



The University of Mississippi

Budgeting for Proposals

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Why a Budget?

One of the main elements of a grant proposal is to determine what resources the researcher needs to accomplish the GOAL – the money!



FEDERAL REGULATIONS

- **Office of Management and Budget**
 - **2 CFR Parts 215 and 220 Cost Principles for Educational Institutions (OMB A-21)**
 - **“This Circular establishes principles for determining costs applicable to grants, contracts, and other agreements with educational institutions”**
 - **Provides for F&A (Indirect costs)**
 - **Contains general provisions for selected items of cost**

http://www.whitehouse.gov/sites/default/files/omb/assets/omb/fedreg/2005/083105_a21.pdf



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FEDERAL REGULATIONS

Office of Management and Budget

- **OMB Circular A-110 Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations**
 - **Addresses how we must account for funds**
 - **Deals with cost sharing, program income, budget revisions and property standards, among other issues**
 - **Mainly covers post-award issues, but must be taken into consideration in order to develop a proposal budget properly**

<http://www.whitehouse.gov/omb/circulars/a110/a110.html>



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The Budget's Function

- To allow the researcher to determine the resources needed
- To avoid extra work after the project is funded
- To show the funding source how its money will be spent



Budgeting Concepts

- **Federal Regulations**
- **Direct Costs vs. Indirect Costs**
- **Allowable Costs vs. Unallowable Costs**
- **Cost Sharing (Matching)**



Direct Costs

- **These are the actual costs of performing your research**
- **Direct costs include but are not limited to, salaries, travel, equipment, etc.**
- **The University maintains a practice of consistency in charging Direct Costs**
- **Items that are REASONABLE, ALLOWABLE and DIRECTLY ALLOCABLE to the research proposed and within the proposed project period.**



Indirect Costs

- Indirect costs are also termed F & A (Facilities and Administrative Costs) or overhead
- They are the actual costs to the university.
- For further information on Direct and Indirect Costs please visit:

<http://www.olemiss.edu/depts/contracts/policies.html>



Indirect Cost

- **Indirect costs benefit the University as a whole, as well as the department that generates them**
 - **These are funds the University and its divisions are entitled to**
- **We are allowed by federal regulation to request the maximum indirect costs allowed by the funding source**



Direct Costs

F&A

Non-administrative Salaries, Wages and Fringe Benefits:

Project Directors

Researchers

Graduate Assistants

Consultants

Travel - for employees paid or cost sharing on project funds

Long Distance Telephone Charges

Laboratory and Scientific Supplies

Repair & Maintenance - on equipment purchased with project funds

Service/Recharge Center Charges

Animal Care Charges

Research Equipment Identified Specifically to a Project

Administrative Salaries, Wages and Fringe Benefits:

Accountants

Secretarial & Clerical

Departmental Administrators

Travel - employees not working directly on the project

Telephone Line Charges and Local Fees

Cellular Telephone Charges

Office Supplies & Printing

Subscriptions

Institutional Memberships

Departmental Equipment - Typewriters, Computers, etc.



The Indirect Rate

The University has a rate agreement negotiated with DHHS. This agreement is negotiated every four years.

The current rates are as follows:

On Campus

- Organized Research 46% of MTDC
- Instruction 50% of MTDC
- Other Sponsored Activity 30% of MTDC

Off Campus

When more than 50% of a project is performed off campus

- 26% for off campus research and instruction 23% for all other Sponsored Activity



Modified Total Direct Costs

- **What is MTDC?**
 - **MODIFIED Total Direct Costs**
 - **The BASIS for calculating Indirect Costs**
 - **In UM' s case:**
 - **TOTAL Direct Costs LESS:**
 - **Equipment**
 - **Graduate Student Tuition**
 - **The amount of each subcontract in excess of \$25,000**
 - **The resulting total is the MTDC, or Indirect Cost BASE**
 - **We multiply this base by the Indirect Cost RATE to get the amount of Indirect Costs**



Cost Sharing

- Also referred to as “matching”
- Addressed in OMB Circular A-110
- Cost sharing is sometimes requested by the funding source to illustrate the University’s commitment to the proposed project
- Often determined as a percentage of requested funds
- Should be addressed in the proposal guidelines
- University policy is if cost sharing is not required, **DO NOT** show it in the proposal
 - Because if the proposal is accepted, the University is legally bound to the proposed cost sharing
 - This limits the University’s flexibility in allocating resources



Elements of a Budget

- **Personnel**
- **Fringe benefits**
- **Equipment**
- **Travel**
- **Participant Support**
- **Materials and Supplies**
- **Publication Costs**
- **Computer services**
- **Graduate tuition**
- **Subcontract**
- **Indirect Costs**

This is not a comprehensive list of budget components



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Allowable Costs

- **Allowable Costs—what the researcher can legally ask for from the funding source**
 - **Addressed in OMB Circular A-21**
 - **Examples of Allowable Direct Costs**

Although there are exceptions, the following types of costs are typically allowable as direct charges:

- **Personnel costs for individuals working directly on the project. Personnel time must be documented through the University's effort reporting system.**
- **Travel for employees who document their time on the project via the effort reporting system.**
- **Laboratory and technical supplies.**
- **Technical and scientific equipment and maintenance agreements related to the equipment.**
- **Other miscellaneous costs: long distance telephone, animal care, computer costs and specialized service facilities with rates approved by the Contracts and Grants Office.**



Personnel

- **The personnel section should only consists of those persons employed by the University of Mississippi**
- **This may include faculty, staff, graduate students, undergraduate students**
- **Personnel does not include those individuals from other institutions**



Fringe Benefits

• State Retirement	15.75%
• Medicare	1.45%
• FICA	6.20%
• Workers Comp	0.55%
• Health	7.00%
• Life Insurance	0.10%
• Unemployment	0.06%
• Terminal pay	1.30%
	32.41%



Equipment

- **Equipment items should be itemized**
 - **Some funding sources request itemization on the budget page itself**
 - **Also itemize on the Justification**
 - **Some funding sources request quotes**
- **What qualifies as equipment?**
 - **Go by the UNIVERSITY'S definition, not the funding source's, per UM's Indirect rate agreement**
 - **“Equipment means an article of nonexpendable tangible personal property having a useful life of more than one year, and an acquisition cost of \$5000 or more per unit.”**
 - **ALSO, certain items the University regards as equipment regardless of cost**
 - **Basically, anything we have to put a property control tag on**



Travel

- **Some funding sources require that a proposal distinguish between domestic and foreign travel**
- **Travel is often an important part of a research proposal**
 - **Be sure to use reasonable numbers**
 - **For meals, UM's per diem rate is the maximum allowable amount**



OTHER DIRECT COSTS

- **Material and Supplies**
- **Publication costs**
- **Consultants**
- **Computer services**
- **Sub-awards**
- **Other**

– GRADUATE STUDENT TUITION



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PARTICIPANT SUPPORT COSTS

- **Generally applies only to NSF and a few other federal agencies**
- **Used mainly for education and training programs, and sometimes for components of research projects**
 - **Costs of bringing in program participants**



Unallowable Costs

- **Unallowable Costs**—what the researcher cannot fund using federal money
 - Items not appropriate for funding
 - Items already covered by Indirect Costs (e.g. secretarial and clerical personnel, telephone line charges, etc.)
- **“Project directors have ultimate responsibility for defending all costs charged to their sponsored projects”**



That's All Folks!!

Although the components of agency budgets are very similar, some have their own unique outline of costs. Nevertheless, the methods that we discussed are very close to how we handle most university budgets. You may see your PDS for additional information on budget preparation, distribution of F & A, and a particular agency's budget requirements.

