

Guide to Budgets and Budgeting

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INTRODUCTION

This Guide is intended as a general resource for the development of detailed budgets and related documents. Detailed material usually includes a definitive budget schedule for each period (year) of a proposed project, a cumulative schedule for all years or periods, and a budget narrative giving justification for key cost elements. These general guidelines will be supplemented by the specific instructions pertaining to budgetary and financial information provided by each sponsor. A variety of information resources, printed or electronic, are available to assist you in the preparation of a particular budget. Please refer to the

Comptroller's Office / [Grants and Contracts](#) intranet site for detail information on allowable cost policies and other post award procedures.

DEFINITIONS

Direct costs: The direct costs are those costs directly associated with, and needed by, your project, i.e., personnel, fringe benefits, tuition and fees, telephone and fax charges, etc. These are your 'spendable' dollars.

Facilities and Administrative Costs (F&A): Indirect costs (overhead costs), also known as Facilities & Administrative (F&A) charges, represent a percentage that is charged against your total modified direct costs. Indirect costs pay for such University services as building use and maintenance, general telecommunications and information systems services, and other general university services. The Comptroller's Office issues the new federal F&A rates after they are negotiated with our cognizant agency, DHHS. Current rates are in the [UMC Fast Facts](#).

Personnel: A detailed cost element reflecting an institutional base salary for each employee included on a project. All salaries and effort for personnel are expressed as person months. Various sponsor guidelines may limit the salary charged to a sponsored program, place ceilings on the [maximum salary](#) base used to calculate a fraction of salary requested, or place other constraints on the types of personnel supported under a particular program. Personnel classifications include senior project individuals, technical staff, administrative staff, and various types of trainees (post-doctoral fellows, graduate students, research associates). For existing faculty and staff, you must use their current institutional base salary. For to-be-named (TBN) positions, use a salary level between the minimum and the midpoint of the range for the title you propose to hire.

Federal funding agencies also limit the direct cost budgeting of administrative or clerical staff charged to sponsored accounts. Normally administrative support is considered part of the F&A cost and is not allowed as a direct cost to your project. Direct charging of these costs may be appropriate on federal projects if it is a major project or the activity specifically budgets for administrative or clerical services and the individuals can be specifically identified with the project or activity. A "major project" is defined as a project that requires an extensive amount of administrative or clerical support, which is significantly greater than the routine level of services provided by the departments. Requesting these items as direct costs when they are not identifiable with one project and/or not a major project may result in non-compliance with OMB Circular a-21, section .F6(b) and with the Cost Accounting Standards.

A budget narrative explaining individual budget elements should accompany the budget schedules. For future year projections, modest inflation factors may be used to inflate and cover cost of living raises; generally 3%-4% is considered acceptable. Funding agencies may have specific limits.

Principal Investigator/Project Director (PI/PD): The PI/PD is the lead person charged with responsibility for technical and administrative project direction and oversight. The PI/PD may be assisted by one or more Co-Investigators. For certain Funding Opportunities, multiple

PIs may be assigned to a project; check the solicitation carefully to determine if multiple PIs are allowed.

Fringe Benefits: Non-cash compensation provided to employees pertaining to mandated or institutional provisions. Fringe benefits are usually expressed as percentage of the wage or salary base, and reflect a composite rate that includes incremental factors for social security, health insurance, liability insurance, workman's compensation, and related factors. Estimated rates to be used in your grant proposals are designed to cover actual costs for the duration of the award. Actual fringe benefits will be charged to your grant account throughout the term of the award. Estimated rates to be used in grant proposals are given in the [UMC Fast Facts](#).

Equipment Defined as an article of nonexpendable, tangible personal property, having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. Capital expenditures equal to or exceeding \$5,000 should be budgeted in the equipment category, and are not subject to overhead (F&A) charges. Equipment costing less than \$5,000 per unit is budgeted under supplies and draws overhead based on the effective F&A rate.

Consultant costs: Defined as non-institutional employees retained for a short duration of time for their expertise. Consultants are paid a per diem maximum based on funding agency or federal guidelines, or an appropriate fee for service commensurate with the market or specialty. Extended-term consultancies may be subject to institutional or sponsor restrictions, or force a change of classification to employee status. You may want to review the consultant/independent contractor [How to](#) for further guidance as you plan your project budget.

Supplies: Any category of expendable material required as an essential inventory item for the conduct of a particular project. May include scientific or laboratory supplies, laboratory animals, chemicals and other disposable commodities. Office supplies included in the budget must be specifically for use on your study; general office supplies are part of the F&A costs. If you include office supplies in the budget, you must indicate that they are project specific. If animals are to be purchased, state the species and the number to be used.

Travel: Cost details are usually itemized on a per trip basis; include air or ground transportation and per diem travel expenses. The destination, purpose, and number of travelers for each trip should be identified. Economy or lowest available fare class must be utilized. Per diem, meal allowance rates, and other travel related costs follow [UMMC Travel Policy](#).

The mileage allowance for the business use of personal automobiles follows the federal reimbursement rates. The current rate is given in the [UMC Fast Facts](#).

Alterations and renovations: Specific facilities costs required to modify or update dedicated space for the planned project. General construction costs are typically not supported.

Other Direct Costs: Examples of costs in this category include publication costs, page charges, computing charges, rental or lease charges, equipment maintenance contracts, long-distance phone charges, and modest fee-for-service contracts. General telephone charges and postage, are part of the F&A costs and should not be used anywhere in the proposal, including

the budget justification. If you have phone service installed specifically for a full-time project employee, or unusual postage costs that are incurred specifically for your study, you must indicate that they are project specific and justify the costs.

Consortium or Contractual Costs: These are costs associated with a partnering or collaborating institution for the project performance or service to be rendered by that party. Consortium expenses must be supported by detailed cost breakouts for each collaborating institution. This cost breakout should be accompanied by the signed authorization for the collaborating institution(s), and submitted to the Office of Research along with the complete proposal transmittal materials. Subject to award action, UMMC, as the prime awardee, will issue a **subcontract agreement** to the collaborating institution(s). Subcontract costs in excess of the first \$25,000 are not charged F&A costs. Assess F&A Costs on the first \$25,000 for each subcontract (this does not mean for each year).

Requirements for Subcontractors

NIH - Non Modular Requirements

1. Statement of Intent to Enter into a Consortium Agreement and the Face Page signed by the institutional official
2. Budget pages
3. Budget Justification
4. Checklist
5. Other Support
6. Scope of Work

D. NIH – Modular

1. Letter of Intent to Enter into a Consortium Agreement and Face Page signed by the institutional official
2. Budget Justification
3. Year one detailed budget
4. Summary budget page
5. Checklist page

Cost sharing (Matching funds): Some sponsors require cost sharing, i.e., some contribution to total project costs by the institution. In many circumstances, cost sharing is merely desirable or requested by a program officer, but not mandated under the terms of the particular program. ***Cost sharing is a REAL cost. It should NEVER be included in a proposal unless required by a sponsor and then, only to the level required by the sponsor.*** Usually, cost sharing takes the form of contributed time for project personnel already paid by University accounts. PIs are cautioned that mandatory cost sharing will be audited and documentation must be clear for sponsor-portion of the budget. Cost share expenditures are subject to the same allowable cost policies as the direct funding from the sponsor. The ledger source to be charged the "real dollar" matching funds must be clearly identified and the department chairman and/or dean must indicate approval of the matching funds. For further information on documenting cost sharing/required matching, contact Susan Campbell, Assistant Comptroller for Grants Accounting scampbell@accounting.umsmc.edu . Also, note that any contributed effort must be documented on the employee's effort reports.

For projects that do not recover the full F&A cost rate, the unrecovered difference may be allowed as part of the cost-sharing budget. The unrecovered difference is calculated by comparing the difference between the full institutional F&A cost rate charged to the project, and the limited dollar amount or rate that the sponsor will pay.

Patient Care Costs: The costs of routine and ancillary services provided by hospitals to individuals participating in research programs. Indicate the basis for estimating costs in this category in detail, including the number of patient days, estimated cost per day, and cost per test or treatment. Provide specific information regarding anticipated sources of other support for patient care costs, e.g. third party recovery or pharmaceutical companies. Research patient care costs do not include travel lodging and subsistence or donor/volunteer fees. Request these fees in the Other Expenses category. Request consultant physician fees in the Consultant Costs category. Research patient care costs are computed in an amount consistent with the principles and procedures used by the Medicare program for determining the portion of Medicare reimbursement based on reasonable costs. Direct patient care costs are not subject to F&A, and therefore would be excluded when calculating the F&A amount. (This does not include payments made to patients for participation in a study).

Contact the Office of Research with questions
601/815-5000
[dor - Office of Research@umsmed.edu](mailto:Research@umsmed.edu)