Proposal Budget Creation

Reference Manual 11-9-15

Leadership and Talent Development
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Proposal Budget Creation Process Overview

While each proposal is unique, there are typical tasks that must be completed throughout the proposal budget creation process in order to meet deadlines and be in compliance with University policies, sponsor’s guidelines, and applicable federal regulations. Below is a visual and high-level summary of the life cycle of a proposal budget.

**SUMMARY OF THE LIFE CYCLE OF THE PROPOSAL BUDGET CREATION PROCESS**

**Understand Proposal Budget Creation Basics**
- **Locate Funding and Initiate Communication**
- **Review Sponsor Guidelines and Continue Communication**
- **Create the Proposal Budget**
- **Submit the Proposal**

**Understand Proposal Budget Creation Basics**
All individuals assisting with the proposal budget creation process must be aware of the overall life cycle phases, associated definitions, roles and responsibilities, and the policies and regulations that govern proposal and budget preparation at the University of Minnesota.

**Locate Funding and Initiate Communication**
The principal investigator (PI)/department are responsible for locating a potential funding source. Once the potential sponsor is found, the sponsor’s guidelines and application materials must be obtained and carefully reviewed. Next, the PI will create the project’s statement of work and determine whether the project is eligible to apply for funding from the sponsor. In addition, the type of sponsored project and the proposal’s overall purpose must be determined in order to establish key deliverables and deadlines required by the sponsor.

**Review Sponsor Guidelines and Continue Communication**
As a best practice, it is recommended that the PI and the pre-award departmental research administrator (DRA) establish an in-person meeting to establish clear expectations, deadlines, and roles and responsibilities. At this time, the PI will give the pre-award DRA key information that is needed to create the proposal budget such as: proposal deadlines, project dates, budget period dates, type of proposal, various rates that will be used in various budget calculations, list of estimated costs, and method of submission.

**Create the Proposal Budget**
Once all key information is obtained, the sponsor’s guidelines must be carefully reviewed to ensure all instructions are followed. The pre-award DRA will assist the PI in creating the budget by performing necessary research and calculations to arrive at the overall costs for each budget category within the proposal. In addition, a detailed budget justification must be captured for all costs listed within the proposal budget.
Submit the Proposal  Departments are responsible for verifying the proposal is complete and creating the mandatory internal document known as the Proposal Routing Form (PRF). The PRF summarizes the project and is used to obtain the required University approvals (e.g., approval from the department head and dean). Once all materials are complete, the PRF and proposal must be submitted to Sponsored Projects Administration (SPA). Once submitted, SPA will review the proposal to ensure the proposal budget items are allowable, properly calculated, and adequately justified. If errors exist, SPA will work with the PI/department to resolve them.

After the proposal has been fully reviewed by SPA and no errors exist, SPA will officially submit the proposal to the sponsor, as SPA is the only legally authorized institutional unit that may submit a proposal on behalf of the Regents of the University. Should questions arise from the sponsor, SPA will work with the PI/department and sponsor to address questions and perform any needed negotiations.
Understand Proposal Budget Creation Basics

It is an expectation that all individuals responsible for performing budget creation responsibilities have a basic understanding of sponsored projects and the University’s overall proposal phase’s business process.

**Sponsored Project Life Cycle**

<table>
<thead>
<tr>
<th>Proposal</th>
<th>Award</th>
<th>Project Management</th>
<th>Closeout</th>
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**Proposal Phase**
The first phase in the life cycle of a sponsored project is called the *proposal phase*. During this important phase, the principal investigator (PI)/department is responsible for locating a potential funding source and completing the proposal. The University’s Sponsored Projects Administration (SPA) will review the completed proposal to ensure it conforms to the University’s mission, abides by all University policies and federal regulations (if applicable), and meets the sponsor’s application requirements. Once this review is completed, SPA will submit the proposal to the sponsor. SPA is the only authorized institutional unit to submit proposals on behalf of the Regents of the University of Minnesota. Finally, once the sponsor has made a decision to fund the proposal, the sponsor will contact SPA. If the PI/department receives notification, that information must be immediately forwarded to SPA. Proposals that receive funding will move to the next phase, known as the award phase. Otherwise, those that are not funded will end their journey along the sponsored project life cycle.

**Definitions**
All University of Minnesota faculty and staff responsible for supporting sponsored projects must know the key definitions associated with this course: proposal and proposal budget.

- A *proposal* is defined as a complete document that contains all the information necessary to describe a proposed project’s:
  - statement of work
  - budget that outlines the anticipated costs
  - associated documentation required by the sponsor

- A *proposal budget* is:
  - a carefully calculated and detailed document that outlines the total funds needed to conduct a sponsored project
  - a financial expression of the project that includes a detailed breakdown of the estimated costs of expense categories such as personnel, travel, supplies, and facilities and administrative (F&A) costs
  - always accompanied by a proposal budget justification

- A *sponsor* is the organization that will potentially fund the proposal.

- An *award* is the provision of funds that will carry out a proposed project or activity.
Roles and Responsibilities

Throughout the University of Minnesota, there are various roles at the local/departmental and central levels that support the proposal budget creation process. It is essential to understand who is responsible for each task and ongoing communication, and to ensure that the University is in compliance and all deadlines are met.

### CENTRAL ROLES AND RESPONSIBILITIES

<table>
<thead>
<tr>
<th>Role</th>
<th>Description</th>
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<tr>
<td><strong>Office of the Vice President for Research (OVPR)</strong></td>
<td>Oversees all aspects of research at the University of Minnesota’s five campuses, providing guidance to individual researchers and managing the system wide research enterprise. OVPR is also responsible for policy and oversight related to the research process and education/training in the responsible conduct of research. The Vice President for Research reports directly to the President of the University.</td>
</tr>
<tr>
<td><strong>Sponsored Projects Administration (SPA)</strong></td>
<td>The only institutional unit legally authorized to submit proposals for sponsored projects and commit the University on behalf of the Board of Regents in the event an award is made. SPA also serves as a liaison between sponsors and PIs.</td>
</tr>
<tr>
<td><strong>Grant Administrator (GA)</strong></td>
<td>An individual who works in SPA and is the administrative liaison between the sponsor and the University department. The GA is responsible for reviewing proposals; communicating with the sponsor; and negotiating and finalizing awards and related subawards.</td>
</tr>
<tr>
<td><strong>Controller’s Office</strong></td>
<td>Responsible for providing processes, systems, controls, and procedures over financial functions so the University of Minnesota has timely, accurate, and complete financial information for use in decision making. In addition, the Controller’s Office strives to reduce costs, increase efficiencies, and maximize value for the University.</td>
</tr>
<tr>
<td><strong>Sponsored Financial Reporting (SFR)</strong></td>
<td>A central unit that reports to the University Controller. SFR is responsible for sponsored project invoicing, reporting and letter of credit draws, payment application, collections issues, and award close outs. SFR serves as a liaison between sponsors and investigators. When financial questions arise, SFR is also responsible for all sponsored project audits at the University.</td>
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<tr>
<td><strong>SFR Accountant</strong></td>
<td>Responsible for ensuring that financial invoices and reports are submitted accurately and within sponsor deadlines; and communicates daily with University departments and sponsors to resolve financial problems and respond to inquiries. In addition, the SFR accountant corrects and processes financial system entries and adjusts balances to ensure compliance with sponsored project contract stipulations; and partners with the SPA GA to enter and review setup of sponsored awards in the financial system.</td>
</tr>
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### LOCAL OR COLLEGIATE LEVEL ROLES AND RESPONSIBILITIES

**Pre-Award Departmental Research Administrator (Pre-Award DRA)**

Assists and advises the PI in locating and applying for external funding. This may include searching for funding opportunities, advising PIs on funding strategy, preparing budgets, editing proposal narratives, and working with SPA to submit the proposal. In addition, the individual in this role may serve as a liaison between the PI/department and SPA prior to an award being made.

**Post-Award Departmental Administrator (Post-Award DRA)**

Assists the PI in managing the project's financial and administrative tasks after the project's funding is awarded. While the post-award DRA's responsibilities are mainly performed after the proposal phase is completed, the post-award DRA may assist the pre-award DRA and PI with financial and administrative tasks associated with the creation of proposal budget. In addition, the post-award and pre-award DRAs will often work together during the award phase to ensure the project's financial and administrative setup tasks are completed.

**Principal Investigator (PI)**

The primary individual responsible for all actions required for managing and completing the financial, scientific, and programmatic aspects of the sponsored project. All individuals serving in this role must complete the Fostering Integrity in Research, Scholarship, and Teaching (FIRST) educational requirements. The principal investigator reports to a unit head (or other designated official). Because it is possible for a project to have more than one PI, they are called Co-PIs when multiple individuals share this role.

**Co-Investigator (Co-I)**

Individual who shares responsibilities with the PI by conducting a part of the scientific portion of the project. This individual must meet the same criteria as that of a PI. On projects that have multiple projects within them, the individual may be considered a co-principal investigator with the primary responsibility for all aspects of his or her portion of the project.

**Departmental Accountant**

Responsible for purchasing the project's goods and services, running and analyzing financial reports, processing payments to vendors and employee reimbursements, and/or entering other sponsored financial transactions processed at the departmental level. The accountant may be located within the department or in a "cluster" located at the divisional or collegiate level. This individual may also serve as the post-award DRA.
Roles and Responsibilities (cont.)

Certified Approver (CA)  Responsible for approving/denying certain financial transactions based on the administrative requirements of the University and the sponsor. A CA must pass a two-part exam, fulfill annual continuing education requirements, and be authorized by the Vice President for Research and appointed by his/her associate dean for research (or equivalent) to serve in this role. A CA must maintain good standing in the Certified Approver Program which is coordinated by the Research Education and Oversight (REO) within the Office of the Vice President for Research.

Department/Unit Head  An academic leader with programmatic, managerial, and fiscal responsibilities for a designated area, such as a department, division, school, or center. The department/unit head oversees the sponsored projects management at the local level and is responsible for reviewing and approving the proposal and its budget.

Dean  An academic leader with programmatic, managerial, and fiscal responsibilities for a college or school. The dean’s office is responsible for overseeing the activities in the unit, and reports either to the executive vice president and provost, to the senior vice president for health sciences or to the chancellor of a coordinate campus (Crookston, Duluth, Morris, or Rochester). The dean is responsible for reviewing and approving the proposal and its budget.
Federal Regulations (OMB Circulars and the FAR)

The Office of Management and Budget (OMB) uses federal regulations to issue instructions and important information to federal agencies. It is an expectation that PIs/departments applying for federal funding are aware of and adhere to all applicable federal regulations. While each proposal will have specific guidelines to follow, here are two of the most common regulations that set the framework for most federal funding opportunities:

**OMB Federal Regulations 2 CFR 200**

The Office of Management and Budget (OMB) has combined many federal circulars into a single guidance known as OMB Federal Regulations 2 CFR 200. These new federal regulations became effective on December 26, 2014. This Final Guidance, most often referred to as Uniform Guidance (UG) supercedes and combines the requirements of eight OMB circulars (A-21, A-50, A-87, A-89, A-102, A110, A-122, and A-133) with the intent to streamline the federal grant-making and monitoring process, to ease administrative burden for grant applicants and recipients, and to reduce the risk of waste, fraud, and abuse.

**Federal Acquisition Regulations (FAR)**

These guidelines typically apply to federal contracts and Requests for Proposals (RFPs). Commonly referred to as the “FAR”, it lists the primary regulations used by all federal executive agencies to maintain uniform policies. These regulations apply to the purchase of supplies and services with appropriated funds. There are 53 parts to the FAR; with Part #52 being the largest section as it deals with contract clauses and solicitation provisions.

NOTE: Departments applying for federal contracts must be aware that certain agencies may have created their own additional, customized supplemental regulations that also must be followed throughout the proposal process. One of the best-known examples of an agency supplement is the Defense Federal Acquisition Regulation Supplement (DFARS), which is used by the Department of Defense.
University Policies

There are various policies that provide guidance to ensure consistency, communication, and compliance during the proposal budget creation process. The three primary policies during this phase of a sponsored project's life cycle include: Openness in Research, Submitting and Accepting Sponsored Projects, and Education in the Responsible Conduct of Sponsored Research and Grants Management.

Openness in Research

This Board of Regents and administrative policy states that the University shall not accept restrictions on participation in University research nor on the dissemination of the results of University research. It includes these guidelines:

- Disclosure of the Research Relationship: The University shall not accept support from any source for research under a contract or grant that prohibits the disclosure of the existence of the project, the identity of the sponsor, and the purpose and scope of the project.
- University’s right to publish: The University reserves the right to publish and present research results, individually and in collaboration with other researchers.

Submitting and Accepting Sponsored Projects

This Board of Regents policy lists the following guidelines:

- Only the President or delegate (SPA) may submit a proposal on behalf of the Regents of the University of Minnesota.
- All PIs must meet eligibility requirements such as educational training requirements and employee classifications.
- Only the President or delegate (SPA) may accept an award on behalf of the Regents of the University of Minnesota.
- All sponsored projects are awarded to and owned by the University, not individuals such as a PI.
This administrative policy and its procedures state that:

- PIs are responsible for including Facilities and Administrative (F&A or indirect) costs in proposals for sponsored projects funded by external entities unless an exception has been approved in advance.

- SPA sets F&A rates with the federal government based on formulas and negotiation processes set forth in the OMB Federal Regulations 2 CFR 200. PIs (a) must use the federally approved rates for all sponsored projects, unless an exception to policy has been granted in advance of proposal submission or it meets the criteria for a reduced rate; and (b) may not offer or promise a reduced rate to a sponsor in advance of receipt of an approved waiver. PIs can petition for such F&A reductions for an individual project. Colleges have the authority to approve most waivers; the vice president for research will make decisions on waivers that have broad institutional impact. See Administrative Procedure: Requesting Facilities and Administrative (Indirect) Cost Reductions for guidance. Waivers will not be approved for an entire type or class of project.

- Indirect Cost Recovery (ICR), generated by F&A rates applied to external funds, must be shared by the colleges substantially contributing to the work of a sponsored project and is typically also shared among departments contributing to the work of a sponsor project, usually in proportion to their contribution. Units must document ICR sharing arrangements at time of proposal review and submission.

This administrative policy and its procedures state that:

- All PIs must complete the University's Responsible Conduct of Research (RCR) curriculum in order to be eligible to serve as a PI.

- All PIs must complete continuing education requirements after the initial RCR requirements are completed.

- PIs who will be responsible for projects with specific outcomes such as research performed on animals and human subjects have additional educational requirements that must be completed.

- If the mandatory PI educational requirements are not completed at the time of proposal submission, the submission will not be delayed. However, if these requirements are still not completed once the award is made, the set up of the award's financial account will be delayed.
Locate Funding and Initiate Communication

The overall proposal budget business process begins with locating a potential funding source or sponsor. While there are many different sponsors that fund sponsored projects at the University, the most common sponsors include:

- The federal government (e.g., National Institutes of Health, Department of Agriculture)
- Associations and foundations (e.g., Susan G. Komen Foundation)
- Business and industry (e.g., 3M, General Mills)
- Subawards through other institutions
- State of Minnesota and other non-federal government sources (e.g., MNDOT, St. Louis County, City of Maplewood)

Once the potential funding source is found, the PI and pre-award DRA must set expectations and the scope of the proposal. Most importantly, open communication must be established and fostered throughout this important phase in order to successfully complete the following deliverables that are required to be accomplished at the beginning of the proposal budget creation process:

- PI/department locates a potential funding source.
- Obtain the sponsor’s guidelines and application materials to begin establishing the project’s scope.
- Determine whether the PI and planned project meet eligibility requirements.
- Verify whether the funding opportunity is a sponsored project.
- Determine the sponsored project’s type (grant, contract, cooperative agreement).
- Determine the proposal’s purpose (e.g., research, instruction, clinical trial, public service).
PI/Department Locates a Potential Funding Source

The overall proposal budget business process begins with locating a potential funding source (sponsor). The PI will typically request the assistance of the pre-award DRA to help locate a potential funding source. This important process can be challenging, as it can sometimes take a while to locate a funding opportunity that meets the PI’s work scope, budgetary parameters, and overall programmatic goals.

Here are some resources that are available to help departments locate a potential funding source:

- **Research Advancement**: the University subscribes to proposal search tools to locate funding opportunities. Visit www.research.umn.edu/advance.

- **Professional Organizations or Associations**: seek out the funding opportunities that are listed or available through the various professional organizations in which the PI has a membership. An example is the Society of Neuroscience that offers funding opportunities for this field. Visit www.sfn.org.

- **Agency Websites**: provide an excellent source of information on available funding opportunities that exist for each specific agency. Visit www.neh.gov/grants/index.html.

- **University Libraries**: offers a variety of classes to assist faculty and staff in locating funding opportunities and offers courses to help create successful proposals. Visit www.lib.umn.edu.

- **COS (Community of Science)**: COS funding alert subscribers receive a weekly email with a customized list of funding opportunities based on previously specified criteria provided by the individual COS members. Visit www.cos.com.

- **Grants.gov**: lists funding opportunities available from the federal government. Users may subscribe to a free listserv that will notify the user of funding opportunities based on customized criteria or a specific funding opportunity number. Visit www.grants.gov.

- **IRIS (Illinois Researcher Information Service)**: subscribed users may utilize an alert service to allow them to create their IRIS search profiles. Search profiles will be run automatically at specified intervals and alert users to upcoming funding opportunities in their areas of interest. Visit http://iris.library.uiuc.edu/~iris/search.html.

- **SPIN (Sponsored Projects Information Network)**: users may create a profile to set up customized searches with email alerts about new opportunities that match specified search criteria. Visit www.infoed.org/new_spin/spin.asp.

- **RFP Bulletin**: provides a listing of recently announced requests for proposals (RFPs) from private, corporate, and government funding sources. Users may subscribe to a listserv that sends weekly emails with new funding opportunities. Visit http://foundationcenter.org/newsletters.
Obtain the Sponsor’s Guidelines and Application Materials

Once the potential funding opportunity is located, anyone responsible for tasks associated with the proposal budget creation process must carefully review the sponsor’s guidelines and application materials. In addition, all individuals responsible for the budget must have a basic understanding of the sponsor’s overall budgetary policies. It is important to know that these policies may not always appear in the application or budget instructions. Departments must be aware that sponsors expect all applicants to adhere to their overarching budgetary policies, regardless if they are listed in the application materials.

Since other organizations are likely to be competing against the department to be the recipient of this sponsor’s same funding opportunity, following the overall sponsor’s policies and instructions for the proposal’s budget is crucial. Failure to adhere to them almost always results in the proposal not being funded by the sponsor.

There are typical components that make up the sponsor’s guidelines and application materials, including:

- **Overall Summary of the Organization**: sponsors will typically provide applicants with general information about the organization such as its mission statement, statistics, and/or organizational history.

- **Overview of the Funding Opportunity**: the sponsor typically states who is eligible and describes the overall purpose of the funding opportunity. In addition, the sponsor will typically state the minimum and/or maximum range of the available funding, and if additional years of funding are available.

- **Proposal Assembly Instructions**: sponsors will typically list specific instructions that must be followed by all applicants. If these basic instructions are not followed, the sponsor will not consider the proposal. Some examples include: deadline for the proposal to be received by the sponsor, table of contents, font type and size to be used, and acceptable types of attachments or supporting documents.

- **Restrictions and Reporting Requirements**: sponsors will typically list up front specific reporting requirements and other restrictions. For example, the sponsor may state the frequency of the financial and technical reports.

- **General Budgetary Guidelines**: sponsors will typically list the order in which the budget categories must be arranged, a detailed list of what is allowable and unallowable by the sponsor, and whether cost sharing is mandatory.

- **Contact Information**: typically the sponsor will list the email, phone number, etc. of an organizational or agency representative whom applicants may contact should questions arise.
Determine Whether PI and Project Meet Eligibility Requirements

Once the sponsor’s guidelines and application materials have been carefully reviewed, the individuals responsible for proposal budget creation must determine whether the PI and the proposed project meet the eligibility requirements that are outlined in the sponsor’s application materials and policies. To do so, the PI must have a firm understanding of the overall goals of the project’s work scope. Once these goals have been established, the PI and department must ensure the project’s work scope conforms to the overall mission of the potential sponsor’s funding opportunity. If the goals of the funding opportunity and the PI’s work scope are not in sync with one another, the PI must either adjust the work scope’s plans accordingly or reconsider applying for the funding altogether.

Here are some common questions to consider when determining whether the PI and project are eligible to apply for the sponsor's funding:

- Does the overall goal of the project’s work scope meet the overall goals of the sponsor’s funding opportunity?
- Does the overall concept of the funding opportunity support the overall mission of the department or college?
- Are there restrictions or other requirements (e.g., mandatory cost sharing) mandated by the sponsor that would not best support the goals of the department?
- Is there enough time to create the proposal and get it authorized by all required University approvers in order to meet the sponsor’s deadline?
- Are there restrictions mandated by the sponsor that only allow one application to be submitted by the University (only one department/PI may apply)? Visit www.collaborate.umn.edu. Click <External Funding Req. Coordination> listed in the “Quick Links” section.
Verify Whether Funding Opportunity is Sponsored Project

Once a potential funding source is located, the PI and pre-award DRA must confirm that it indeed meets the criteria of a sponsored project.

One criteria of a sponsored project is external funding. The three most common situations where the University receives external funding are:

- gifts
- external sales
- sponsored projects

It is crucial to understand the differences among the three types of external funding that the University of Minnesota receives. Accepting money from an outside source and not properly following the University’s business procedures can result in violation of policy and put the University at risk of being out of compliance with the sponsor’s guidelines and other regulations.

Gift

A gift is a transaction involving the voluntary, nonreciprocal transfer of funds from a third party to the University. The third party may be an individual, a corporation, or a nonprofit organization. The donor does not expect anything of direct economic benefit or a return of any unused funds.

How are gifts handled?

The University of Minnesota Foundation, the Minnesota Medical Foundation, the Arboretum Foundation, and the 4-H Foundation typically are the receiving points for gifts made to the University. These recognized foundations and University departments are responsible during their period of stewardship and transfer for insuring that gifts are spent in accordance with the donor’s wishes.

What criteria may help determine whether the external funding is a gift?

- No contractual obligations or deliverables
- No intellectual property rights
- Awarded irrevocably
- No required reporting (progress or financial) beyond that required for good stewardship

Example: The Smith family transfers funds to the University as a memorial in honor of their grandparents.
Verify Whether Funding Opportunity is Sponsored Project (cont.)

**External Sale**

An **external sale** is a transaction involving the transfer of funds by a third party to the University through the selling of supplies or services outside the University community. Income from the external sale may be subject to federal or state taxes. If the activity generating the sale is supported by sponsored funds, the income from that sale is program income.

*How are external sales handled?*

University departments are required to have a written agreement in place to govern external sales transactions with non-University entities. Units must use the University of Minnesota Standard Services Agreement OGC-SC102 or any other agreement identified as an external sales contract located on the Office of the General Counsel (OGC) website.

*What criteria may help determine whether the external funding is an external sale?*

- Transaction is consistent with the scope, guiding principles, and criteria set forth in the Board of Regents Policy “Direct Sales of Goods and Service.”
- Funds are in exchange for services performed by the University and any tangible goods produced as a result of such services.
- Funds are in exchange for use of laboratory equipment.
- Funds are in exchange for a license to use information on University-maintained databases.

*Example:* The sale of a computer purchased at the University of Minnesota bookstore.

**Sponsored Project**

A **sponsored project** is externally funded by a third party; geared toward a specific purpose such as research, public service, or instruction; and governed by specific terms and conditions.

*What criteria may help determine whether the external funding is a sponsored project?*

- If any of the following are mentioned: contract, cost sharing, line item budget restrictions, overhead negotiations, prior approval required on spending, return of unused funds to sponsor, intellectual property, or period of performance.
- Sponsor is entitled to receive some consideration, such as a detailed technical report, test results, or data.
Verify Whether Funding Opportunity is Sponsored Project (cont.)

- Limitations exist on the use of project data, or details relating to patents or copyrights are involved.

- If income is earned during the life cycle of a sponsored project, it is considered program income (see the “Special Proposal Budget Situations” section).

Example: The University receives funding to conduct research to determine the most efficient and safest bicycle behaviors among teenage bicyclists in cities with a population of greater than one million. As a result of this funding, the University must provide the sponsor with quarterly progress and financial reports.
Determine the Sponsored Project’s Type

After the PI and pre-award DRA have verified that the external funding opportunity meets the criteria of a sponsored project, they must determine which type of sponsored project will be involved. It is important to know the difference between the various types of sponsored projects because each type has its own specific restrictions and obligations. Specifically, departments must understand that the level of sponsor involvement and assistance may vary substantially between the four types, which will impact the proposal budget creation process and overall management of the award. The four types of sponsored projects are:

- grants
- contracts
- cooperative agreements
- Unfunded Research Agreements (UFRA)

**Grant**

A grant is awarded to the University as assistance to support instruction, research, or public service. The PI typically requests funding from the sponsor through an application kit or the sponsor’s guidelines for receiving funding. In addition, the project’s work scope is typically conceived by the PI and the sponsor typically has little or no involvement in carrying out the work scope.

*Examples:*

- The University of Minnesota enters into an agreement with the National Science Foundation. The Foundation agrees to reimburse the University for costs in support of a PhD candidate who is analyzing samples obtained from a Chinese lake drilling project.

- The University of Minnesota enters into an agreement with the McKnight Foundation. The agreement indicates a period of performance and states that the funds must be used for the research as proposed by the PI, and the sponsor must receive quarterly progress and financial reports. Any unused funds must be returned to the McKnight Foundation at the end of the performance period.
Determine the Sponsored Project’s Type (cont.)

**Contract**

A **contract** is an agreement in which the sponsor acquires work it wants achieved. The PI typically applies for funding through the sponsor’s Request for Proposal (RFP). In addition, the project’s work scope is typically conceived by the sponsor and the sponsor typically exercises direction or control of the project’s work scope.

*Examples:*

- The State of Minnesota would like to implement a teacher training program in a local school district. An agreement is entered into with the University that outlines specific tasks to the PI and arranges for 10 sessions of highly specialized training. The University will receive $10,000 upon completion of the training sessions.

- The National Institute of Health (NIH) enters into an agreement with the University of Minnesota. The University will receive $1,000 per kidney biopsy that is processed by the University (PI). The agreement authorizes 40 samples to be processed throughout the next year.

**Cooperative Agreement**

A **cooperative agreement** is assistance agreements in which the sponsor and University share substantial involvement in determining and completing the project’s work scope and deliverables. The PI typically applies for funding through the sponsor’s Request for Application (RFA). In addition, the project’s work scope is typically conceived by the sponsor and the sponsor partners with the PI/University to produce tangible goods and/or services useful both to the sponsor and the University.

*Examples:*

- The U.S. Army is providing funding to the University to investigate the effects of changes in lake levels on coastal ecosystems. The PI will carry out the mutually agreed upon research and the Army will provide technical management and scientific input of the project’s work scope.

- The U.S. Department of Agriculture (USDA) will provide funding for educational programs to improve the safety of the nation’s food supply. The USDA and the University mutually agree on a satisfactory work and financial plan. The USDA will provide resources and personnel to carry out its responsibilities as outlined in the work plan.
Determine the Sponsored Project’s Type (cont.)

**Unfunded Research Agreement (UFRA)**

An unfunded research agreement (UFRA) includes material transfer agreements (MTA), confidentiality agreements (CUA), research collaboration agreements (RCA), Data Use Agreements (DUA) and memorandum of understanding (MOU). Unlike other types of sponsored projects, the agreement does not involve an exchange or payment of dollars, except for small amounts of shipping or other ancillary costs.

*Example:*

- The University of Minnesota wants to access a dataset owned by the University of Wisconsin–Madison. After an application is created and an agreement is signed by both parties, the University of Minnesota is able to access the dataset.

Note: because this specific type of sponsored project does not have a budget associated with it, this course will not discuss UFRA. Contact SPA for further information regarding this topic.
Determine the Proposal’s Purpose

In addition to knowing the type of sponsored project, departments must determine the overall purpose of the proposal. The proposal’s purpose indicates the overall goal or mission that is to be accomplished as a result of the project’s work scope. Departments must know that this key distinguishing factor will impact the overall proposal budget creation process, as there may be restrictions, specific budgetary formats, and other requirements that must be adhered to as a result of applying for certain funding opportunities. The most common proposal purposes include:

**Research**

An intensive study to increase knowledge or understanding of the subject studied. If it is determined that it is a research proposal, further distinction is required. Departments must choose one of the three categories that best meets the overall goal of the project’s work scope:

- **Basic Research**: systematic study directed toward gaining fuller scientific knowledge or understanding of the fundamental aspects of phenomena and of observable facts without specific applications toward processes or products in mind.

- **Applied Research**: systematic study directed toward gaining fuller scientific knowledge or understanding necessary for determining the means by which a recognized and specific need may be met.

- **Development**: systematic use of the knowledge or understanding gained from research, directed toward the production of useful materials, including design and development of prototypes and processes.

**Instruction**

Related to the instruction of students. Instruction can include but is not limited to: development of curriculum and general support for the writing of textbooks or reference books, or videos or software to be used as instructional materials.

**Other Sponsored Activity (Public Service)**

Related to the overall general type of work scope that does not readily fall into other research or instruction categories. Typically, this type of activity is referred to as public service activity.

**Clinical Trials**

A study that involves testing drugs, procedures, or technologies to determine whether they are effective and/or safe.

**Equipment Only**

Exclusively involves the purchase of equipment; no other costs are charged against this proposal/award.
Review Sponsor Guidelines and Continue Communication

Training

Supports the training of professionals in their careers, as well as helps schools to establish, expand, or improve programs of continuing professional education. Training proposals may fund both institutional training grants (T) and individual fellowships (F).

Note: there is no federal training rate for F&A. Instead, it falls within the negotiated rates for the F&A “Other Activity” type.
Review the Sponsor’s Guidelines and Application Materials in Depth

Once the department has set the scope of the proposal, the PI and pre-award DRA must continue to have ongoing communication between one another to create and manage the work plan that will be used throughout the proposal budget creation process. Establishing an effective work plan early in the overall budget creation process will help prevent miscommunication and alleviate the risk of the proposal missing deadlines or failing to adhere to University policies and sponsor guidelines.

Throughout this phase of the proposal budget creation process, the following important actions must be taken:

- Review the sponsor’s guidelines and application materials in depth.
- Confirm the proposal’s deadline for submission to the sponsor.
- Establish deadlines for the proposal review by the PI, department head/dean, and SPA.
- Determine the method of proposal submission to the sponsor (e.g., U.S. mail, Grants.gov).
- Verify those who are responsible for creating the proposal budget and confirm their assignments.
- Confirm the key elements needed for proposal budget creation:
  - Verify the dates of the project.
  - Verify the number of budget periods and their associated dates.
  - Determine the proposal budget’s style or method (e.g., modular, standard).
  - Determine whether any special rates (e.g., inflationary) must be used.
  - Determine whether cost sharing is mandatory. If so, obtain the required approvals.
- Obtain a detailed list of anticipated costs for the project’s work scope.
Confirm the Proposal's Deadline for Submission to the Sponsor

Once the decision has been made to apply for the potential funding, the PI and pre-award DRA must complete an in depth review of the sponsor’s application materials and overall policies. While this may seem like a basic concept, failing to properly adhere to the sponsor’s guidelines is the most common reason why a proposal is not funded. Sponsors expect that all applicants will fully adhere to their established rules for spending on sponsored projects.

In general, always carefully read the sponsor’s guidelines/application materials for the following:

**Budget Instructions**

Sponsors typically list detailed instructions that must be adhered to such as: font size, guidelines for the table of contents or order in which the categories must be listed, and instructions for the budget justifications.

**Required Proposal Forms**

Some sponsors have specific forms. Always refer to the instructions for each required form, and ensure they are properly filled out and submitted with the proposal.

**Allowable/Unallowable Costs**

Sponsors will typically list and describe the general budget categories that are defined as allowable costs. In addition, sponsors will typically list the expenses that will not be paid for or reimbursed by the sponsor. Always verify that each listed budget item is allowable by the sponsor. If it is not, it must be removed from the proposal budget.

While reviewing the proposal's application, common questions the PI and pre-award DRA should consider include:

- Is the application deadline realistic?
- Are there specific expenses that are unallowable by the sponsor?
- Are there special budgetary restrictions that were established by the sponsor?
- What deliverables are expected by the sponsor if the proposal is awarded?
- Are there specific instructions for budgetary creation or unallowable expenses that were listed in the sponsor’s overall policies that were not listed in the application materials?
- What other special considerations must be made to adhere to the sponsor’s application process?
Establish Deadlines for Proposal Review by PI, Department, SPA

After a thorough review of the application, the first topic that must be discussed between the PI and pre-award DRA is the overall deadline in which the sponsor must receive the proposal. Knowing this key information will set the pace and overall parameters for the entire proposal budget creation process. Specifically, the PI and pre-award DRA must verify that the necessary resources are available to get the proposal created in time to meet the sponsor’s deadline.
Determine Method of Proposal Submission to the Sponsor

Once the sponsor’s deadline is confirmed, the PI and pre-award DRA must work together to confirm the deadlines for the proposal’s review and approval at the local, collegiate, and University levels. The following deadlines must be clearly established:

- Date the proposal budget is to be reviewed by the PI
- Date the proposal budget must be finalized
- Date the proposal budget/Proposal Routing Form (PRF) must be approved by the department head, dean, etc.
- Date the proposal must be received by SPA
- Date the proposal must leave the University

As a best practice, it is recommended that anyone who is responsible for completing proposal budget creation tasks or approvals are clearly communicated these deadlines at the beginning of the overall budget creation process. Doing so will help the individuals creating the budget prepare their workload, as well as ensure that the approvers are available to review the proposal when it is complete.
Determine Method of Proposal Submission to the Sponsor (cont.)

Per policy, all proposals must be received by Sponsored Projects Administration (SPA) for review and submission. SPA is the only office at the University of Minnesota that is authorized to submit proposals for the institution.

There are several distinct methods that sponsors use for proposal submission. Each method has its own unique qualifiers and it is important that the user carefully reads the sponsor’s instructions. Some sponsors like NIH, NSF, and NASA require the PI to be registered with a unique user name prior to the proposal’s submission. If this requirement exists, it will typically be listed in the sponsor’s application instructions. If in doubt whether prior registration for proposal submission is required, contact a grant administrator (GA) at SPA. Username registration that is processed by the University of Minnesota may be processed by emailing eprops@umn.edu, where the user requesting registration must list his/her name and contact information, and the type of ID requested.

All proposals regardless of the submission method are required to be routed through the appropriate approval chain as established by their department or college prior to submission. SPA’s review and endorsement is required prior to sponsor submission even in those cases when the sponsor does not mandate an institutional signature.

COMMON SUBMISSION TYPES

Paper/U.S. Mail  The PI/department must deliver the completed application packet, all required copies requested by the sponsor, and one additional SPA copy along with the fully signed Proposal Routing Form (PRF) to SPA. Upon arrival to SPA, the proposal will be date and time stamped. SPA requires all paper proposals to be submitted at least 48 hours prior to the sponsor’s official published deadline (24 hours prior to the date SPA needs to mail the proposal). Notes regarding the paper/U.S. mail method:

- If a proposal is sent via campus mail, it must be in a separate envelope addressed to SPA Proposal Receiving so that it can be immediately processed.
- If a proposal is to be delivered directly to a particular GA, attach a note of request inside the envelope.
- Do not address the envelope to a specific GA, as it will likely result in a missed deadline if the GA is out of the office or does not open mail immediately. Most importantly, SPA’s mail room staff do not open any envelope marked “personal” or “confidential.”
- Proposals being delivered outside of the continental United States require extra time. For example, Federal Express requires a minimum of two days to deliver proposals to Alaska, Hawaii, and Europe.
Verify Those Who Are Responsible for Creating the Budget

**Grants.gov**
A grant application portal for proposal submission used by all 26 federal agencies and some other government groups. Applications are electronically forwarded to the respective funding agencies via Grants.gov, as applicants may not apply directly to individual funding agencies. This proposal submission type is required to be submitted to SPA five days prior to the sponsor deadline.

For more information about the submission policy for Grants.gov, visit www.ospa.umn.edu/GrantGov/howtoapply.html.

**Electronic Proposals**
Examples of common electronic submissions include FastLane, NSPIRES, and ProposalCentral. Proposals falling into this submission type category would include proposals that are uploaded to a webpage or emailed to the sponsor. This proposal type follows the 24 hours prior to sponsor deadline submission to SPA.

Notes for the Grants.gov and electronic submission types:

- The complete proposal package for an electronic submission must be emailed to proposal@umn.edu. The following information must be included in the email's subject line:
  - Proposal Routing Form (PRF) number
  - PI last name
  - Sponsoring agency
- Fax PRFs with ink signatures to 612-624-4843. Those with electronically signed PRFs do not need to fax the PRF to SPA.

**Resources**
Helpful resources regarding proposal submission include:

- Proposal Submission to SPA, Quick Reference at www.ospa.umn.edu/GrantGov/documents/ProposalSubmissiontoSPAAQuickRef13Jul11.pdf
Confirm Key Elements Needed for Proposal Budget Creation

Most proposal budgets require cooperative work between several individuals. It is important to identify everyone who will be responsible for working on the proposal budget and what their specific roles are early on in the overall proposal budget creation process. Doing so will help ensure that the proposal budget is created on time and is accurate. More importantly, establishing these roles and responsibilities early on will help eliminate the risk of duplicate effort, prevent miscommunication, and will help address any unusual circumstances up front so that they can be managed appropriately.

Individuals responsible for creating the budget may be located solely within the same department/unit or may be located in different, partnering departments or colleges. As a best practice, work with the PI to verify who will be responsible for which portions of the proposal budget. Below is a list of the common individuals who may support the PI throughout the proposal budget creation process:

- Pre-Award DRA
- Post-Award DRA
- Departmental Administrator
- Human Resources (HR) Representative
- Departmental Accountant
- Department Head
Obtain List of Anticipated Costs for Project’s Work Scope

It is essential that all individuals responsible for the creation of a proposal budget begin by carefully reviewing the application materials to learn what can and cannot be included in the budget. In addition, individuals must have a basic understanding of the general framework and guidelines associated with a proposal budget. Before specific calculations can be made, the proper parameters must first be established as they will set the overall standard requirements for each category within the proposal budget.

The key elements that must be confirmed at the beginning of the proposal budget creation process include:

- **Determine the dates of the project period.** The project period is the total time (start and end dates) for which support of a project has been programmatically approved. It is common for a project period to span multiple years.

- **Determine the number of budget periods, and the dates associated with each budget period.** Budget periods are the intervals of time (usually 12 months each) into which a project period is divided for budgetary and funding purposes. Therefore, if a project will span multiple years, there will typically be multiple budget periods.

- **Determine the proposal budget’s style or method that is required by the sponsor.** Some sponsors have specific criteria for the formatting or template that must be followed by all applicants. One common example is a modular budget, which is requested in specified increments without the need for detailed supporting information related to separate budget categories. When modular procedures are required, they affect not only the budget creation process but also affect the review, award, and administration of the proposal/award.

- **Determine whether an inflationary rate will be used.** Since the costs associated with conducting a project’s work scope naturally tend to increase each year, sponsors will commonly have guidelines that must be followed regarding inflation in the application materials. While each sponsor is different, it is common practice to use a standard inflationary rate (e.g., 3%) across the board for most expenses listed in each new budget period.

- **Determine whether cost sharing is mandatory for certain budget categories.** Some sponsors will list up front in the guidelines or application materials that all applicants must contribute matching or cost shared funds in order to be eligible for funding. When this situation exists, the PI/department must ensure that funds are available and ultimately must obtain department head approval to pay for the mandatory cost sharing budget items.
Create the Proposal Budget

After the key budgetary roles, deadlines, and parameters have been established, the PI and Pre-Award DRA must work together to compile a detailed list of all anticipated costs that will be needed to complete the proposed project’s work scope. This detailed list of expenses will form the foundation for the proposal budget.

As a best practice, review the list of the most common proposal budget categories with the PI to ensure all possible expenses were considered. These categories include:

- Salaries & Fringe Costs
- Consultant and Professional Services Costs
- Equipment Costs
- Materials and Supplies Costs
- Travel Costs
- Subaward/Subcontract Costs
- Alterations and Renovations Costs
- Patient Care Costs
- Other Direct Costs and Services
- Facilities and Administrative (F&A) Costs
Create a Checklist Identifying All Budget Categories and Sponsor Requirements

Once the overall budgetary framework has been established, the department must carefully follow the sponsor’s policies and budget preparation guidelines listed in the application materials to begin creating the proposal budget.

This section of the reference manual will cover in depth how to create a proposal budget using the most common budget categories and general guidelines used throughout the proposal budget creation process. Specifically, this section will explain how to:

- Create a checklist that identifies all budget categories and other budgetary components required by the sponsor.
- Perform the required calculations to request the dollar amount needed for each budget category.
- Develop a detailed justification for each item listed in the proposal budget.
Proposal Budget Components

Sponsors will typically have a detailed listing of the order in which each budget category must be listed, as well as specific rules for what expenses are allowable or unallowable for each budget category. As a best practice, departments are strongly encouraged to create a detailed checklist that captures all budgetary requirements. Doing so will help ensure that all of the sponsor’s instructions and guidelines were adhered to by the department.

PROPOSAL BUDGET COMPONENTS

Before creating the detailed checklist, all responsible individuals must know the basic terminology and components that are associated with a typical proposal budget. In addition, all costs identified in the proposal budget must be allowable, reasonable, and allocable to the proposed project.

Sponsored project proposal budgets are comprised of three primary components:

Direct Costs

Expenses that can be traced directly to (or identified with) a specific project and can be directly assigned to such activity relatively easily with a high degree of accuracy.

The criteria used to define a direct cost are:

- The cost must be allowable, e.g., the cost conforms to any limitations or exclusions stated in generally accepted accounting principles or the sponsor’s guidelines. The cost cannot be specifically designated as unallowable by regulation or grant/contract specific award conditions.
- The cost must be reasonable, e.g., the cost is generally recognized as necessary for the performance of the project and is one that a prudent person would consider reasonable given the same set of circumstances;
- The cost must be allocable to the sponsored project, e.g., the cost is incurred for the benefit of only one project or the item can be easily assigned to multiple benefiting projects. A specific project may only be charged that portion of the cost which represents the direct benefit to that project;
- The cost must be treated consistently with other similar costs incurred in like circumstances in accordance with generally accepted accounting principles.
Facilities and Administration (F&A) Costs

Costs incurred by a grantee for common or joint objectives and cannot be identified specifically with a particular project or activity. These costs are also commonly referred to as “indirect costs.”

• Typical F&A costs include:
  ° Administrative staff
  ° Utility-related costs
  ° University space
  ° Library services
  ° Public service
  ° Other institutional activities

• F&A costs are real, auditable costs incurred by the University each time it accepts an award for a sponsored project.

• If the University does not collect full reimbursement for these costs, other University resources must be used to subsidize them.

• F&A costs are correlated with a base. The base will equal the overall applicable budget costs that are multiplied by the F&A rate to determine the overall F&A costs. The F&A base is dictated by the sponsor’s guidelines.

• The applicable indirect cost rate(s) negotiated by the organization with the cognizant Federal negotiating agency must be used in computing indirect costs (F&A) for a federal proposal.

Budget Justification

Describes how funds will be spent for each item included in the proposal budget. It is a common expectation that sponsors require applicants to justify the need for each budget line item. It is essential that the application instructions are carefully read to identify which items must be justified and what information must be included in the proposal.
Proposal Budget Components (cont.)

As the department creates the proposal budget, three primary columns must be considered in the overall budget. They are:

**Column A: Sponsor**

Any items listed in this column represent direct costs that will be used to exclusively benefit the project. Items listed in this column also indicate that the University is requesting the sponsor to pay for these costs.

**Column B: Cost Share**

Any items listed in this column represent funding that is contributed to the project from some source other than the sponsor. In general, cost sharing reflects the costs not borne or paid for by the sponsor. Costs used to satisfy cost sharing requirements are subject to the same policies governing allowability as other costs under the approved budget.

Cost sharing at the University during the proposal phase consists of two types:

- **Mandatory** – when the sponsor specifically states up front in the application materials that cost sharing is required in order for applicants to be eligible to receive funding.

- **Voluntary** – when cost sharing is not required by the sponsor. Instead, the PI and department head make a joint decision that a portion of the support will be covered by another source of funding. Typically departmental funds are used, but the funds can come from other internal or external sources.

**NOTE:** In general, cost sharing is discouraged by the University as it drives up departmental costs and lowers the University’s negotiated F&A rates. Cost sharing funds committed at the department or collegiate level must be approved through the signatures on the Proposal Routing Form (PRF). Accurate reports must be maintained and submitted to the sponsor to verify that these funds have been provided. Whenever cost sharing funds are committed from sources other than the University, a letter of intent must be obtained from the source of those funds and attached to the proposal.

**Column C: Total Costs**

As a best practice, departments will add all costs included in both the sponsor and cost share columns to reveal the overall total project costs in this column. By doing so, it gives the holistic view of all funds that must be provided in order to complete the project’s work scope.
## Proposal Budget Components (cont.)

<table>
<thead>
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<th>A</th>
<th>B</th>
<th>C</th>
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<tbody>
<tr>
<td><strong>SPONSOR</strong></td>
<td><strong>COST SHARE</strong></td>
<td><strong>TOTAL</strong></td>
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1. **1. & 2. Salaries & Fringe Costs (totals from Side A)**

2. **3. Consultant and Professional Services Costs**

3. **4. Equipment Costs**

4. **5. Materials and Supplies Costs**

5. **6. Travel Costs**

6. **7. Subaward/Subcontract Costs**

7. **8. Alterations and Renovations Costs**

8. **9. Patient Care Costs**

9. **10. Other Direct Costs and Services**

10. **11. Total Direct Costs**

11. **12. Facilities and Administrative (F & A) Costs**
   - F & A rate used: (____ %)
   - MTDC = _____
   - F & A amount = _____

12. **13. Total Direct and F & A Costs for the First Year**
Perform Required Calculations for Each Budget Category

Once the detailed checklist of the budget’s requirements has been created, those who are responsible may begin the calculations that must be performed in order to list the anticipated costs in the proposal’s budget.

This section of the reference manual will cover in depth the most common budget categories and the general guidelines used in the proposal budget creation process. The common budget categories this course will explore include:

- Salaries & Fringe Costs
- Consultant and Professional Services Costs
- Equipment Costs
- Materials and Supplies Costs
- Travel Costs
- Subaward/Subcontract Costs
- Alterations and Renovations Costs
- Patient Care Costs
- Other Direct Costs and Services
- Facilities and Administrative (F&A) Costs

**NOTE:** Not all proposal budgets will require the same budget categories listed above. Budgets must be categorized according to the sponsor’s instructions in the application materials. If there are no instructions, it is an expectation that the department will prepare the proposal’s budget using the guidelines of the University’s financial system accounting codes and values (Chart of Accounts).
Perform Required Calculations for Each Budget Category (cont.)

SALARIES AND WAGES COSTS

Salaries and wages are defined as fixed, regular payments made to employees (personnel) by an employer, which include any withholding deductions. Personnel is defined as the faculty and staff members who are being compensated via the University’s payroll process and for whom withholding deductions are made.

Examples: The PI, research associated, post doctoral associates, graduate research assistants, undergraduate student workers, and other programmatic staff who will be directly paid or cost shared to carry out the project’s work scope.

General Guidelines

Salaries and wages must be budgeted in proportion to the time each individual expects to spend on the project. Salary requested in the proposal budget cannot exceed the percent effort that will be spent on the project. In addition, all salaries must follow a scale which is consistent with the regular practices of the University. Sponsored funds may not be used to add to the total salary or rate of salary of any University personnel.

Departments must perform the proper calculations for personnel-related costs. Most importantly, departments must be aware that if the amount is underestimated and the project is awarded, the department must pay for all excess costs.

In general, the following salary information must be included in a proposal budget:

• Individual’s name, role on the project, and payroll title (where applicable)
• Percentage of time (effort) that will be spent on the project
• Present (or anticipated) salary
• Amount to be charged to the project
• Amount to be cost shared by the University department (if applicable)

Key Considerations for Calculating Salaries

• Determine which individuals are key personnel. Refer to the sponsor’s guidelines regarding key personnel, as each sponsor will typically have specific guidelines for determining which individuals must be listed in the budget as key personnel. In general, key personnel are defined as the PI and other individuals who will contribute to the scientific development or execution of the project in a substantive, measurable way, whether or not they receive salaries or compensation from the project.
Perform Required Calculations for Each Budget Category (cont.)

- *Institutional base salary must be known.* An individual’s institutional base salary is the annual compensation paid for an individual’s appointment, whether that individual’s time is spent on research, teaching, patient care, or other activities. In the University’s payroll system (HRMS), this term is commonly known as the Annual Benefits Base Rate (ABBR). Base salary excludes any income that an individual may be permitted to earn outside of the individual’s University-related duties.

- *The percent effort/person months of each individual must be known.* Most sponsors typically state in the application materials whether each individual’s effort must be expressed in percentages or person months. Whichever method is identified will determine how salary information is calculated.
  
  ° *Effort* is the work or proportion of time spent on any activity and is always expressed in whole numbers that total one hundred percent of the employee’s total appointment, regardless of the employee’s appointment term or full time equivalent (FTE). For example, a PI may spend 20% of his/her effort supporting a sponsored project, and the remaining 80% of his/her effort is spent supporting the departmental activities (teaching, administrative, etc.).

  ° *Person months* is a measurement of a person’s effort in academic, summer, or calendar months per year. Used on NIH applications and other forms instead of percent effort. Person months are calculated by multiplying the type of appointment by the percentage of effort spent on the project. For example: if an employee worked a full 12-month calendar (CAL) appointment and devoted 50% of his/her effort on the project, it would equal 6.0 CAL person months.

- *The employee’s job code must be known.* The job code pertains to the overall job title of an employee. Knowing the employee’s job code is essential, as it determines the overall HR employee group in which the employee belongs. This important distinguishing factor will determine whether the employee is paid by the hour or is salaried, and ultimately determines the fringe benefits rate to be used (refer to the Fringe Benefits section for more information). In addition, if an annual increase must be included in the calculation, the percentage of the annual increase will typically vary between employee groups.
Perform Required Calculations for Each Budget Category (cont.)

- *The employee’s appointment term must be known.* A basic appointment term represents the length of an appointment, in months and correspond to specific calendar dates. Standard appointment terms range from nine to twelve months. Knowing the appointment term of each individual is essential, as it will affect the salary calculations. Specifically, if it is known that the employee will not be working for a portion of the budget period, salary must not be charged to the project during this period of time.

- *The employee’s full time equivalent (FTE) must be known.* All employees have a FTE percentage, whether it is full-time (1.0 FTE) or part-time (e.g. %50 or .5 FTE). Once this key percentage is known, this will impact the overall calculation of the individual’s salary, as it will impact both the amount of hours worked or effort percentage, as well as the overall dollar amount listed in the proposal budget.

- *If the project has multiple budget periods, determine whether inflation and/or annual increases will be incorporated into the calculation.* When a new fiscal year begins at the University, typically employees will receive a pay increase. Refer to the sponsor’s guidelines and University policy to determine whether a standard inflation rate or the negotiated annual increase rate will be used in the calculation. Furthermore, if the dates of the project’s budget period do not mirror the dates of the University’s fiscal year, multiple rates must be used within the calculation to adequately reflect the individual’s salary. For example, if the project begins on October 1, the first nine months of the individual’s salary will be calculated using the current fiscal year rate, while the remaining three months of salary will be multiplied using the employee’s anticipated annual increase percentage for the next fiscal year.

- *Determine whether the sponsor has specific salary-related limitations.* Certain sponsors such as the National Institutes of Health (NIH) have salary limitations (commonly referred to as the NIH salary cap). In this specific situation, a legislatively-mandated provision limits the direct salary for individuals working on NIH grants, cooperative agreement awards, and extramural research and development contracts.

**NOTE:** Modular NIH budgets submit a zero percent cost of living increase for future years; Non-Modular NIH budgets submit an initial year at cap, and future years with a percentage of cost of living increase.
Perform Required Calculations for Each Budget Category (cont.)

Examples of Salary-Based Calculation

1. Effort based calculation: Institutional base salary $ \times $ FTE % $ \times $ % of effort = dollar amount requested

   - Example of a 100% A-Term calculation:
     $100,000 \text{ (Inst Base Salary)} \times 1.0 \text{ (FTE\%)} \times 10\% \text{ Effort} \times \% \text{ of Effort} = $10,000.

   - Example of a 100% B-Term calculation:
     Note: The individual will typically have two different employment records (jobs) associated with this type of situation.

     Academic Year Salary:
     $100,000 \text{ (Inst Base Salary)} \times 1.0 \text{ (FTE\%)} \times 10\% \text{ Effort} \times \% \text{ of Effort} = $10,000

     Summer Salary:
     1 month @ $11,111 \text{ ($100,000 / 9 months)} = $11,111
     2 months @ $11,444 \text{ ($11,111 \times 1.03 [3\% inflation on July 1])} = $22,889
     $34,000 \text{ ($11,111 + $22,889)} \times 1.0 \text{ (FTE\%)} \times 10\% \text{ Effort} \times \% \text{ of Effort} = $3,400

2. Person months calculation: (a) calendar months of the individual’s appointment $ \times $ % effort on the project = CAL person-months; (b) individual’s institutional based salary $ \div $ the number of calendar months of the individual’s appointment $ \times $ CAL person-months = dollar amount requested

   - Example of a 100% A-Term calculation:
     12-month calendar (CAL) appointment $ \times $ 10\% effort on the project $ = $ 1.2 CAL person-months.
     $100,000 \text{ (institutional base salary)} \div 12 \text{ months (# of calendar months of the appointment)} = $8,334 \text{ per month} \times 1.2 \text{ CAL person-months} = $10,001.

Justification Requirements

A salaries and wages justification may include:

- Name and title of each individual
- Description of the individual’s specific responsibilities on the project
- Percentage of time (effort) or person months that will be spent on the project
- Present (or anticipated) salary
- Dollar amount to be charged to the project
Perform Required Calculations for Each Budget Category (cont.)

Resources

Suggested salaries and wages resources:

• Contact the departmental Human Resources professional or payroll administrator to answer questions or for help in obtaining the institutional base salary, job code, employee appointment term and FTE information.

• Access the UM Report: Employee Current Jobs and Related Information (www.umreports.umn.edu). If the employee’s Employee ID number is known, any employee may access this UM Report to obtain the employee’s job code, institutional base salary (ABBR) and full time equivalent.

• Visit the Office of Human Resources website for detailed descriptions, links to policies, and other helpful job aids and tools, including:
  ° Employee classification search features to learn more about a specific job code, detailed description of a specific job code, and determine which employee group in which the job code belongs
  ° Rule books and other governing documents for each of the University’s employee groups (e.g., faculty, professional and administrative, civil service)
  ° Description of appointment terms and their associated calendar dates
  ° Current (and historical) listing and breakdown of the University’s negotiated fringe rates
  ° The University’s biweekly payroll calendar that is established each fiscal year

• Visit the SPA website for helpful links including:
  ° Various research-related policies and procedures
  ° Current and historical listing of federally negotiated F&A rates
  ° Current (and historical) listing of the fringe benefit rates

Policies

Suggested personnel-related policies at www.policy.umn.edu:

• Board of Regents policy: Employee Group Definitions
• Board of Regents policy: Employee Compensation and Recognition
Perform Required Calculations for Each Budget Category (cont.)

- Administrative policy: Payroll
- Graduate Assistant Employment, Procedure: Hiring Graduate Assistants: http://policy.umn.edu/Policies/hr/Hiring/GRADSTUDENTEMPLOYMENT_PROC03.html
Perform Required Calculations for Each Budget Category (cont.)

FRINGE BENEFITS COSTS

Fringe benefits are defined as an employment benefit given in addition to an employee’s salary and wages.

Examples: Employer contributions or expenses such as: social security, employee insurance, workmen’s compensation insurance, tuition for individual employees (when allowable).

General Guidelines

Unless otherwise instructed by a sponsor, departments must use the University of Minnesota’s annually negotiated fringe benefits rates to be consistent with the University’s regular practices. These rates are available on the SPA and Office of Human Resources (OHR) websites. Always refer to the sponsor’s application to determine whether some fringe benefits costs are unallowable (e.g., graduate student fringe or tuition).

Key Considerations for Fringe Benefits

- The employee’s salary must be known. Departments must use the overall dollar amount listed for the employee in the Salaries and Wages budget category, as this amount will be multiplied by the University’s fringe benefits rate.

- The employee’s job code must be known. Knowing the employee’s job code is essential, as it determines which employee group in which the employee belongs. This important distinguishing factor will determine which fringe rate will be used in this budget category’s calculation.

- The employee’s appointment term must be known. Some employees that are non-A term may not qualify for certain fringe benefits. For example, a B-term faculty member is ineligible to receive vacation, so the fringe benefit percentage for vacation is subtracted from the overall fringe benefit rate for this type of employee.

- The employee’s full time equivalent (FTE) must be known. Employees that are not 1.0 FTE (100% full-time) typically do not qualify for the full fringe benefit rate percentage for their employee group, resulting in a lower rate used in the calculation for this budget category. For example, employees that are less than 50% time are typically exempt from receiving fringe benefits.

- The number of hours to be worked must be known for certain types of graduate student employees. Part of the fringe benefit calculation for this type of employee includes tuition. The total number of hours in which the employee will work must be known as this number will be multiplied by the annual tuition dollar amount to determine the overall fringe benefits amount for this type of employee. For example, a Research Assistant (job code 9521) may receive $16.17 per hour for tuition as per the FY12 fringe rates matrix.
Perform Required Calculations for Each Budget Category (cont.)

Examples of Fringe Salary-Based Calculation

The total dollars of the individual’s salary (from the Salaries and Wages budget category’s calculation) x fringe rate for the job code’s employee group – any exemptions (e.g., due to the employee’s appointment term or FTE%) = fringe benefits amount.

• Example of a 100% A-Term 94XX calculation (see the previous Salaries and Wages calculation):
  $10,000 (salary amount) x (.36) fringe amount = $3600.

Justification Requirements

A fringe benefits budget justification may include:

• Name and title of individual
• Role in proposal
• Specific fringe benefit rate and salary amount used in the calculation

Resources

Suggested fringe benefits resources:

• Access the UM Report: Employee Current Jobs and Related Information (www.umreports.umn.edu). If the employee’s Employee ID number is known, any employee may access this UM Report to obtain the employee’s job code, institutional base salary (ABBR) and full time equivalent.

• Contact the departmental Human Resources professional or payroll administrator to answer questions or to obtain the institutional base salary, job code, employee appointment term, and FTE information.

• Visit the Office of Human Resources website for detailed descriptions, links to policies, and other helpful job aids and tools, including:
  ° Employee classification search features to learn more about a specific job code, detailed description of a specific job code, and determine which employee group in which the job code belongs
  ° Rule books and other governing documents for each of the University’s employee groups (e.g., faculty, professional and administrative, civil service)
  ° Description of appointment terms and their associated calendar dates
Perform Required Calculations for Each Budget Category (cont.)

- Current (and historical) listing and breakdown of the University's negotiated fringe rates
- The University's biweekly payroll calendar
- The “Account to Job Code” job aid for a detailed mapping of all job codes aligned with their respective Chart of Accounts Account ChartField values

* Visit the SPA website for helpful links including:
  - Various research-related policies and procedures
  - Current and historical listing of federally negotiated F&A rates
  - Current (and historical) listing and breakdown of the University's negotiated fringe rates

Policies

Suggested fringe benefits-related policies at www.policy.umn.edu:

- Board of Regents policy: Employee Group Definitions
- Board of Regents policy: Employee Compensation and Recognition
- Administrative policy: Payroll
- Graduate Assistant Employment, Procedure: Hiring Graduate Assistants: http://policy.umn.edu/Policies/hr/Hiring/GRADSTUDENTEMPLOYMENT_PROC03.html
Perform Required Calculations for Each Budget Category (cont.)

CONSULTANT AND PROFESSIONAL SERVICES COSTS

Consultant and professional services costs are defined as an individual or organizational firm that serves in an advisory capacity or provides professional services to the project on the basis of a written agreement for a negotiated fee. Individuals serving in this capacity are typically non-University employees. Consultants and professional service providers give short-term expertise but are not responsible for delivering key portions of the project’s work scope.

Examples: Consultants, photographers, entertainers, public speakers/workshop presenters.

General Guidelines

Anticipated consultant and professional services must be justified, providing a detailed description for each individual’s expertise, primary organizational affiliation, normal daily compensation rate, and number of days of expected service. Consultants’ travel costs, including subsistence, may be included. If requested, it must be justified that the proposed rate of pay is reasonable. Always refer to the sponsor’s application to determine whether consultant/professional services costs are allowable.

Key Considerations for Consultant and Professional Services Costs

- All work to be completed must be negotiated with the anticipated service provider. At this time, the key deliverables and rate must be determined.

- List all persons or organizations who will be consulting for the project and the total costs. Costs can include fees for service as well as all expenses (travel, food, lodging, etc.).

- All external consultants should be listed, even if they are not charging fees or costs.

- University policy states that all consultants and professional service providers typically require a contract for professional services before any work is completed. Work with the department to get the contract created and executed, as different types of professional service providers and the total dollar amount to be paid will determine the type of University contract that must be created.

- Ensure the consultant or professional service provider is NOT listed in the proposal budget as a subaward, as the process for engaging with a subaward is very different than with a professional service contract. Failure to appropriately categorize a subaward will pose risk to the University.
Perform Required Calculations for Each Budget Category (cont.)

Examples of Consultant and Professional Services Calculation

There are two methods for calculating this type of budget category:

- Fixed price: a negotiated, specified (flat-fee) amount paid to the service provider.
  $25,000 to complete all deliverables over a two-month period

- Variable price: a negotiated rate that is comprised of a dollar amount charged by the hour or other type of measurable amount (e.g., month, quarter).
  $50 per hour x 500 hours = $25,000

Justification Requirements

A consultant and professional services justification may include:

- The name of the individual or organization

- The specific services or advice to be received by the project staff and how that will benefit the project

- An explanation of how the total costs for each consultant were calculated (e.g., $500 per day x 4 days). Include a detailed list of expenses if expenses will be included as part of the consulting payment.

- An explanation that the negotiated rate of pay is reasonable.

Policies

Suggested University policy at www.policy.umn.edu:

- Administrative policy: Purchasing a Professional Service
Perform Required Calculations for Each Budget Category (cont.)

EQUIPMENT COSTS

Equipment is defined by the University as any movable, nonexpendable personal property equipment item, not permanently affixed to a building, with a life expectancy of more than one year and an acquisition cost of $2,500 or more per unit.

It is important to always carefully follow the sponsor’s guidelines, as the ownership of equipment will typically be addressed and must be considered when preparing the budget. In addition, some sponsor’s guidelines define equipment differently than the University. If this situation occurs, the sponsor’s guidelines must be followed. For example, the federal government defines equipment as an article of tangible nonexpendable personal property that has a useful life of more than 1 year and an acquisition cost per unit that equals or exceeds $5,000 or the capitalization threshold established by the organization, whichever is less.

Examples: MRI machine, farm machinery such as a tractor, or high powered telescope.

General Guidelines

- List each piece of equipment, the price, and anticipated installation and delivery costs, unless the sponsor’s guidelines state otherwise.
- A capital expenditure for equipment includes the net invoice price and the cost of any modifications, attachments, accessories, or auxiliary apparatus to make it usable for the purpose for which it was acquired.
- Other charges, such as taxes and in-transit insurance, may be included as equipment costs in accordance with the University’s regular accounting practices consistently applied regardless of the source of funds.
- Charge only the portion of equipment to be used exclusively by project.
- If the equipment will not be used 100% on the project, prorate it for the time it will be used.

Key Considerations for Equipment Costs

- Departments must be aware that there are three typical types of equipment. Determining which type will be listed in the proposal budget will establish its overall calculation methodology. These types include:
  - Special purpose: equipment that is used only for research, medical, scientific, or other technical activities. Examples of special purpose equipment include: microscopes, x-ray machines, surgical instruments, and spectrometers.
Perform Required Calculations for Each Budget Category (cont.)

- **General purpose**: equipment that is not limited to research, medical, scientific or other technical activities. Examples include: office equipment and furnishings, modular offices, telephone networks, information technology equipment and systems, air conditioning equipment, reproduction and printing equipment, and motor vehicles.

- **Fabricated equipment**: self-constructed equipment that meets the equipment criteria upon its assembly or completion. Fabricated equipment cannot be purchased off the shelf. Fabricated equipment does not include upgrades to existing equipment and refers only to the construction of a new piece of equipment. When listing “Fabricated Equipment” indicate the item to be fabricated and its total cost. In the budget justification, list the specific cost of each material or supply needed to fabricate the equipment, even when the acquisition cost does not meet the capitalization threshold. This will allow all items purchased for the construction of a single piece of new equipment to be captured for capitalization.

- Purchasing American-made equipment and products: consider when developing budgets that Congress passed a law that, to the greatest extent possible, all equipment and products purchased with federal funds should be American-made. Therefore, PIs with federally-sponsored projects must make a reasonable effort to ensure that equipment they buy on the project was made in the U.S.

**Example of Equipment Calculation**

In general, departments must provide the following information:

- Acquisition costs + additional costs associated with the equipment (freight, installation, and taxes if applicable) = total
- Combine Harvester: $250,000 (acquisition cost) + $20,000 (taxes) + $2,000 (delivery fee) = $272,000.

**Justification Requirements**

An equipment justification must include:

- Description of the equipment to be purchased
- Explanation of why the equipment is needed to successfully complete the project’s work scope
- Calculation of equipment cost (see above)
Perform Required Calculations for Each Budget Category (cont.)

<table>
<thead>
<tr>
<th>Resources</th>
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<tbody>
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<td>• U-Wide Contracts (listing of discounted rates for certain types of equipment): <a href="http://uwidecontracts.umn.edu">http://uwidecontracts.umn.edu</a></td>
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<tr>
<td>• Inventory Services: <a href="http://www.finsys.umn.edu/inventorysvs/inventorysvshome.html">www.finsys.umn.edu/inventorysvs/inventorysvshome.html</a></td>
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<tr>
<td>• Check the sponsor’s guidelines for information on equipment budgeting. An example of a sponsor resource is the NIH SF424 R&amp;R Application Instructions, which discusses equipment budgeting: <a href="http://grants.nih.gov/grants/funding/424/index.htm">http://grants.nih.gov/grants/funding/424/index.htm</a></td>
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<td>• Administrative Policy: Managing University Capital Equipment</td>
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</table>
Perform Required Calculations for Each Budget Category (cont.)

MATERIALS AND SUPPLIES COSTS

Materials and supplies are defined as consumable or disposable items with useful lives that are less than one year and/or cost less than $2,500 per unit.

Examples: Lab animals, lab notebooks, non-capitalized (less than $2,500) equipment, and computer software.

General Guidelines

List these items by general classification, making sure they are to be exclusively used by the project and are allowable per the sponsor’s guidelines. In addition, justification of materials and supplies must be detailed and clearly show relevance to the project.

Sponsors may define this category differently than the University. Therefore, always carefully review and follow the sponsor’s application materials to determine which materials and supplies are allowable.

Key Considerations for Materials and Supplies Costs

- Only materials and supplies actually used during the project’s life cycle that exclusively support the work scope may be charged as direct costs.
- For laboratory animal purchases, list the animal species, the number required, and the rate used for calculation.
- A detailed breakdown of the price must be listed when a material and supply cost is substantial.
- Purchased materials and supplies must be charged at their actual prices, net of applicable credits.
- Withdrawals from general supply stockrooms must be charged at their actual net cost under any recognized method of pricing inventory withdrawals and consistently applied.
- Incoming freight/transportation charges are a proper part of materials and supplies costs.
### Perform Required Calculations for Each Budget Category (cont.)

<table>
<thead>
<tr>
<th>Example of Materials and Supplies Calculation</th>
<th>In general, list the item’s general classification ( \times ) actual purchase price/cost ( \times ) number of items ( \times ) frequency = amount.</th>
</tr>
</thead>
<tbody>
<tr>
<td>✷ Lab Notebooks (item classification): $10 per notebook (purchase price/cost) ( \times ) 20 notebooks (number of items) ( \times ) two budget periods (frequency) = $400</td>
<td></td>
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</tbody>
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<tr>
<th>Justification Requirements</th>
<th>Materials and supplies justifications may include:</th>
</tr>
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<tbody>
<tr>
<td>✷ Description of the needed supplies</td>
<td></td>
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<tr>
<td>✷ Statement of why the supplies are necessary for the successful completion of the project</td>
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<tr>
<td>✷ Calculation of total costs (e.g., $77 per barrel ( \times ) 1 barrel per week ( \times ) 52 weeks = $4,004)</td>
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<td>✷ U-Wide Contracts (listing of negotiated discounted rates for standard goods and services) at <a href="http://uwidecontracts.umn.edu">http://uwidecontracts.umn.edu</a></td>
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Perform Required Calculations for Each Budget Category (cont.)

TRAVEL COSTS

Travel is defined as the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business on behalf of the University.

Examples: Travel to research sites, conference travel (airfare, mileage, lodging, and meals), and/or sponsor meetings that all support the project’s work scope.

General Guidelines

- Always follow the sponsor’s guidelines regarding allowable travel costs, as each sponsor may have unique restrictions for travel. For example, some sponsors do not allow foreign travel.

- Travel and its relation to the proposed activities must be specified and itemized by destination and cost.

- Funds may be requested for field work, attendance at meetings and conferences, and other travel associated with the proposed work, including subsistence.

- Travel costs may be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the method used is applied to an entire trip and not to selected days of the trip, and results in charges consistent with those normally allowed in like circumstances in the institution’s non-federally sponsored activities.

- In order to qualify for support attendance at meetings or conferences must enhance the PI’s ability to perform the work, plan extensions of it, or disseminate its results.

- Allowance for airfare normally must not exceed the cost of round-trip, economy airline ticket. Persons traveling under federal projects must travel by U.S.-flag carriers, if available.

Key Considerations for Travel Costs

- Unless otherwise specified by the sponsor, use the current rates published in the “Traveling on University Business” policy.

- In general, departments must be aware that there are various types of travel that may occur throughout the project’s work scope. Understanding each type will help in determining the allowability, calculations, and other processes during proposal budget creation. It will also determine which Chart of Account values to use once the award is set up.

  - Domestic Travel: for budget purposes, domestic travel includes travel in the U.S., and its possessions.
Perform Required Calculations for Each Budget Category (cont.)

- **Foreign Travel**: for budget purposes, travel outside the areas specified above is considered foreign. The proposal must include relevant information, including countries to be visited (also enter names of countries on the proposal budget), dates of visit, if known, and justification for any foreign travel planned in connection with the project.

- **Lodging and Subsistence**: costs incurred by employees for travel, including costs of lodging, other subsistence, and incidental expenses, shall be considered reasonable and allowable only to the extent such costs do not exceed charges normally allowed by the institution in its regular operations as the result of the institution's written travel policy. In the absence of an acceptable, written institution policy regarding travel costs, the rates and amounts established under subchapter I of Chapter 57, Title 5, United States Code (“Travel and Subsistence Expenses; Mileage Allowances”), or by the Administrator of General Services, or by the President (or his or her designee) pursuant to any provisions of such subchapter shall apply to travel under sponsored agreements (48 CFR 31.205-46(a)).

- **Costs of meetings and conferences**: the primary purpose of which is the dissemination of technical information, are typically allowable. This includes costs of meals, transportation, rental of facilities, speakers’ fees, and other items incidental to such meetings or conferences.

- **Commercial air travel**: airfare costs in excess of the customary standard commercial airfare (coach or equivalent), Federal Government contract airfare (where authorized and available), or the lowest commercial discount airfare are unallowable except when such accommodations would:
  - require circuitous routing;
  - require travel during unreasonable hours;
  - excessively prolong travel;
  - result in additional costs that would offset the transportation savings; or
  - offer accommodations not reasonably adequate for the traveler’s medical needs.
Perform Required Calculations for Each Budget Category (cont.)

If one or more of the previous accommodations applies, it must be justified and documented that these conditions exist only on a case-by-case basis in order for the use of first-class airfare to be allowable.

- **Costs of travel by institution-owned, leased, or chartered aircraft**: include the cost of lease, charter, operation (including personnel costs), maintenance, depreciation, insurance, and other related costs. The portion of such costs that exceeds the cost of allowable commercial air travel is unallowable.

- **Travel support for dependents of key project personnel may be requested only when all of the following conditions apply**:
  
  - the individual is a key person who is essential to the research on a full-time basis;
  - the key project personnel’s residence away from home and in a foreign country is for a continuous period of six months or more and is essential to the effective performance of the project; and
  - the dependent’s travel allowance is consistent with the policies of the organization administering the project.

**Example of Travel Calculation**

In general, departments must list the general classification of the travel, the amount or rate used, multiplied by the number of individuals, multiplied by the frequency of the travel or number of estimated trips to arrive at the total amount.

- Travel to sponsor-related meetings: $750 (amount) per person for airfare, lodging, registration, and meals x three individuals (number of individuals) x two times per year (frequency) = $4,500.

**Justification Requirements**

Travel related justifications may include the following for each trip/item:

- name of the individual(s) traveling
- detailed description of the travel
- location(s) where the travel occurs
- dates in which the travel will occur
- detailed breakdown of costs
- why travel is necessary or overall purpose of the travel
- how the travel will directly benefit the project
Perform Required Calculations for Each Budget Category (cont.)

Resources

Suggested resources:

- GSA website (to locate the government’s per diem rates) at www.gsa.gov
- University of Minnesota’s Travel Services (to locate helpful travel related tools and resources) at http://travel.umn.edu
- U-Wide Contracts (listing of negotiated discounted rates for travel) at http://uwidecontracts.umn.edu

Policies

Suggested University policies at www.policy.umn.edu:

- Administrative Policy: Traveling on University Business
- Administrative Policy: Cash Advances
- Administrative Policy: Relocating Employees
- Administrative Policy: Hospitality and Special Expenses
- Administrative Policy: Using the University Corporate Travel Card
- Administrative Policy: Using Vehicles for University Business
Perform Required Calculations for Each Budget Category (cont.)

SUBAWARD COSTS

While the umbrella term is “subaward,” it can also be commonly referred to as a subgrant, subcontract, or subagreement. A subaward occurs when a defined portion of the University of Minnesota work statement’s intellectually significant activity is assigned to another entity (the subrecipient) to fulfill. A Subaward is a binding legal agreement. Federal subawards are defined by OMB Federal Regulations 2 CFR 200 which defines F&A in section §200.92.

Examples: Universities, institutions, or organizations outside of the University of Minnesota that are conducting a part of the programmatic aspects of the project.

General Guidelines

- Characteristics to guide in determining whether the relationship is a subaward include:
  - Subrecipient personnel might be a legitimate author or co-author of a paper written about the project.
  - An invention might arise from the work performed by the subrecipient.
  - The subrecipient assumes full responsibility, including intellectual leadership, for completing the assigned work.
  - Work is generally performed by the subrecipient’s personnel using their resources at their site.
- The subrecipient’s proposal must have a detailed budget.
- The subrecipient’s proposal must include a signed statement of intent both the subawardee and their home institution.
- The need for the subaward must be justified in the budget justification.
- The key elements of a subaward include:
  - Performance measured against whether the objectives of the sponsored program are met (carrying out a portion of the programmatic effort of the project).
  - The subrecipient is responsible for programmatic decision relative for their portion of the work.
  - The subrecipient must adhere to sponsored compliance requirements (Institutional Review Board, Institutional Animal Care Usage Committee, rebudgeting restrictions, publication, and intellectual property rights).
Perform Required Calculations for Each Budget Category (cont.)

° The subrecipient uses the sponsored funds to carry out a program of the organization as compared to providing goods and services.
° The subrecipient must agree to comply with the terms and conditions of the subaward including terms from the University of Minnesota and the sponsor.

It is important for departments to understand the key criteria of a subaward, and know that a subaward is NOT:

• Commerically available supplies and expendable materials
• An expert consultant
• Non-University labor or services
• A vendor agreement that:
  ° Provides goods and services within normal business operations
  ° Provides similar goods and services to many different purchasers
  ° Operates in a competitive environment
  ° Provides goods or services that are ancillary to operation of sponsored program
  ° Is not subject to compliance requirements of the prime sponsor

Key Considerations for Subaward Costs

• The subawardee must be responsible for preparing their own budget to ensure that they adhere to their own institution’s rates and policies.
• In cases where the University of Minnesota is bound by federal rules, so are the associated subawards.
• For awards established with the federally negotiated F&A cost rate or an approved reduced rate on a modified total direct cost (MTDC) basis, the University will charge its F&A costs on the first $25,000 of each subaward per project period. For other awards established with an F&A cost rate on a total direct cost basis, the University’s F&A costs apply to the entire subaward budget amount.
• Typically, the University will implement the $25,000 rule for F&A on subcontracts is for sponsors that utilize the MTDC base for each project period.
Perform Required Calculations for Each Budget Category (cont.)

- Unless there are specific instructions or the sponsor has an approved rate, departments should use the appropriate federally negotiated rate when calculating F&A.

- The totals from the subaward budget must match the totals in the University of Minnesota composite proposal budget.

- The proposal budget should include F&A (indirect) costs from the subaward. Note: If the subrecipient intends to charge F&A (indirect) costs and it is not included in the proposed budget, F&A (indirect) costs will come out of the project's direct costs.

Example of Subaward Calculation

Professor John Smith and his staff from the University of Wisconsin will conduct the testing and analysis portion of the project. Professor Smith will devote 5% effort to this project and support one undergraduate student during the duration of this project. The overall budget (Direct/F&A) for this subaward is $53,025 ($35,000 Direct + $18,025 F&A/ 51.5% MTDC) per year of the award.

Justification Requirements

A subaward justification should include:

- Name of the institution that will receive the subaward
- Total costs of the subaward
- Brief summary of the subaward statement of work
- Individual justification of subaward costs ONLY if a full subaward justification does not appear elsewhere in the proposal

Resources

Suggested resources:

- Subawards section on the SPA website at www.ospa.um.edu/subaward
- OMB Federal Regulations 2 CFR 200 also known as Uniform Guidance
- Federal Demonstration Partnership (FDP) at http://sites.nationalacademies.org/PGA/fdp/index.htm
Perform Required Calculations for Each Budget Category (cont.)

Policies

Suggested University policies at www.policy.umn.edu:

• Administrative Policy: Charging Facilities and Administrative (IDC) Costs to Sponsored Projects

• Board of Regents Policy: Openness in Research
Perform Required Calculations for Each Budget Category (cont.)

ALTERATIONS AND RENOVATIONS COSTS

Alterations and renovations are defined as changes made to the physical characteristics of an existing facility or installed equipment to meet a programmatic requirement of the project’s work scope.

Examples: Repairs or building improvement costs; special ventilation for housing of animals; architect fees, electrical contract costs, painting; and removal or installation of partitions.

General Guidelines

• Capital Planning and Project Management must be consulted for cost estimates prior to submission of the budget.

• List, in detail, all renovations and their itemized costs.

• Renovations/alterations are authorized only for a project’s specialized facility requirements and not for general purpose space such as administrative offices.

• Major alterations and renovations (including modernization, remodeling, or improvement) of an existing building is permitted under some sponsored projects only when the authorizing statute for the program specifically allows that activity.

Key Considerations for Alterations and Renovations Costs

• Costs for alterations and renovations are typically not allowed on federally sponsored awards and awards made to foreign organizations.

• Where applicable, provide the square footage and costs.

• As a best practice, reference relevant documentation such as vendor quotes, price lists, and historical costs for similar projects.

Example of an Alterations and Renovations Calculation

Alterations will need to be made to the lab to install special ventilation for the housing of animals.

Vents for heating and air conditioning system: $10,000

General contractor’s installation costs: $5,000

Electrical contractor’s fees: $1,000

Total costs: $16,000

Justification Requirements

An alterations and renovations justification may include:

• A detailed description of the alteration or renovation

• A price breakdown of all of the associated costs
Perform Required Calculations for Each Budget Category (cont.)

- A detailed explanation of why the renovation is required and a copy of the blueprint
- A detailed explanation of how it will benefit the project's work scope

Resources

Suggested resource:

- Capital Planning and Project Management at www.cppm.umn.edu

Policies

Suggested University policies at www.policy.umn.edu:

- Board of Regents Policy: Historic Preservation
Perform Required Calculations for Each Budget Category (cont.)

PATIENT CARE COSTS

Research patient care costs are the costs of routine and ancillary services provided by hospitals to individuals participating in research programs. The costs of these services normally are assigned to specific research projects through the development and application of research patient care rates or amounts.

Example: Costs of routine and ancillary services provided to research subjects such as: CT scans, ECG, and radiology tests.

General Guidelines

- Departments must list costs that either fall into the inpatient or outpatient categories.
- Justification must include what services will be provided, how many patients, what rates were used, and where the services will be provided.
- The costs of these services normally are assigned to specific research projects through the development and application of research patient care rates or amounts (hereafter “rates”).
- Patient care costs do NOT include:
  - the otherwise allowable items of personal expense reimbursement, such as patient travel or subsistence, consulting physician fees, or any other direct payments related to all classes of individuals, including inpatients, outpatients, subjects, volunteers, and donors
  - costs of ancillary tests performed in facilities outside the hospital on a fee-for-service basis (e.g., in an independent, privately owned laboratory) or in an affiliated medical school/university based on an institutional fee schedule
  - data management or statistical analysis of clinical research results
  - recruitment or retention (subject payments)
- Typically, F&A costs would not be paid on any component representing the cost of research patient care activities. Refer to the sponsor’s guidelines for more details.

Key Considerations for Patient Care Costs

- If inpatient and/or outpatient costs are requested, provide the names of any hospitals and/or clinics and the amount requested for each.
- For research grants, state whether each hospital or clinic has a
Perform Required Calculations for Each Budget Category (cont.)

currently effective Department of Health and Human Services (DHHS) research patient care rate agreement. If it does not, state the rate or other basis that was used to calculate the costs.

- Indicate in detail the basis for estimating in this category, including number of days, estimated cost per day, and cost per treatment or test.

- If both inpatient and outpatient costs are requested, provide information for each separately, and if multiple sites are to be used, provide in detail by site.

- Include information regarding projected patient accrual for the project/budget periods, and relate this information to the budget request for patient care costs. If patient accrual is anticipated to be lower at the start or during the course of the project, plan budget(s) accordingly.

- Provide specific information regarding anticipated sources of other support for patient care costs, (third party recovery or pharmaceutical companies, for example).

- Include any potential or expected utilization of Clinical and Translational Science Institute (CTSI).

- There are specific patient care rates to be used by University researchers when procuring Fairview services for research purposes. Contact CTSI for more information at ctsi@umn.edu.

Example of a Patient Care Costs Calculation

In general, departments must list the patient care cost or rate, multiplied by the number of patients, multiplied by the period of time, multiplied by any other special rate (e.g., inflation). For example:

Bilateral pelvic x-rays performed on participants:

Each X-ray costs $80 each (rate) x 860 participants x 2 years = $137,600.

Justification Requirements

A patient care costs justification may include:

- A detailed description of the patient care cost
- A price breakdown, including all established rates for all of the associated costs and where the services will be performed
- A detailed explanation of how it will benefit the project’s work scope requirements
Perform Required Calculations for Each Budget Category (cont.)

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<td>• Administrative Policy: Fixed Price Contracts, Including Clinical Trials</td>
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Perform Required Calculations for Each Budget Category (cont.)

OTHER DIRECT COSTS AND SERVICES

Other direct costs and services are expenses associated with the project that do not fit into the other proposal budget categories (e.g., travel, materials, and supplies). Generally, costs identified in this budget category are classified as services rather than consumable or disposable supplies.

Examples: Equipment maintenance, animal care costs, subject payments, and services such as: blood drawing, mailing, printing, or long distance telephone.

General Guidelines

- The expense types in this category are subject to compliance with University policy and procedure and the OMB Federal Regulations 2 CFR 200 also known as Uniform Guidance.

- It is important for departments to understand that charges for general administrative services are normally considered unallowable as direct costs unless they fall within special circumstances as defined in the OMB Federal Regulations 2 CFR 200 also known as Uniform Guidance. Examples of such costs include photocopying, postage, recurring phone charges, membership dues, and subscriptions. However, it is also important for departments to be aware that when special circumstances such as the size, nature, or complexity of the project are justifiable, such costs may be allowable and allocable.

Key Considerations for Other Direct Costs and Services

In general, departments should use the following guidelines for the following common items included in the other direct costs and services budget category:

- Animal care: list the standard rates for charging animal care costs

- Publication, documentation, or dissemination costs: list the standard rates for charging these costs.

- Blood drawing: list the standard rates for charging for the blood drawing services.

- Meeting costs, participant costs: include itemized expenses.

- Computer services or usage rates: list the standard rates for charging these costs.

- Subject payments and participant travel: list all direct payments to participants, including patients, donor, subjects, and volunteers. Reimbursements made to the University for patient care should be listed under “Patient Care Costs.”

- Allowable telecommunications charges (e.g., long distance calls): list the standard rates for charging these costs.
Perform Required Calculations for Each Budget Category (cont.)

- Equipment maintenance: charges should be based on maintenance agreements and actual percentage of use an item has on the project.

- Equipment rental: charges may be included as rental costs if the cost of equipment rental is required for the project.

- Rental costs: when projects are conducted in rental space not owned by the University, the off-campus indirect cost rates apply and the rental charges must appear on the proposal budget.

- Off-campus site rental: a project is considered off-campus if more than 50% of the direct salaries and wages of its personnel are incurred at a site neither owned nor leased by the University. First consult with the department head and dean about availability of space. If space cannot be located, call the Department of Planning and Programming. If space is still unavailable, contact the Real Estate Office. The department head and dean must approve off-campus location rentals. If a lab or clinic is involved, the Department of Environmental Health and Safety must also be notified.

- Stipends: charges are allowable for projects with a training component and fellowships.

- Service agreements: service agreements generally result in the delivery of a product and may be issued to either individuals or companies. They are sometimes included in the cost of equipment purchase.

- Telephone service: the University’s policy on the Charging of Direct and Facilities and Administrative (Indirect) Costs applies to local charges. Long distance calls can be charged to the project. List the estimated amount and rates and frequency for the project’s anticipated long distances phone calls.

- Manuscript preparation and publication: provide a detailed listing of the estimated costs for printing and mailing.

Example of an Other Direct Costs and Services Calculation

In general, departments must list the cost of the item or service, multiplied by the number of items or frequency of the service, multiplied the period of time the item or service is required.

Example:
Cage cleaning services to clean the cages of the project’s research animals:
$10 per cage x 50 cages x 52 weeks per year x 2 years of the project = $52,000
Perform Required Calculations for Each Budget Category (cont.)

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<th>Justification Requirements</th>
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<td>• U-Wide Contracts (listing of negotiated discounted rates for standard goods and services) at <a href="http://uwidecontracts.umn.edu">http://uwidecontracts.umn.edu</a></td>
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<td></td>
<td>• Administrative Policy: Purchasing Goods and Services</td>
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Perform Required Calculations for Each Budget Category (cont.)

TOTAL DIRECT COSTS

Total direct costs are defined as all expense items listed in the budget that can be traced directly to (or identified with) a specific project and can be directly assigned to such activity relatively easily with a high degree of accuracy.

Note: this budget category is simply a compilation of all of the costs listed in the other budget categories previously explained in this reference manual. As a result, this category will not be explored in depth. For further information regarding a particular direct cost, refer to that specific budget category section of this reference manual.

General Guidelines  In general, all direct costs must be:

- *Reasonable*: the cost must be generally recognized as necessary for the performance of the project and is one that a prudent person would consider reasonable given the same set of circumstances;

- *Allocable*: the cost must be incurred for the benefit of only one project or the item can be easily assigned to multiple benefiting projects. A specific project may only be charged that portion of the cost which represents the direct benefit to that project;

- *Consistent*: the cost must be consistent with other similar costs incurred in like circumstances in accordance with generally accepted accounting principles;

- *Compliant*: the cost must be compliant with any limitations or exclusions stated in generally accepted accounting principles, sponsored agreements, or regulations; and

- *Allowable*: the cost must be allowable and not specifically designated as unallowable by regulation or sponsor specific award conditions.

Policies  Suggested University policy at www.policy.umn.edu:

- Administrative Policy: Charging of Facilities and Administrative/Indirect Costs to Sponsored Projects (Administrative Procedure: Charging Direct Costs to Sponsored Projects)
Perform Required Calculations for Each Budget Category (cont.)

FACILITIES & ADMINISTRATION (F&A) COSTS

Facilities and Administration (F&A) costs are defined as costs that are incurred by a grantee for common or joint objectives and cannot be identified specifically with a particular project or program. These costs are also known as “indirect costs.” The applicable indirect cost rate(s) negotiated by the organization with the cognizant Federal negotiating agency must be used in computing indirect costs (F&A) for a federal proposal.

Examples: Administrative salaries, utilities, library services, and space.

General Guidelines

- Departments must use a composite rate that is applied to sponsored projects as a percentage of the sponsored project’s direct costs for the purpose of charging the sponsored project its share of the University’s indirect/F&A costs. The federally negotiated Indirect/F&A Cost Rates are developed by the University in accordance with OMB Federal Regulations 2 CFR 200 and negotiated with the Department of Health and Human Services (DHHS), the University’s federal cognizant agency. Example: “The indirect costs for a project are computed by multiplying the direct costs by the indirect cost rate.” The University uses the term F&A cost rate on its forms.

- F&A costs are actual costs incurred during the normal business activities of an organization that cannot be readily identified with or directly charged to a specific project or activity.

- F&A costs are real, auditable costs incurred by the University each time it accepts an award for a sponsored project. If the University does not collect full reimbursement for these costs, other University resources must be used to subsidize them.

- Use the F&A rate provided by the sponsor. If the sponsor has no established rate, the University expects the full F&A/IDC rate will be used.

- Sponsors may exclude certain costs from being charged F&A costs, e.g., equipment, subcontracts, or patient care costs. Check the sponsor’s guidelines or with SPA to determine which budget items cannot be included in the proposal’s F&A calculations.

- F&A costs are correlated with a base. The base will equal the overall applicable budget costs that are multiplied by the F&A rate to determine the overall F&A costs. The F&A base is dictated by the sponsor’s guidelines. Departments must refer to the sponsor’s guidelines to determine which base to use in the proposal budget’s calculations.
Perform Required Calculations for Each Budget Category (cont.)

- For awards established with the federally negotiated F&A cost rate or an approved reduced rate on a modified total direct cost (MTDC) basis, the University will generally charge its F&A costs on the first $25,000 of each subaward per project period. For other awards established with an F&A cost rate on a total direct cost basis, the University's F&A costs apply to the entire subaward budget amount.

- The University will implement the $25,000 rule for F&A on subcontracts is for sponsors that utilize the federally negotiated rate for each project period.

- Unless there are specific instructions or the sponsor has an approved rate, departments should use the MTDC base when calculating F&A.

- Unless otherwise specified, departments should use the MTDC base. This is based upon which the federally negotiated F&A rates are applied. MTDC is derived by excluding certain costs from the direct cost total. Exclusions include: equipment, patient care, alterations and renovations, space rental, tuition remission, and in all other subaward amounts beyond the first $25,000.

- The National Science Foundation's (NSF) policy that grantees are entitled to reimbursement from grant funds for indirect costs (F&A) allocable to the NSF share of allowable direct costs of a project, except grants:
  - solely for the support of travel, equipment, construction of facilities, or doctoral dissertations;
  - for participant support costs;
  - to foreign grantees; and
  - to individuals (e.g., Fellowship awards).

**Key Considerations for F&A Costs**

- Departments may be eligible, on a case-by-case basis, to request an F&A cost waiver or reduction, which requests permission to use an F&A rate that is lower than the federally negotiated F&A rates. Each request is subject to departmental, collegiate, and in some cases SPA approval. Approval is not guaranteed and depends on the unique circumstances of the request. Most importantly, departments must be aware that policy states that if the department does not submit an F&A waiver/reduction request and go through the formal process with SPA and then accepts the award on its own, the department will lose the right to an F&A waiver.
Perform Required Calculations for Each Budget Category (cont.)

- F&A will ultimately result in indirect cost recovery (ICR), which is revenue received by the University by applying its F&A rates to direct costs charged to sponsored projects. This revenue is returned to academic units. ICR must be shared by the colleges substantially contributing to the work of a sponsored project and is typically also shared among departments contributing to the project’s work scope. If multiple departments are involved, ICR sharing arrangements must be clearly documented at the time of proposal submission. If this situation occurs, ICR is typically shared in one of two ways: separate projects are established in the financial system (EFS); or the specific amount or percentage that will be received by each unit is determined up front.

Example of an F&A Calculation

This calculation will use the MTDC F&A base:

Formula for Calculation 1: Total Direct Costs (TDC) – Exempt Costs = Modified Total Direct Costs (MTDC)

$100,000 (TDC) – $5,000 (equipment/exemptions) = $95,000 (MTDC)

Formula for Calculation 2: MTDC x F&A Rate = F&A amount

$95,000 (MTDC from above calculation 1) x .50 (F&A rate is 50% for “instruction, on-campus”) = $47,500 (F&A amount)

Justification Requirements

Budget justification for F&A costs may include:

- The F&A rate(s) used
- The F&A base used
- The calculation that was used to arrive at the amount requested

Resources

Suggested resources:

- Facilities and Administrative (F&A) Costs job aid (Proposal Budget Creation Course Handout)
- Understanding F&A Costs: What Faculty and Staff Need to Know: at www.ospa.umn.edu/forms/documents/F-ARatesBrochure.pdf

Policies

Suggested University policies at www.policy.umn.edu:

- Administrative Policy: Charging Facilities and Administrative (IDC) Costs to Sponsored Projects
Develop a Detailed Justification for Each Budget Item

After all budgetary items have been calculated and listed in their appropriate categories, a detailed justification for each budget item must be written.

As stated earlier in this manual, a budget justification describes how funds will be spent for each item included in the proposal budget. Most sponsors expect applicants to justify the need for each budget line item. It is essential for the applicant to read the instructions carefully to identify which items must be justified and what information must be included.

The budget justification is also the content within the proposal budget where applicants demonstrate that each of their proposed costs is allowable, reasonable, and allocable to the proposed project. The justification for each item must demonstrate why the proposed cost is necessary for the successful completion of the project. In addition, the applicant must clearly state how each cost was calculated.

Here is a summary of the justification components for each of the most common budget categories:

**Salaries and Wages Costs**
- List the name and title of each individual.
- Provide a description of the individual’s specific responsibilities on the project.
- List the individual’s percentage of time (effort) or person months that will be spent on the project.
- List the individual’s present (or anticipated) salary.
- List the dollar amount to be charged to the project.

**Fringe Benefits Costs**
- List the name and title of each individual.
- Provide a description of the individual’s specific responsibilities on the project.
- List the specific fringe benefit rate and salary amount used in the calculation.

**Consultant and Professional Services Costs**
- List the name of the individual or organization.
- List the specific services or advice to be received by the project staff and how that will benefit the project.
- Describe how the total costs for each consultant were calculated (e.g., $500 per day x 4 days). Include a detailed list of expenses if expenses will be included as part of the consulting payment.
- Explain how the negotiated rate of pay is reasonable.
Develop a Detailed Justification for Each Budget Item (cont.)

Equipment Costs
• Provide a detailed description of the equipment to be purchased.
• Explain why the equipment is needed to successfully complete the project’s work scope.
• Provide the calculation of the total costs for the equipment (e.g., include installation and delivery costs).

Materials and Supplies Costs
• Provide a description of the needed supplies.
• State why the supplies are needed to successfully complete the project’s work scope.
• Provide the calculation of the total costs for each item (e.g., $77 per barrel x 1 barrel per week x 52 weeks = $4,004).

Travel Costs
• List the name of the individual(s) traveling.
• Describe the travel that will occur and why it is necessary.
• List the location(s) the travel will occur.
• List the dates or frequency in which the travel will occur.
• Provide a detailed breakdown of the travel costs.
• Explain the purpose of the travel and how it will directly benefit the project’s work scope.

Subaward Costs
• List the name of the institution that will receive the subaward.
• List the total costs of the subaward.
• Provide a brief summary of the subaward’s statement of work.
• Note: provide in depth/individual justification of subaward costs ONLY if a full subaward justification does not appear elsewhere in the proposal.

Alterations and Renovations Costs
• Provide a detailed description of the alteration or renovation.
• Provide a price breakdown of all of the associated costs.
• Provide a detailed explanation of why the renovation is required and include a copy of the blueprints.
• Provide a detailed explanation of how it will benefit the project’s work scope.
### Develop a Detailed Justification for Each Budget Item (cont.)

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<tr>
<td>• Provide the overall calculation that was used to arrive at the total F&amp;A amount requested.</td>
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Submit the Proposal

After the proposal budget and all of the proposal’s necessary components have been finalized, the entire proposal must adhere to the Board of Regents policy titled “Submitting and Accepting Sponsored Projects.” According to this policy, departments must create the mandatory Proposal Routing Form (PRF). The PRF is an internal document created in the Electronic Grants Management System (EGMS), which is the University’s online system used to complete proposal-related forms. The PRF captures a high level summary of the proposal and is the mechanism for capturing the required University approvals. Once the PRF is submitted by the department and received by SPA, various checks and balances are performed by SPA staff. Once the completed proposal and its PRF have been reviewed by SPA, SPA will submit the proposal on behalf of the University to the sponsor.

This section of the course will focus on the following topics:

- Department creates the mandatory Proposal Routing Form (PRF), which includes the required University approvals.
- Department submits the proposal to SPA.
- SPA reviews the proposal to ensure budget items are allowable and properly justified.
- If errors or discrepancies exist, SPA and the PI/department will work together to resolve them.
- SPA submits the proposal on behalf of the Regents of the University.
- The sponsor reviews the proposal.
- If necessary, SPA works with the PI/department to facilitate award negotiations with the sponsor.

NOTE: Because this course focuses on the proposal budget creation process, the content of this section will provide only a basic overview of the proposal submission process. Visit the SPA and Training Services websites to learn more about additional courses and other resources specific to proposal assembly, EGMS proposal preparation and PRF creation, and other important proposal submission topics.
Department Creates PRF Including Required Approvals

Per policy, departments must prepare and submit the University’s Proposal Routing Form (PRF) to SPA for review and authorization prior to the proposal’s submission. The PRF is a mandatory internal document that accompanies all proposals submitted to SPA and triggers the proposal review and approval process.

Specific budgetary information listed on the PRF includes:

- Initial or current budget: reveals the initial and/or the current period for which the funds are being requested. This also reflects the initial period which may or may not reflect a year period.
- Entire budget: reflects the current awarded segment of the proposal or project period.

The primary purposes of the PRF are to:

- Provide basic information regarding the project for review by the department head and other central administrators, (e.g., F&A waiver or cost sharing requests).
- Act as a checklist to ensure that all assurance and compliance obligations have been considered and met, or are pending.
- Obtain the approvals that are required to submit a proposal.
- Serve as a communication tool to convey information on the proposal, i.e., space to be accessed if proposal is awarded.

Overview of PRF Approvals

The mandatory PRF must be prepared by the department using the University’s Electronic Grants Management System (EGMS). Upon completion, EGMS audits the PRF data to check that all required information has been provided and presented in the correct format. Once the PRF has passed audit, approval signatures must be obtained either electronically through EGMS or by printing and circulating the PRF for ink signatures. It is preferred that signatures be collected either all electronically or all in ink.

As discussed earlier in this manual, it is best practice to communicate with all required University approvers early on in the proposal budget creation process to ensure the approvers are available and have sufficient time to review the proposal budget. Always verify who the University approvers are for each proposal, as they may vary under certain circumstances.
In general, the following individuals are typically responsible for signing off on the PRF:

- **PI**: certifies the PRF's information is accurate and assumes all responsibility for the proposal's contents, including compliance considerations.

- **Department Head**: certifies that the PI is eligible, and resources such as space are available. If applicable, determines whether cost sharing is appropriate.

- **Dean or Director**: ensures the proposal supports the college's mission, determines whether requests for resources such as off-campus space, cost sharing, or F&A reductions are necessary.

- **Vice President or Chancellor (where appropriate)**: reviews proposals involving compliance considerations (infectious agents, narcotic agents, etc.) and requests for off-campus space. If applicable, reviews requests for indirect cost rate reduction or waivers.
Overview of SPA’s Proposal Submission Deadlines for Departments

It is important for departments to understand that the required time for processing and reviewing a proposal through departmental, collegiate, and SPA offices may vary considerably. As a result, it is the PI's/department’s responsibility to allow sufficient time for SPA review. As a general guideline, SPA would like to receive the proposals at least three working days before the proposal’s determined deadline—more if at all possible.

Below are the established deadlines for the common submission methods:

- **Electronic submissions to Grants.gov**: To be considered on-time, proposals requiring electronic submissions via the Grants.gov system must be delivered to SPA at least 5 working days before the proposal must be submitted. For example, if an NIH grant is due to NIH on Thursday, it is due to SPA by 9 a.m. on the Friday the week before.

- **Other electronic submissions**: To be considered on-time, proposals requiring electronic submissions (NSF FastLane, NASA NSPIRES, FedConnect, email, etc.) must be delivered to SPA at least 24 hours before the proposal must be submitted to the funding agency. For example, if an NSF grant is due to NSF in Fastlane on Thursday, it is due to SPA by 5 p.m. on Wednesday.

- **Paper (via U.S. Mail)**: To be considered on-time, proposals requiring courier or mailing submissions must be delivered to SPA within 48 hours of the sponsor’s official deadline (24 hours before the proposal must be mailed). For example, if the proposal is due to the sponsor on Friday, SPA needs to receive it by 5 p.m. on the previous Wednesday, to ship it by Thursday. Local courier submissions are sent out by 10 a.m. to local sponsors meaning that the proposal is due at SPA by 10 a.m. the day before. **Important note**: Departments must work with SPA to plan ahead when a paper proposal must be delivered outside the Continental U.S., as this type of proposal requires extra time to arrive at its destination. For example, FedEx requires a minimum of two days to deliver proposals to Alaska, Hawaii, and Europe.

Important reminders for departments:

- Meeting SPA’s deadline allows the GA enough time to do a thorough review to catch any errors that might be embarrassing to the PI or the University, or that might affect the proposal’s success.

- Meeting SPA’s electronic proposal deadline gives an important cushion of time in case technical problems occur.

- If the proposal is delivered after the deadline, the applicant will have to arrange for delivery. In addition, SPA cannot guarantee that late proposals will be processed in time to meet the sponsor’s deadline.
Department Submits Proposal to SPA

After the department creates the PRF and it is authorized by all required approvers, the department must submit the proposal and all of its necessary components, including the proposal budget, within the deadlines established by SPA.

Before delivering the proposal to SPA, the department must verify that the proposal package, including the narrative, is complete and ready to be sent to the sponsor. SPA will not review an incomplete proposal. Departments must also include any supporting documentation such as the confirmation of agency-specific F&A rates or submission instructions.

The method of proposal submission to the sponsor will determine how the proposal must be delivered to SPA. Electronic proposals may be emailed or uploaded into an agency-specific electronic system. Paper proposals may be dropped off in person or mailed using campus or U.S. mail. Refer to the SPA website for the specific details regarding proposal submission, including SPA deadlines. In addition, refer to this manual’s section “Determine Method of Proposal Submission to Sponsor” for deadline information, helpful hints, and other resources regarding this topic.

Below is a departmental checklist for proposal submission to SPA:

- The PRF was signed by all required approvers.
- The proposal is complete (including the narrative) and ready to be sent to the sponsor.
- Someone from the department will be available between the SPA deadline and the sponsor’s deadline in order to answer questions and make any changes requested by SPA.
- All documents and forms required by the sponsor’s guidelines have been completed accurately and in full.
- The method of submission to SPA (email, hard copy, etc.) has been determined.
- If the proposal will be submitted in hard copy, the correct number of copies has been provided. In most cases, this is the number of copies required by the sponsor, plus one for SPA.
- SPA has been given all supporting documentation (e.g., the proof of agency-required F&A rates, specific submission instructions, or copies of agency guidelines) that is needed by SPA to review and submit the proposal.
SPA Reviews Proposal

Each proposal received by SPA will be reviewed by a grant administrator (GA). As a best practice, provide SPA access to the sponsor’s guidelines/application materials so that the GA may verify that all technical components conform and are in compliance with the sponsor submission guidelines and that all budget items are allowable by the sponsor. In addition, the GA will ensure adequate justification was provided for all budget items listed in the proposal.

After the department submits the completed proposal and PRF to SPA, SPA personnel will begin the review process.

First, SPA Proposal Receiving will:

- Log the proposal into the proposal database.
- Assign a proposal number with an internal review sheet.
- Check the proposal and PRF for proper signatures.
- Check for sufficient number of hard copies (if applicable).
- Check the PI’s eligibility.
- Once all of the above have occurred, the proposal will be forwarded to a GA for review.

Second, the GA will conduct a final review of the completed proposal and PRF to ensure that:

- Correct signatures have been obtained.
- The proposal agrees with the PRF in terms of space, animals, human subjects, or cost sharing/matching commitments.
- The proposal generally conforms to University policies and sponsor requirements (both technical and financial components).
- Equipment conforms to University definitions.
- Appropriate increases for future years have been included in the budget.
- The budget is accurate and appropriate rates have been utilized.
- The budget justification matches what appears in the budget.

Important reminders for departments:

- If one or more signatures are missing from the proposal or PRF, and if time permits, SPA personnel will return it for proper signatures. If time does not permit, verbal concurrence of the missing signatures or email approval must be provided. Once notified, the PI or DRA is responsible for follow-through.
SPA Reviews Proposal (cont.)

- SPA staff will not make programmatic judgments. GAs will try to resolve, through telephone or email contact with PIs or their designees, all questions which arise.

- Preparation of a proposal which meets sponsor requirements and is consistent with University policies is the PI’s responsibility. In situations requiring major changes in a proposal or where time does not permit SPA to make necessary changes, the task must fall upon the PI and department staff.
SPA and Department Resolve Errors

One of the primary responsibilities of a GA is to review proposals submitted by the department. During this review, if errors are found or questions arise, the GA will contact the individual(s) listed in the departmental contact section on the PRF. Once contacted, SPA will work with the individual(s) to resolve the errors so that the proposal may be correctly submitted to the sponsor.

As a best practice, SPA recommends to review the below list of common departmental proposal budget submission errors. Reviewing these common errors and checking to ensure each proposal doesn’t contain these errors before being submitted to SPA may help alleviate additional work for everyone involved in the process.

**Erroneous information was listed on the PRF:**

- Many departments fail to match the proposal and PRF data. Most commonly, the dates, titles, overall budget totals, and other required fields in the PRF do not match with those listed on the proposal’s budget.

- When budgeting for patient care costs, the department must answer “yes” to “Fairview Services” and must include the TASCS number on the PRF. This allows SPA to view the TASCS for the project costing rates to be used in the budget.

**Failure to adhere to the sponsor’s guidelines:**

- Most errors could have been avoided had the department properly reviewed the sponsor’s instructions. The most common errors are the failure to use the correct font size and following the sponsor’s mandatory funding restrictions (e.g., salary caps).

- The department lists items that the budget guidelines specifically indicate are unallowable, or are in excess of the maximum amount allowed for that item (e.g., the sponsor’s RFA only funds projects that are less than $250,000; the department’s submitted proposal budget totaled $450,000).

- Watch for cost limitations stated in the proposal announcement (e.g., caps on total amount allowed and whether F&A is included in those allowable costs).

**Cost share commitments are not verified:**

- Departments often fail to provide documentation that verifies the commitment to contribute the cost sharing. Per policy, any cost
SPA and Department Resolve Errors (cont.)

sharing identified in the proposal must be identified on the PRF and must have documentation verifying the commitment.

Failure to place the budget items in their correct budget categories:

- Departments will often list various project costs in the incorrect budget categories, which contradict the list of allowable items by the sponsor and/or University policy. Here are some of the most common examples of this error:
  - Printing, photocopying, couriers, and lab services are often erroneously listed in the “supplies” category instead of “other direct costs and services.”
  - Items listed under the “equipment costs” category do not match the sponsor’s and University’s equipment definition. For example, if the equipment costs less than $2,500, it should typically be listed in the “materials and supplies costs” category.
  - Subaward costs are often listed in the “consulting and professional services” category when those costs clearly should have been listed in the “subawards/subcontracts costs” category.

Failure to include a detailed budget and institutional endorsement from Subawards:

- Many departments fail to submit the proper information for the “Subaward/Subcontracts Costs” budget category. Per policy, subawards must be budgeted as a line item in the University of Minnesota’s budget, and must be accompanied by a detailed budget with subcontractor institutional endorsement.

The wrong rates are used when calculating costs:

- Many departments fail to use the proper rates that were listed in the sponsor’s guidelines or the University of Minnesota’s established rates. The three most common types of rates containing errors include:
  - Institutional salary base for personnel: the inflation rate listed in the budget is more than the regular increase in the cost of living rate.
  - Fringe benefits: the department performs a calculation using the wrong employee group’s rate (e.g., uses the Civil Service/
Bargaining Unit rate instead of the Academic rate; or performs the graduate student calculations incorrectly in general).

- **F&A costs:**

  Departments commonly use the wrong rate that was stated in the sponsor’s guidelines, or do not follow the University’s F&A policy/federally negotiated rates.

  Departments commonly forget to exclude the common costs that are considered exempt from being charged the base for F&A computation (e.g., equipment, academic graduate research assistant fringe, and subawards).

  Note: SPA requires departments to provide the sponsor’s guidelines or official documentation when the sponsor’s allowable F&A amount is lower than the University’s federally negotiated rates. If this documentation is not provided to SPA, the department must either request an F&A waiver or must use the University’s standard F&A rates.

**Improper budget justifications:**

- Departments often submit justifications that do not match the overall budget totals. This is likely due to last minute changes (e.g., the item is listed as $2,000 in the budget, but the budget justification states that the item totals $1,000).

- Departments often submit an incomplete budget justification or forget to include it altogether.

- Departments often fail to follow the sponsor’s guidelines regarding justification (e.g., included full budget justifications on an NIH Modular budget when only the justification for personnel is required).
SPA Submits Proposal on Behalf of the University

After reviewing the proposal, the GA will verify that all necessary University approvals were obtained and no errors exist. Once this important task is complete, SPA will submit the proposal on behalf of the University based on the proposal’s type of submission method (e.g., U.S. mail, electronically, grants.gov).

Per the Board of Regents policy, SPA is the only authorized institutional unit that may submit proposals on behalf of the Regents of the University of Minnesota.

Reminders for departments:

- Paper proposals:
  - If the complete proposal arrives at SPA by the deadline, SPA will package, provide postage, and mail the proposal or transmit the proposal through various electronic mechanisms, per sponsor guidelines. SPA cannot guarantee delivery to the sponsor.
  - When a PI intends to either to mail or deliver a proposal in person, SPA should be informed at the time the proposal reaches the SPA office.
  - If the proposal was delivered to SPA after the deadline, the PI must arrange for packaging and mailing the proposal. PIs will be called when proposals are ready to be picked up.

- Electronically submitted proposals:
  - Completed electronic applications must be emailed to proposal@umn.edu with the Proposal Routing Form (PRF) number, PI last name, and sponsoring agency.
  - Some nonfederal sponsors may require a signed paper copy of the application in addition to an electronic one. Deliver the signed paper copy to SPA for submission to the sponsor.

- Other:
  - Fax PRFs with ink signatures to 612-624-4843. Those with electronically signed PRFs do not need to fax the PRF to SPA.
After SPA submits the proposal to the sponsor, there is typically a review period. This may last several weeks to numerous months. Refer to the sponsor's application materials to learn how long the sponsor’s review period will last, and when applicants can expect to hear back from the sponsor whether their proposal was funded.

Reminders for departments:

During the review period, departments must be aware of the following:

- **Timelines:**
  - Expect the sponsor’s review period to last up to twelve months.
  - Review time for private foundations, business, and industry may be somewhat shorter: three to six months.
  - If there has been no communication from the sponsor for a longer-than-expected period (normally if a proposal has not passed preliminary review there will be a notification), contact the appropriate SPA GA to see if the sponsor should be contacted.

- **Revisions:**
  - Sponsors commonly request programmatic or budgetary revisions during their review and approval process.
  - Any revision must be submitted through SPA and may need to be accompanied by another PRF. This formality is necessary to ensure that department and collegiate officials are kept informed and that information in University databases is kept current.

- **Rejections/Withdrawals:**
  - If a proposal is rejected and notification is sent to SPA, a copy of the notification will be forwarded to the PI.
  - If a proposal is rejected and notification is sent directly to the PI/department, notify SPA immediately so that University records may be kept current.
  - SPA will remove a rejected proposal from its current files and hold it for a period of one year, after which time the file is destroyed.
  - If the PI would like to withdraw their proposal, an appropriately routed written request must be sent to SPA.
SPA Works With PI/Dept. to Facilitate Negotiations With Sponsor

During the proposal's review period, the sponsor may have questions regarding the proposal. These questions may be in regards to the budget, budget justification, or the project's work scope. The sponsor will typically contact SPA, or may contact the PI or departmental representative. Regardless of who is contacted, departments must understand that only representatives from SPA may facilitate the negotiations with the sponsor. This is because Board of Regents policy states that SPA is the only authorized institutional unit that may enter into a legally binding agreement or contract with a sponsor on behalf of the Regents of the University of Minnesota. While SPA will be responsible for facilitating any negotiations, it is important to keep in mind that SPA will work with the PI/department to ensure any changes made to the proposed project's budget and/or work scope are appropriate prior to confirming the changes with the sponsor.

In general, items that may be subject to negotiation include:

- Statement of Work
- Dates
- Amounts
- Reporting Requirements
- Payment Terms
- Publication Clause / Limitations
- Intellectual Property
- Export Control
- Indemnity & Liability
- Governing Law
- Termination Clauses

Reminders for departments:

- **Unilateral agreements** (usually grants that the University does not sign): the sponsor may sometimes contact the PI directly to discuss the budget. Generally, any changes must be reviewed by the PI or their representative and SPA.

- **Bilateral agreements** (both parties must sign): the sponsor and SPA must come to an agreement regarding the budget, the scope of work, and other terms and conditions of the award. Negotiations can take weeks or months, particularly if the sponsor is slow to respond to questions or requests to revise clauses.
Two common elements that sponsors negotiate are either changes to the proposed project’s budget or its statement of work. Once notified by the sponsor, SPA will work with the PI or department representative to help facilitate any requested changes.

Revised Statement of Work

If a sponsor requests changes to the statement of work, departments must consider the following questions:

- Does the PI agree to accept the change(s)?
- Can the PI complete the objectives outlined in the revised statement of work?
- Will the budget be affected by this change?

Revised Budget

The concept of creating a revised budget is the same as used in creating the original budget. Departments must include the necessary budget items that are required for completing the statement of work. These items must adhere to the sponsor’s guidelines that outline which costs are allowable, allocable, and reasonable.

Departments must consider the following when creating a revised budget:

- Can the statement of work be completed with revised dollar amount?
- When making the requested budget changes, should cuts be made ‘across’ all budget categories or to specific categories?
- Which categories will be reduced? Typical categories include:
  - Personnel effort (may need to be approved by sponsor)
  - Equipment
  - Travel
  - Materials and Supplies
  - Other Direct Costs and Services
- Will the change affect the cost share commitment (if applicable)?
- Does the budget justification must match the revised budget?
A sponsor may decide to reduce the budget at the official award’s time of issuance. When SPA receives an award where the budget has been reduced, the SPA Grant Administrator will typically consult with the PI or department representative to determine which categories will be affected. If multiple projects are involved, the PI will likely consult with the Co-Investigator(s) to determine whether reductions should be made to the budget.
Special Proposal Budget Situations

Departments may encounter special situations where the proposal budget creation process may slightly differ from the basic concepts and business processes previously discussed in this class. These special situations typically are specific to the sponsor’s application process and/or the overall proposal’s purpose.

Here are the following special situations that will be discussed in this section:

- Modular Budget
- Clinical Trial
- Supplement
- Continuation
- Program Income
- Multiple Departments
Modular Budget

A modular budget is a type of grant application in which support is requested in specified increments without the need for detailed supporting information related to separate budget categories. The modular grant application format is an extension of the National Institutes of Health's (NIH) streamlining and reinvention initiatives that were designed to simplify the preparation of budget applications by limiting the level of budgetary detail. Modular budgets are commonly required by the NIH, Center for Disease Control (CDC), and other Health and Human Services (HHS) agencies. In general, modular budgets are required when the applicant's projected costs are equal to or up to $250,000 per year in direct costs, and funds are requested in increments of $25,000.

Modular budgets are prepared on a specific modular budget form, which is part of the SF424 Research & Related form package used in Grants.gov NIH applications. NIH applications will typically include a modular budget form and a detailed budget form. The applicant must determine which is appropriate for the situation at hand, using the information above, the NIH modular budget guidelines at http://grants.nih.gov/grants/funding/modular/modular.htm, and any specific instructions in a program announcement or request for applications.

Special Considerations

- A typical modular grant application will request the same number of modules in each year.
- Additional narrative budget justification is required in the application only if there is a variation in the number of modules requested in a budget period.
- As part of the budget, a personnel narrative must be included that identifies all personnel by position, role, and level of effort. This includes consultants, personnel on any consortium/contractual arrangement and any “to be appointed” positions.
- Typically, subaward F&A is not included in the calculation of the $25,000 modules.
- Applicable salary caps must be used when performing salary calculations.
- Though the application will be submitted in the modular format, a detailed cost budget must be sent to SPA with the proposal so the GA can ensure/confirm whether the proper F&A calculations were included in the budget.

Special 398 budget form to be used may be accessed at:

The 398 Budget Form:

Program Director/Principal Investigator (Last, First, Middle): 

<table>
<thead>
<tr>
<th>NAME</th>
<th>ROLE ON PROJECT</th>
<th>Cal. Mnths</th>
<th>Acad. Mnths</th>
<th>Summer Mnths</th>
<th>INST BASE SALARY</th>
<th>SALARY REQUESTED</th>
<th>FRINGE BENEFITS</th>
<th>TOTAL</th>
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</thead>
<tbody>
<tr>
<td>PD/PI</td>
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</tbody>
</table>

SUBTOTALS

CONSULTANT COSTS

EQUIPMENT (Itemize)

SUPPLIES (Itemize by category)

TRAVEL

INPATIENT CARE COSTS

OUTPATIENT CARE COSTS

ALTERATIONS AND RENOVATIONS (Itemize by category)

OTHER EXPENSES (Itemize by category)

CONSORTIUM/CONTRACTUAL COSTS

<table>
<thead>
<tr>
<th>CONSORTIUM/CONTRACTUAL COSTS</th>
<th>DIRECT COSTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>SUBTOTAL DIRECT COSTS FOR INITIAL BUDGET PERIOD</td>
<td>$</td>
</tr>
</tbody>
</table>

CONSORTIUM/CONTRACTUAL COSTS FACILITIES AND ADMINISTRATIVE COSTS

TOTAL DIRECT COSTS FOR INITIAL BUDGET PERIOD

| TOTAL DIRECT COSTS FOR INITIAL BUDGET PERIOD | $ |
Clinical Trial

A clinical trial application typically includes a set of procedures in medical research conducted to allow for safety (or more specifically, information about adverse drug reactions and adverse effects of other treatments) and efficacy data to be collected for health interventions (e.g., drugs, diagnostics, devices, therapy protocols). The budget is based on the protocol requirements.

Depending on the type of product and the stage of its development, investigators enroll healthy volunteers and/or patients into pilot studies initially, followed by larger scale studies in patients that often compare the new product with the currently prescribed treatment. As positive safety and efficacy data are gathered, the number of patients is typically increased. Clinical trials can vary in size from a single center in one country to multicenter trials in multiple countries and are often sponsored by large pharmaceutical/biotechnical companies.

Special Considerations

Clinical trial budgeting includes unique costs including these examples:

- Patient care costs
- Patient assessments
- Recruitment of trial participants
- Subject fees and reimbursements
- Protocol testing requirements
- Fairview services

Special form to be used: Sponsor driven (refer to the sponsor’s guidelines or application materials to locate the sponsor’s specific form).
A supplement is a request for additional funds on an existing award, either for the current operating year or for any future year recommended previously. Supplement requests are over and above the amount previously awarded by the sponsor. A PI may request a supplement for student support and training, conference sponsorship or attendance, exploration of a new research question, or any circumstances not foreseen at the time of the proposal and award.

**Special Considerations**

Supplement requests are largely dependent on the existing sponsor’s rules. In general, departments must make the following considerations regarding supplements:

- Good communication with the sponsor is essential because policies and procedures for supplements are not always explicit. PIs typically discuss the need for a supplement with the program officer or sponsor contact before preparing a supplement request.

- Confirm that the sponsor allows supplement requests, as some sponsors do not allow supplements.

- Adhere to any special guidelines that have been given for the topic area, length, or amount of the supplement request.

- Current F&A and fringe rates should be applied to the supplemental funding request.

- If applicable, obtain the sponsor’s special forms for supplement requests. If no forms are required, verify the process for informing the sponsor that it is a supplement rather than a new proposal.

- A new PRF must be completed for a supplement request.

Special form to be used: This type of form is typically sponsor driven (refer to the sponsor’s guidelines or application materials to locate the sponsor’s specific form).
Continuation

A continuation is an application request for continued support of a currently funded project. Continuation applications are most often formal requests for funding that the sponsor has already committed, such as future years of a multi-year project.

To prepare the budget, departments must further distinguish whether the continuation is a renewal or noncompeting. Below is an explanation of these two kinds of continuations.

- **Renewal or Competing**
  Funding is not guaranteed and the application is pooled with other proposals for review. If awarded, the renewal for competing continuation may extend the period of support and is considered an extension of the original proposal. If the sponsor's award number changes, the award will be considered a new project.

- **Noncompeting**
  For multiyear projects, sponsors may require annual applications for continued funding. These applications do not compete for funds. Sponsors that require continuation applications of this sort often need to see financial and programmatic progress reports before they will release funds for the next budget year. Departments will typically be able to use the sponsor's guidelines and award documentation to determine whether this sort of continuation request is required.

Special form to be used: This type of form is typically sponsor driven (refer to the sponsor’s guidelines or application materials to locate the sponsor’s specific form). Departments must be aware of the following:

- Some continuation requests require a new PRF with each progress report. Contact your grant administrator to determine whether a new PRF is required.
- The sponsor may have specific forms for continuation requests. Refer to the sponsor’s guidelines and the award documentation to confirm whether such forms are required.
- SFR will submit a financial report to the sponsor when needed.
Program Income

Program income is a type of external funding that applies specifically to sponsored projects. It is gross income earned and received by the grantee (or subgrantee) that is directly generated by a sponsored-project-related activity or earned as a result of the sponsored award’s agreement during the project period.

At the time of proposal, departments are responsible for identifying all actual and potential program income in the proposal. This is done by answering “yes” to the related program income question on the PRF. Some proposal applications provide a separate section for outlining anticipated program income. If this information is required, the department must provide it. It is recommended to discuss this situation first with SPA and, if necessary, SPA will contact the sponsor, whether funded activities might generate program income and whether it will be reportable.

Policy

Managing Program Income Earned on Sponsored Projects
Multiple Departments

It is common to have multiple departments involved in the work scope on a single award. In order to accurately reflect this situation in the proposal budget, the PI and other Co-Is must have a clear picture of who will be responsible for conducting which specific portion of the work scope. In addition, all costs that will be expended by each department must be determined and communicated before the budget can be created.

Clearly communicating which department is responsible for which costs is essential in situations that involve the sharing of F&A or indirect cost recovery (ICR). All departments involved must adhere to policy, which states that ICR must be shared when proposals include the following: more than $100,000 of total costs per year, more than one college, and at least $1,000 in ICR will go to each unit.

ICR can be shared in several different ways. The most common is for SPA to set up “parent” and “child” projects at the time of award. Each department or unit participating in the award is given its own project for its costs, including indirect costs. Occasionally, if separate projects are not set up, ICR can be shared by percentage. The participating departments will agree what percentage of ICR each one will receive, and that percentage automatically goes to the assigned department, regardless of which direct costs incur the indirect costs.

It is essential to maintain open communication between all of the involved departments during the budget development process. Everyone involved in the budget’s creation must understand what each department is responsible for in order to finalize the budget and obtain the required PRF approvals. For example, some departments want to see the whole budget while other departments may only want to see the detail when the award is made and set up.

Policy

Sharing Indirect Cost Recovery Among Collaborating Units
Example of a multiple department proposal budget:

<table>
<thead>
<tr>
<th>Category</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Project Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Senior Personnel</strong></td>
<td></td>
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<tr>
<td>Dr. Goldy Gopher, PI</td>
<td></td>
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</tr>
<tr>
<td>13% academic year effort</td>
<td>$9,707</td>
<td>$9,998</td>
<td>$10,298</td>
<td>$30,003</td>
</tr>
<tr>
<td>17% summer effort</td>
<td>$4,258</td>
<td>$4,386</td>
<td>$4,517</td>
<td>$13,161</td>
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<tr>
<td><strong>Other Personnel</strong></td>
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<tr>
<td>Dr. Minnie Rouser, Research Associate</td>
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<tr>
<td>8% calendar year effort</td>
<td>$5,386</td>
<td>$5,548</td>
<td>$5,714</td>
<td>$16,648</td>
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<tr>
<td>U.P. North, Survey Interviewer</td>
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<tr>
<td>8% calendar year effort</td>
<td>$6,149</td>
<td>$6,333</td>
<td>$6,523</td>
<td>$19,006</td>
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<tr>
<td><strong>Fringe Benefits</strong></td>
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<tr>
<td>Gopher @ 36%</td>
<td>$4,650</td>
<td>$4,790</td>
<td>$4,934</td>
<td>$14,374</td>
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<td>Rouser @ 36%</td>
<td>$1,794</td>
<td>$1,847</td>
<td>$1,903</td>
<td>$5,544</td>
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<tr>
<td>North @ 41.3%</td>
<td>$2,540</td>
<td>$2,616</td>
<td>$2,694</td>
<td>$7,849</td>
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<td><strong>Total UM Personnel</strong></td>
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<td>$36,583</td>
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<tr>
<td><strong>Travel</strong></td>
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<tr>
<td>Conference travel</td>
<td>$2,000</td>
<td>$2,000</td>
<td>$2,000</td>
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<td>Workshop travel</td>
<td>$778</td>
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<td>$778</td>
<td>$2,334</td>
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<td>In-state travel</td>
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<td>$10,234</td>
<td>$30,702</td>
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<td><strong>Total Travel</strong></td>
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<td>$13,012</td>
<td>$39,036</td>
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<tr>
<td><strong>Participant Support</strong></td>
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<tr>
<td>Teacher stipends (20 teachers)</td>
<td>20,000</td>
<td>20,000</td>
<td>20,000</td>
<td>$60,000</td>
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<tr>
<td>Other - Lab Supplies</td>
<td>6,000</td>
<td>6,000</td>
<td>6,000</td>
<td>$18,000</td>
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<td></td>
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<td><strong>Total Participant Support</strong></td>
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<td>$26,000</td>
<td>$78,000</td>
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<tr>
<td><strong>Materials &amp; Supplies / Other Costs</strong></td>
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</tr>
<tr>
<td>Supplies - books, lab materials etc.</td>
<td>$5,000</td>
<td>$3,000</td>
<td>$3,000</td>
<td>$11,000</td>
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<tr>
<td>Equipment Rental</td>
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<tr>
<td>Classroom Rental</td>
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<td>$250</td>
<td>$750</td>
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<tr>
<td><strong>Total Materials &amp; Supplies / Other</strong></td>
<td>$12,250</td>
<td>$10,250</td>
<td>$10,250</td>
<td>$32,750</td>
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<td><strong>Total Direct Costs</strong></td>
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<td>$84,780</td>
<td>$85,845</td>
<td>$256,371</td>
</tr>
<tr>
<td><strong>Indirect Costs</strong></td>
<td>$43,603</td>
<td>$43,110</td>
<td>$43,654</td>
<td>$130,367</td>
</tr>
<tr>
<td><strong>TOTAL PROJECT COSTS</strong></td>
<td>$129,348</td>
<td>$127,890</td>
<td>$129,499</td>
<td>$386,737</td>
</tr>
</tbody>
</table>
Appendix: Gifts, Sponsored Projects, & External Sales

Fund Bucket Project Proposed Definitions:
Gifts, Sponsored Projects, & External Sales

Transactions Excluded from the Definitions
The University administers funds it receives from third parties through various administrative units. For example: The Office of Student Finance administers tuition, the Budget Office administers legislative appropriations, the Department of Intercollegiate Athletics administers ticket sales to sporting events, and the Office of Technology Commercialization administers funds received in exchange for licenses to University technology.

The definitions in this document are intended to clarify the types of transactions which result in funds administered by the University’s Foundations (i.e., University of Minnesota Foundation and Minnesota Medical Foundation), Sponsored Projects Administration (“SPA”), and the University’s External Sales Office. As clarification, the payments received by the University in (A) through (L) (displayed on the right) do not fall within the definition of a Gift, Sponsored Project, or External Sale. As indicated previously, these payments and the activities generating them are administered by other units at the University.

The following activities are referred to as excluded transactions:
(A) Room and board;
(B) Instruction offered in the University’s regular, extension, evening, or continuing education programs, including non-credit instruction (indicator: A program conducted by Extension Services that contains one or more of the criteria for a Sponsored Project (e.g., cost sharing, matching funds, return of unused funds) may be more appropriately administered by SPA. In such instances, Extension Services (including 4-H) should consult with SPA regarding how best to proceed);
(C) Services provided in the practicum aspects of the University’s instructional programs, including academic affiliations;
(D) Retail food and beverage services, including catering;
(E) Admission to University sporting or entertainment events;
(F) License for rights under a University patent, trademark, or copyright, including software support and maintenance;
(G) Use, sale, or transfer of University real property;
(H) Naming rights or athletic promotions and signage;
(I) Sale of University equipment, fixtures, or supplies;
(J) Delivery of health care services to individuals;
(K) Delivery of veterinary care services to individual animals; and
(L) Delivery of services by University to either Fairview or University of Minnesota Physicians.

Grey Areas and Questions about Definitions
While the excluded transactions referenced above and the definitions on the next page attempt to create bright lines, grey areas may still remain. A gift, for example, that requires extensive financial reporting beyond that normally required to fulfill an obligation of good stewardship, may fit the definition of a Gift, but it might be administered more appropriately by SPA. To highlight these grey areas, an excluded transaction or a definition may contain indicators that are intended to provide guidance and factors to be considered by appropriate administrative units for resolving “grey area” transactions.

A transaction classification group with representatives from SPA, External Sales, and both University Foundations has been established to provide rapid input to faculty and administrators who are uncertain how to classify a given transaction. This group also has ready access to University counsel when needed. To obtain input from this group, send a copy of the proposed statement of work, budget and performance dates, contact information for the person most knowledgeable about the proposed transaction, and any other background information the requestor feels is pertinent to: classification@umn.edu. A classification decision or a request to obtain clarifying information will be provided to the requestor within 3 working days.

Version 6

Words in bold italics throughout this document have the meaning provided in the Glossary
“Gift” means a transaction involving the transfer of funds by a third party to the University without any requirement on the University’s part to provide the third party (i) any direct economic benefit, or (ii) a return of any unused funds.

“Sponsored Project” means a transaction, other than excluded transactions, involving the transfer of funds by a third party, other than an individual, to the University which meets any of the criteria set forth in (A) – (J):
A. The University performs research for a third party under a fixed price or cost-reimbursement contract;
B. The contract is for the performance of a clinical trial;
C. The University performs services for the federal government or a department thereof (e.g., Department of Health and Human Services);
D. The contract for the transaction is a sub-award;
E. The contract is for services and requires the University to account for and return unspent funds;
F. The University performs services that require prior approval or monitoring by a University institutional review board or committee, unless the services are funded by a gift or by departmental funds;
G. The contract provides funds for a training grant; or
H. The contract for services requires the University to provide cost sharing or matching funds;
I. The University performs services for the State of Minnesota (or a department thereof) and the State of Minnesota desires that the contract be administered through SPA.
J. The contract provides federal funds to the University for a building or capital equipment project.

“External Sale” means a transaction involving a transfer of funds from a third party to the University which meets all of the criteria set forth below.
A. The funds are in exchange for (i) services performed by the University and any tangible goods produced as a result of such services; (ii) use of laboratory equipment; or (iii) a license to use information on University maintained databases.
B. The transaction is not a Sponsored Project, Gift, or an excluded transaction; and
C. The transaction is consistent with the scope, guiding principles, and criteria set forth in the Board of Regents Policy on Direct Sales of Goods and Services.

Gift | Sponsored Project | External Sale
--- | --- | ---

**Glossary**

“academic affiliation” means a documented affiliation with another entity a purpose of which is the sharing of resources, facilities, educators in furtherance of an educational program.

“contract” means a written agreement between two or more parties creating obligations that are enforceable at law.

“direct economic benefit” includes the transfer of intellectual property, data rights, and marketing and licensing rights.

“excluded transactions” means the activities listed in I (A)-(L).

“funds” means money or property, including real property (e.g., land or buildings) or personal property (e.g., equipment)

“research” means (i) a systematic study intended to increase generalizable scientific knowledge or scholarly understanding; or (ii) a systematic study intended to determine or exploit the potential of new knowledge for improvements in technology, materials, processes, methods, devices (including design and development of prototypes), or techniques.

“services” as used in the definition of Sponsored Projects may include research, training, and public service outreach activities.

“sub-award” means a contract with a sub-recipient performing a portion of the scope of substantive programmatic work (i.e., beyond mere analytical work-for-hire) covered by a prime award.

“training grant” means a grant of funds to the University to develop or enhance research training opportunities for individuals, selected by the University, who are training for careers in specified areas of research or scholarly inquiry. Under the terms of such grant, the University must account to the third party for use of the funds, must return unused funds, and/or must report the results of research or other scholarly inquiry undertaken by the trainee.
**Terminology**

The following terminology is intended to help pre-award and post-award departmental research administrators understand the basic sponsored terminology that is commonly associated with their responsibilities.

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accelerated Work Request</td>
<td>Expenses that need to be charged to a project because work planned for a future budget period is begun in the current budget period.</td>
</tr>
<tr>
<td>Advance Account</td>
<td>A financial Chartfield string (project) that is established in the financial system, after the start date and before the award negotiations have been completed in order to facilitate the administrative establishment of a project.</td>
</tr>
<tr>
<td>Allocable</td>
<td>A cost that can be assigned to a project that meets a specific project objective based on relative benefits received. A cost may be allocable to a specific project but paid for by the University, depending on what the sponsor determines is allowable for a particular type of project.</td>
</tr>
<tr>
<td>Allowable</td>
<td>A cost that can be charged to a project per sponsor’s guidelines. A cost may be allowable per sponsor’s guidelines, but if it does not meet any specific project objectives, it is not allocable.</td>
</tr>
<tr>
<td>Budget Period</td>
<td>Internal funding period of an award, usually 12 months. The project period is divided into budget periods for budgetary and funding purposes.</td>
</tr>
<tr>
<td>Carry Forward</td>
<td>Unexpended funds carried from one budget period to another.</td>
</tr>
<tr>
<td>Collaborator</td>
<td>An individual involved with the principal investigator in the scientific development or execution of the project. This individual would typically devote a specific percent of effort to the project and would be identified as key personnel. The collaborator may be employed by, or affiliated with, either the grantee organization or an organization participating in the project under a consortium or contractual agreement.</td>
</tr>
<tr>
<td>Competing Proposal</td>
<td>Proposal for funding that is not guaranteed. This application is pooled with other proposals for review.</td>
</tr>
<tr>
<td>Conflict of Interest</td>
<td>Occurs when an employee compromises professional judgment in carrying out University teaching, research, outreach, or public service activities because of an external relationship that directly or indirectly affects the financial or business interests of the employee, an immediate family member, or an associated entity.</td>
</tr>
<tr>
<td>Term</td>
<td>Definition</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Consultant</td>
<td>An individual contracted to provide professional advice or services for a fee, normally not as an employee of the hiring organization. In order to prevent apparent or actual conflicts of interest, grantees and consultants must establish written guidelines indicating the conditions of payment of consulting fees. Consultants may also include firms that provide paid professional advice or services.</td>
</tr>
<tr>
<td>Continuation Application</td>
<td>An application for continued support on current projects already funded by the sponsor.</td>
</tr>
<tr>
<td>Contract</td>
<td>Agreement where the sponsor has more involvement and uses the project to achieve a specific outcome or deliverable. The PI typically applies for funding through the sponsor’s Request for Proposal (RFP). In addition, the project’s work scope is typically conceived by the sponsor and the sponsor typically exercises direction or control of the project’s work scope.</td>
</tr>
<tr>
<td>Cooperative Agreement</td>
<td>Agreement where the sponsor has substantial involvement in determining and completing the project’s work scope and deliverables. The PI typically applies for funding through the sponsor’s Request for Application (RFA). In addition, the project’s work scope is typically conceived by the sponsor and the sponsor partners with the PI/University to produce tangible goods and/or services to the sponsor.</td>
</tr>
<tr>
<td>Copyright</td>
<td>Protects an original work, set down in a fixed form or medium of expression, e.g., texts, computer software, visual and audio materials. It protects the embodiment of an idea, as opposed to the idea itself. A copyright term is 75 years from the date of publication or 100 years from the time the work was created.</td>
</tr>
<tr>
<td>Cost Overrun/Deficit</td>
<td>Direct costs incurred and charged to a sponsored project in excess of the awarded amount.</td>
</tr>
<tr>
<td>Cost Reimbursable</td>
<td>An agreement in which the sponsor funds the project to the extent described in the award notice. The University is reimbursed by the sponsor only for actual costs incurred; any unspent funds revert to the sponsor.</td>
</tr>
<tr>
<td>Cost Sharing</td>
<td>Refers to that portion of the total project costs not borne by the sponsor. Generally, the University of Minnesota refers to labor-related items as cost sharing, while non-labor items as matching.</td>
</tr>
</tbody>
</table>
**Terminology (cont.)**

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost Transfer</strong></td>
<td>A direct charge expense transferred from one financial expense account to another after the charge has been posted in a financial accounting record. The most common reasons why cost transfers occur are due to errors or to change an employee's effort devoted to a sponsored project.</td>
</tr>
<tr>
<td><strong>Direct Costs</strong></td>
<td>Costs that are identified specifically for a sponsored project. These costs exclusively benefit the sponsored project and its deliverables, and they are generally not costs included in the F&amp;A rate.</td>
</tr>
<tr>
<td><strong>Effort</strong></td>
<td>Work or the proportion of time spent on any activity and expressed as a percentage of total time.</td>
</tr>
<tr>
<td><strong>Effort Certification Reporting Technology (ECRT)</strong></td>
<td>An Internet-based system that tracks and reports effort certification data at the University of Minnesota.</td>
</tr>
<tr>
<td><strong>Electronic Grants Management System (EGMS)</strong></td>
<td>An Internet-based proposal development and sponsored project management system used and maintained by the University of Minnesota. Departments use EGMS for proposal preparation, including the mandatory Proposal Routing Form (PRF).</td>
</tr>
<tr>
<td><strong>Encumbrance</strong></td>
<td>Funds set aside for outstanding expenses such as payroll/fringe costs, purchase orders, and other commitments for materials or services not yet received.</td>
</tr>
<tr>
<td><strong>Equipment</strong></td>
<td>Any item purchased by a unit consistent with University policies for capitalization. (The capitalization level is $2500 and greater and a useful life of at least one year.)</td>
</tr>
<tr>
<td><strong>External Sales</strong></td>
<td>An exchange of tangible or intangible property or services between the University and external customers for monetary consideration.</td>
</tr>
<tr>
<td><strong>Facilities and Administrative (F&amp;A) Costs</strong></td>
<td>F&amp;A Cost Rate (or Indirect Cost Rate). Composite rate applied to sponsored projects as a percentage of the sponsored project’s direct costs for the purpose of charging the sponsored project its share of the University’s indirect/F&amp;A costs. The federally negotiated Indirect/F&amp;A Cost Rates for research and other sponsored activities are developed by the University in accordance with the Uniform Guidance 2 CFR 200 and negotiated with the Department of Health and Human Services (DHHS), the University’s federal cognizant agency. Example: “The indirect costs for a project are computed by multiplying the applicable direct costs by the indirect cost rate.” The University uses the term F&amp;A cost rate on its forms. The Federal Government requires that certain costs are excluded before the rate is calculated; other</td>
</tr>
</tbody>
</table>
Terminology (cont.)

sponsors may allow all direct costs or only certain costs to be included before the rate is calculated – see “MTDC”.

**Fast Lane**
An interactive real-time system used to conduct NSF business over the Internet – from completing proposal forms to inquiring about the status of proposals to submitting reports.

**Fiscal Year (FY)**
Any 12-month period for which the institution monitors its annual accountability. At the University, this period is July 1 through June 30.

**Fixed Fee**
In a fixed fee award, the PI agrees to accomplish project objectives within a specific time frame for a set dollar amount per patient, per hour, or other unit. The total award amount is based on an estimated number of units and is subject to downward adjustment based on the actual number of units completed. Sponsor approval is required to exceed the estimated number of units. The fee per unit remains constant, even if the actual cost per unit is above or below that amount. Any overexpenditures are the responsibility of the department, and earned unspent revenue does not revert to the sponsor. If the deliverables are not completed within the award period, the contract must be extended.

**Fixed Price**
In a fixed price award, the PI agrees to accomplish project objectives within a specific time frame for a set dollar amount. If the deliverables are not completed within the award period, the contract must be extended. The award amount also remains constant, even if actual costs for the project are above or below it. Any overexpenditures are the responsibility of the department, and unspent funds do not revert to the sponsor.

**Gift**
Money or property transferred to the University via a recognized University foundation that is not intended to result in direct economic benefit, goods, or services to the donor.

**Grant**
Awarded to the University as additional resources to support instruction, research or public service. The PI typically requests funding from the sponsor through an application kit or the sponsor’s guidelines for receiving funding. In addition, the project’s work scope is typically conceived by the PI and the sponsor typically has little or no involvement in carrying out the work scope.

**Indirect Costs (IDC)**
See “Facilities and Administrative (F&A) Costs.”
### Terminology (cont.)

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>IDC Rate or F&amp;A Cost Rate</strong></td>
<td>A composite rate applied to sponsored projects as a percentage of the sponsored project’s direct costs for the purpose of charging the sponsored project its share of the University’s F&amp;A/IDC’s.</td>
</tr>
<tr>
<td><strong>In-Kind</strong></td>
<td>The University considers “in-kind” to be interchangeable with “matching” or “cost sharing,” but the term may refer to costs borne by an external organization, for example, when individuals at another organization volunteer their time.</td>
</tr>
<tr>
<td><strong>Invention</strong></td>
<td>A patentable invention is any new and useful process, machine, article of manufacture, or composition of matter, or new and useful improvement thereof (35 United States Code 101).</td>
</tr>
<tr>
<td><strong>Inventor</strong></td>
<td>All personnel who produce a development that must be disclosed to the Office for Technology Commercialization in accordance with the Regents’ Patents and Technology Transfer Policy.</td>
</tr>
<tr>
<td><strong>Late Charge</strong></td>
<td>Expenses for items or services that are received after the project end date.</td>
</tr>
<tr>
<td><strong>License</strong></td>
<td>Legal permission from a patent owner to practice an invention. The license term is negotiated with the licensee.</td>
</tr>
<tr>
<td><strong>Mandatory Cost Sharing</strong></td>
<td>Cost sharing that is required by the sponsor, is stated on the Notice of Grant/Contract Award (NOGA), must be documented, and must be reported to the sponsor.</td>
</tr>
<tr>
<td><strong>Mandatory Matching</strong></td>
<td>Matching that is required by the sponsor, is stated on the Notice of Grant/Contract Award (NOGA), must be documented, and must be reported to the sponsor.</td>
</tr>
<tr>
<td><strong>Matching</strong></td>
<td>The terms “cost sharing,” “matching,” and “in-kind,” refer to that portion of the total project costs not borne by the sponsor. The University generally refers to matching when looking at nonlabor items. Cash funds are usually required by sponsors for equipment acquisition programs, specialized research centers, or other multi-disciplinary programs. Typically these funds are provided by the institution.</td>
</tr>
<tr>
<td><strong>Material Transfer Agreement (MTA)</strong></td>
<td>A contract between institutions that dictates the terms of transfer of research materials from the donor institution to the recipient. The purpose of the MTA is to protect the intellectual property rights, as well as other rights, of the provider while permitting research with the material to proceed. Unlike other types of sponsored projects, the agreement does not involve an exchange or payment of dollars.</td>
</tr>
</tbody>
</table>
Terminology (cont.)

**Modified Total Direct** Total direct costs less certain budget categories. Budget categories to be subtracted from total direct cost for the federally negotiated (MTDC) IDC rate are as follows: equipment, capital expenditures, charges for patient care and tuition remission, rental costs, scholarships, and fellowships, participant support costs and the portion of each subaward and subcontract in excess of $25,000. (OMB Federal Regulations 2 CFR 200 section 200.68).

**Modular Budget** Modular application form to be used for NIH proposals applications with direct costs of $250,000 or less per year. Totals are calculated by taking the total direct cost for the project, dividing the total by the number of project years to find the average yearly cost, and then rounding the average amount up to the nearest $25,000.

**Non-Competitive Renewal** For multi-year projects, sponsors may require annual applications for continued funding. These applications do not compete for funds.

**Notice of Award (NOA)** A sponsor’s official notification that an award was made to the applicant.

**Notice of Grant Award (NOGA)** An internal University document that provides information regarding the award’s important terms and conditions. It should be referred to by PIs and departments to provide guidance in managing the project.

**Other Support** All financial resources, whether federal, nonfederal, commercial, or institutional, available in direct support of an individual’s research endeavors, including but not limited to research grants, cooperative agreements, contracts, or institutional awards. Training awards, prizes, or gifts are not included.

**Patent** A grant of property by the United States government to the inventor giving the owner the right to exclude others from making, using, offering for sale, or selling the invention in the U.S. or importing it to the U.S.

**Pre-award Account** A financial Chartfield string (project) that is established in the financial system to facilitate administrative establishment of project and to allow for work to begin before the project start date.

**Pre-award Costs** Costs incurred prior to the start date of an award.

**Program Income** Gross income earned by the recipient that is directly generated by a supported activity or earned as a result of the award.
Terminology (cont.)

Project Period
The total time for which support of a project has been programmatically approved. A project period may consist of one or more budget periods.

Proposal
A complete document that contains all the information necessary to describe proposed project plans, staff capabilities, and requested funds.

Proposal Routing Form (PRF)
Used by the University for the internal proposal review and approvals process and is not transmitted to a sponsor.

Rebudgeting
Shifting or rebudgeting dollars among budget lines within the same financial account.

Request for Application (RFA)
Announcement that indicates the availability of funds for a topic of interest to a sponsor. Examples include: Public Announcement (PA) and Funding Opportunity Announcement (FOA).

Request for Proposal (RFP)
Announcement that specifies a research topic, methods to be used, product to be delivered, and appropriate applicants sought.

Sponsor
Individual or organization that provides funds to support a project.

Sponsored Project
An externally funded activity that is governed by specific terms and conditions. Sponsored projects must be separately budgeted and accounted for subject to terms of the sponsoring organization. Sponsored projects may include grants, contracts, and cooperative agreements for research, training, and other public service activities.

Subaward
An agreement whereby a research project is carried out by the grantee and one or more other organizations that are separate legal entities. In this arrangement, the grantee contracts for the performance of a substantial or a significant portion of the activities, to be conducted, under the award. These agreements typically involve a specific percent of effort from the consortium organization’s principal investigator and a categorical breakdown of costs, such as personnel, supplies, and other allowable expenses, including facilities and administrative costs.

Supplemental Proposal
A proposal requesting additional funds to complete an already approved project.

Total Direct Cost (TDC)
All of the project’s direct costs.

Total Project Costs
The total allowable direct and indirect costs of a project.
**Trademark**  
A name, work, symbol, or device which allows the trademark owner to dictate its use in identifying a product, e.g., logos and brand names.

**Unallowable Cost**  
A cost that cannot be charged to a project per the sponsor’s guidelines.

**Unrestricted Funds**  
Funds having no requirements or restrictions as to use. Grants, contracts, and cooperative agreements are considered to be restricted funds.

**Unsolicited Proposal**  
Investigator initiated proposal submitted to a sponsor that is not in response to a RFP, RFA, or program announcement.

**Voluntary Cost Sharing**  
Cost sharing/matching that is not required by the sponsor, is stated in the application and noted on the Notice of Grant/Contract Award (NOGA), and although not reported to the sponsor, must be documented through established procedures.