Administration and Clerical Costs
 - Office supplies, memberships, subscriptions, postage, telephone, computers for general use, etc.
 - NOTE: These costs should not be charged as direct costs on grants except in unusual circumstances

F&A: Calculation

Modified Total Direct Costs Exclude:

- Equipment over \$2,000 (\$5,000 after July 1 2007)
- Amount of Subcontract over \$25,000
- Tuition
- Participant support costs
- Fixed assets/Construction
- Participant Support/Patient Care Costs

F&A: Distribution

- F&A distribution – President's Memo
 - 25% off the top for capital projects (facility bonds), then:
 - PI, Chair & Dean – 10.33% each of remaining
 - Central Admin/IT - 18.5% of remaining
 - VPR 47% of remaining for faculty start-up, cost share, internal research support, OSP, IRB, EHS, TTO, IACUC
 - Scholarly Pool 3.5% of remaining funds

F&A: Calculation

	7/1/06 to 6/30/08	On-campus	Off-campus
■ Research		40%	26%
■ Instruction		50%	26%
■ Other		31.7%	25.4%
■ 7/1/08 to 6/30/08			
■ Research		40.5%	26%
■ Instruction		50%	26%
■ Other		31.7%	25.4%
■ 7/1/07 – equipment definition increases to \$5K			

F&A COSTS: ON CAMPUS OR OFF CAMPUS?

- Off campus when “the preponderance of the program is conducted by the University 1) in leased facilities where space related costs are charged directly to the program or 2) in non-university facilities by a third party 3) a minimum of 50 miles away from a campus facility in excess of 90 consecutive days for field work.
- Working from home, short duration events, & workshops are considered to be on-campus.
- Rate is based on what employees of UNR are doing not on where subcontracted work occurs.

F&A: Waivers

- If the federal sponsor has a statutory exemption from payment of the negotiated rate
- If the non-profit sponsor has a written universal policy providing a set rate to all grantees
- Provide OSP with a copy of the policy or statute when submitting a proposal that does not use the UNR negotiated rates

Cost sharing / matching

- Sponsor policies and requirements
- Impact on the University
- Types and sources of cost share
- Unallowable cost share sources
- Audit requirements of cost share
- Reducing the impact on you and the University

Cost share / match Definition

- Cost share or match is that portion of the project or program not borne by the sponsor
- **Example:** To be eligible for funding, the proposal must include a match of 20% of the total project costs
- **Example:** A 1:1 match is required for this program
- **Example:** Cost share is not required but is highly recommended and will be considered in scoring decisions.

Cost share / match Types

- **Mandatory:** required, condition of award
- **Voluntary committed:** in excess of mandatory, not a condition to be considered for the award
- **Voluntary uncommitted:** effort or expenditures that are in excess of committed and budgeted

Cost Share/Match Sources (As Defined by Sponsor)

- **CASH MATCH:**
 - Salaries, fringe, equipment, travel, supplies and overhead purchased or expended within the timeframe of the grant (UNIVERSITY CASH)
 - use of donated funds from foundation accounts
 - Expenditures of program income/sales during the timeframe of the grant
- **IN KIND MATCH:**
 - 3rd party donations of time/space/equipment, sometimes f&a is calculated here, etc.

BUDGET EXAMPLE

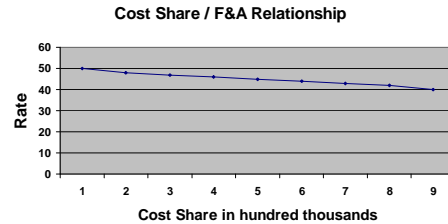
Expense Categories	Submitted to Agency		Actual Costs	
	Institution	Agency	Institution	Agency
PI Salary (\$90K)		20,000	22,500	20,000
Colleague Time		0	2,000	0
Consultant	5,000		5,000	
Graduate Students (5)		75,000	7,000	75,000
Supplies		30,000	2,000	30,000
Travel		5,000		5,000
Printing		2,000	300	2,000
F & A (50%)		66,000	19,400	66,000
Total Budget	5,000	198,000	58,200	198,000

Cost share / match REMEMBER

- Commitments in proposals become requirements upon award
 - Once committed, Cost share becomes federal dollars and must follow the same expenditure rules and limitations as the costs charged to the sponsor.
 - Cost share items must be auditably tracked, recorded, and reported to sponsor

Cost share impact & affect on F&A

- The amount of cost share contributed by an institution has an inverse effect on its facilities and administrative cost reimbursement rate



Cost share / match

- University discourages providing voluntary cost share in proposals
- Work with OSP Administrator to reduce out-of-pocket cost share commitments when cost share is mandatory
- Utilize un-recovered F&A to meet mandatory cost share requirements whenever possible
- Post-Award – submit cost share verification to OSP in a timely manner for inclusion in financial reports

BUDGET EXAMPLE USING F&A FOR COST SHARE

1:1 MATCH REQUIRED		BEFORE OSP	AFTER OSP
Expense Categories	AGENCY	INSTITUTION	INSTITUTION
PI Salary (\$90K @ 50%)	\$22,000.00	\$23,000.00	\$23,000.00
Co-I Salary (\$80K @ 50%)		\$40,000.00	\$40,000.00
Fringe Benefits @ 27%	\$5,940.00	\$17,010.00	\$17,010.00
Graduate Students (5)	\$75,000.00	\$33,441.00	
Supplies	\$30,000.00	\$40,000.00	
Travel	\$5,000.00	\$5,000.00	
Printing	\$1,190.00	\$1,549.00	\$1,549.00
Total Direct Costs	\$139,130.00	\$160,000.00	\$81,559.00
F&A (agency allows 15% TDC)	\$20,870.00		\$41,739.00
F&A negotiated rate 45% MTDC	\$0.00		\$36,702.00
Total Project Costs	\$160,000.00	\$160,000.00	\$160,000.00

Cost share / match UNALLOWABLE

- Direct charging items normally treated as indirect (F&A)
 - Specifically unallowable costs
 - Cost share used on other projects
 - Costs expended outside the start and end dates of the award
 - Cost share used on another award (or without prior approval of another sponsor)
 - Federal dollars cannot provide a cost share for other federal dollars

CALCULATING COST SHARE Assume \$100,000 from sponsor

- If the RFP asks for 1:1 Match
 - \$100K from sponsor, \$100K from UNR
- If the RFP asks for 25% of Total Direct Costs as Match
 - \$100K from sponsor \$17,857 from UNR
- If the RFP asks for 25% of Total Request
 - \$100K from sponsor \$25K from UNR
- If the RFP asks for 20% of Total Project Costs as Match
 - \$100K from sponsor \$25K from UNR



Module 3 Complete

Thank you



■ Sponsored Projects

■ University of Nevada, Reno

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