

Sponsored Programs Guidance “Cradle to Grave”



Sponsored Program Budgeting Guidelines

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Summary: Establishes guidelines for preparing budgets associated with a sponsored program funding request.

During the grant review process, the typical funder looks at the budget request with the same, if not more scrutiny, than the text of the proposal itself. As noted in the “Contents of a Proposal” document, it is important that budgeted items be tied directly to proposal objectives. Reviewers will consider whether the budget is thorough, reasonable, and necessary for completion of the project, and errors or omissions may disqualify a project for funding. Those responsible for developing proposal budgets should review a request for proposals carefully to determine guidelines, limitations, exclusions, and other budget issues a sponsor may require. Budget requirements vary between sponsors, and consistency should not be taken for granted.

Costs

In preparing a budget, the investigator needs to consider two types of costs: Direct and Indirect. The sum of these two costs represents the total budget request for a project.

Direct Costs: Direct Costs are those that can be identified as necessary to complete a specific sponsored project or activity. These costs can be assigned to a project relatively easily with a high degree of accuracy and are directly related to the program. Typical direct costs include salary and fringe benefits, materials and supplies, travel, and equipment necessary to fulfill the objectives of a sponsored agreement.

Indirect (Facilities and Administration) Costs: Indirect costs are those that contribute to a project but are difficult to allocate in terms of the exact proportion that the project uses. Items such as administration, clerical assistance, normal utilities, depreciation, computers, and office supplies are typically included in the indirect cost pool. The cost of equipment, capital expenditures, rental of off-site office facilities, scholarships, and sub-awards exceeding \$25,000 are not included in indirect cost calculations. For a complete discussion of indirect costs, please refer to the “Indirect Cost” document.

It is important to note that items included as direct or indirect costs must remain consistent through all programs. For example, clerical expenses are typically included in the indirect cost rate for all proposals. So, except in rare

circumstances, they cannot be budgeted as a direct cost. This consistency is

necessary, as the indirect cost rate is determined based on the costs the institution normally assigns as indirect. If assignment of costs varies between proposals, it results in double-charging the project for the same expense. In other words, if clerical support costs are included in the indirect cost rate, they are already in the budget. Including them as a separate line item under direct costs results in those costs being included twice in the same proposal.

Direct Cost Requirements

Costs included in a proposal must pass four tests: They must be *reasonable, allocable, consistent, and allowable* for the project.

“Reasonable” can be defined as those costs that a prudent person would expect to incur during the completion of the same project. Reasonable cost considerations include whether or not the expense is necessary to complete the project, whether or not the item requested is appropriate for the project, and whether or not the cost of the item reflects actual cost to the institution.

An “allocable” cost is one that can be assigned to a specific objective included in the grant proposal and is solely intended to achieve proposal objectives. In some cases, an item purchased with grant funds may be used for a variety of projects. In these instances, the cost of the item must be proportionally allocated to the various project codes. In addition, when developing a budget, the PI should be aware of treatment of purchased items after the grant period expires. Some project sponsors allow the items to remain with the institution to be used for non-grant purposes, while other sponsors require that the items be transferred to their ownership.

A “consistent” cost is one that is treated in accordance with accepted accounting principles appropriate to the project. For instance, a photo copier is normally considered an indirect cost by the institution and is included in the institution’s negotiated indirect cost rate; thus, the cost must be specified as indirect in all grant proposals charging the indirect rate.

“Allowable” costs are those expenses which pass the other three tests and conform to the guidelines of the institution as well as those of the project sponsor. Investigators should carefully review any request for proposals and take special note of exclusions, limits, or other constraints on what the sponsor considers allowable.

Typical Direct Costs

In developing a project budget, the investigator should consider several line items. While budget items vary between projects, the following are typical of Cooperative Extension proposals:

Salaries: Salaries of full and part-time personnel, as allocable to the project, should be estimated. Only salaries of Cooperative Extension personnel should be placed in this section of the budget. In order to determine the salary cost, the investigator should determine the following:

1. Annual salaries/hourly wages of individuals involved in the project;
2. The number of months the project will take;

3. The total percentage of time each individual involved in the project will directly spend on project activities based on a 226-day/1,808 hour year;

The total of all time allocated to sponsored projects on an annual basis cannot exceed 100% of a staff member's time or salary. In other words, if an investigator is associated with three sponsored projects, the sum of time spent on the three projects and salary incurred cannot exceed the available work hours or salary received in a year, regardless of whether the investigator intends to work evenings and weekends to complete obligations.

In developing salary budgets, the investigator must consider the specific months during which the work will be conducted. If a project is planned to span two fiscal years, it may be necessary to increase costs for a portion of the project to account for salary increases.

Fringe Benefits: Fringe benefit costs include items such as health insurance, unemployment insurance, workers compensation, social security, and retirement contributions made by the institution on behalf of the employee. These costs are considered direct costs in a grant proposal and are based on a percentage of total salary. As of Fiscal Year 2012, the following fringe rates are applicable to Cooperative Extension projects:

Regular salaried employees: 30.40% (24.61% for NIFA-sponsored projects)

Temporary Labor: 7.60% for all sponsored projects

Equipment: By definition, "equipment" is a single item with a useful life of more than one year and an acquisition cost of greater than \$5,000. All planned equipment purchases should be included as line items in the project budget, as sponsors normally require that these purchases be approved prior to the cost being incurred. Equipment purchased with sponsored program funding should be necessary and justifiable for completion of the project.

Travel: Travel expenses directly attributable to the project include those that are necessary to fulfill objectives or are associated with reporting project findings. Expenses to consider include air fare, mileage, lodging, meals, registration fees, and ground transportation. Typically, expenses should be based on per diem rates associated with the destination, although estimating actual costs to be incurred is permissible. In-state and out-of-state travel should be budgeted separately. Be sure to multiply estimated travel costs by the number of staff members who will participate, the number of trips to be taken, and the total number of days involved. All travel expenses should be based in fact, using reasonable estimates based on current market conditions and rates. As of Fiscal Year 2012, mileage reimbursement should be calculated at a rate of 42 cents per mile.

Participant Costs: Expenses incurred by project participants in fulfilling the objectives of the project are allowable. Participants might include study subjects, students to be trained, program attendees, or others that are either involved in or benefit from the project. Participant costs may include stipends, travel, supplies not otherwise specified in the budget, meals, education materials, and other relevant costs. Participant costs do not include costs incurred by any Cooperative

Extension staff member with the exception of tuition waivers for graduate students associated with a National Institute of Food and Agriculture (NIFA) sponsored project.

Other Direct Costs

While the aforementioned items are standard in many sponsored program budgets, on occasion an investigator might have a need to include additional anticipated expenses. These items should be noted in the budget as “Other Direct Costs” and specified. In addition to those listed below, typical costs falling into this category include insurance, maintenance and repair of facilities necessary for the project, expenses related to conducting meetings and conferences, facility rental, scholarships, tuition remittance, training, and communications costs tracked via phone cards.

Materials and Supplies: Materials and supplies include those items necessary to complete project objectives at a cost of less than \$5,000 per item and/or less than one year of useful life. Educational materials, field supplies, protective clothing, office equipment and supplies, and other items may be included in materials and supply costs if specifically allocable to the project. Note that in most cases general office supplies, computers, fax machines, etc. are included in the indirect cost rate. These items can, however, be considered direct costs if they are not currently owned and are purchased specifically to fulfill project objectives. Cost basis for materials and supplies is as follows:

1. Purchased items: Actual price, including taxes and shipping
2. Stock items: Actual net cost based on inventory accounting methods
3. Federally-donated items: No cost allowed

Publications: Costs associated with publishing the findings of a research study, distributing information related to the study, or providing educational materials as a part of a study should be charged at prevailing “per page” or “per job” rates. Investigators should estimate the number of publications needed during the budget development phase and budget accordingly.

Professional Services: In some cases, it may be necessary to hire a consultant to perform certain aspects of a proposed project, particularly if it is determined that those within the institution do not have the expertise necessary or that it is more cost-effective to contract a task. Rates for professional services should be based on prevailing rates in the market at the time the project estimate is prepared, with allowances for inflation if there is expected to be a significant delay in award. Consultants must be secured in accordance with state and institution policy as related to selection and contracting. Costs attributable to professional services should not exceed the project sponsor’s stated daily rate, if applicable.

Freight and Postage: If an investigator expects to incur significant expenses related to freight and postage beyond those anticipated for normal office operations, a line item for these expenses should be included. Otherwise, freight and postage costs are included in the indirect cost rate.

Advertising and Public Relations: Costs related to advertising and public relations

should only be budgeted if required to fulfill the obligations of the sponsored agreement. Recruitment of personnel and bid announcements are eligible expenses for advertising. Public relations expenses involved in educational message dissemination are eligible and might include those costs incurred in communicating accomplishments to interested parties or communicating with government or the public on matters of public concern as associated with the project. General advertising and public relations not related to the project should not be included. Promotional items are never included in proposal budgets.

Sub-Awards: Sub-awards include those funds that the grantee “passes through” to another institution in order to complete specified components of the overall proposal. These sub-awards are considered direct costs and should be included as separate line items within the budget. In order to prevent an institution from unduly profiting from a sponsored project, indirect costs associated with sub-awards are only allowable to the extent that an individual award does not exceed \$25,000. The portion of an award in excess of \$25,000 is not included in the indirect cost calculation base.

Donations

While the value of donated materials or services is not to be included as a direct cost to the project, such donations are permitted in the calculation of matching funds if such funds are required by the program sponsor, are non-federal in nature, and are not used as matching funds for any other federally-sponsored project. Values for materials and services should be determined based on current market prices, appraisal, or labor rates and can include cash, property, services, volunteer labor, etc. Additional information related to meeting matching requirements is included in the document entitled “Cost Sharing.”

Multi-Year Projects

Proposals for projects expected to exceed one year in duration should include separate budgets for each year as well as a budget summarizing the entire project. Annual increases to account for inflation, salary adjustments, and other unpredictable cost increases should be included. As of Fiscal Year 2012, a 3% increase per year is a reasonable estimation.