



Section 300: Proposal Development and Submission

OSR Policy 300.5 — Proposal Budget Requirements

Responsible Officer:	Director
Responsible Unit:	Proposal Management
Effective date:	July 1, 2008
Last revised on:	October 17, 2008

Policy Statement

In accordance with [federal regulations](#), the University is responsible for instituting consistent practices in estimating, accumulating and reporting costs applicable to sponsored projects. This includes proposal preparation and submission as well as post award management. It is essential that initial proposals represent realistic budgetary data and justifications for immediate and future years of a project.

The University is mandated to comply with federal regulations presented in Office of Management and Budget (OMB) [Circular A-21](#), *Cost Principles for Educational Institutions* when determining what kinds of costs are allowed for inclusion in sponsored research funding. In addition, project costs must comply with the terms and conditions of the proposal/award, the sponsoring agency policies, and University policy to be considered “allowable.” When planning budgets, the projected costs for any proposal (whether it involves federal or non-federal funds) must comply with these standards of allowability.

Allowable costs identified directly and solely with a particular sponsored project are classified as “Direct Costs.” Allowable costs used for common or joint objectives (i.e., shared with other operations) or those that cannot be readily identified as a particular sponsored project cost are classified as “Facilities and Administrative (F&A) Costs.”

A cost is considered unallowable if any one of these conditions apply:

- It is not applied in a consistent manner, allocable, or reasonable under the prescribed conditions in [OMB Circular A-21, Section C, Basic Considerations](#).
- It is not listed as an allowable cost in [Section J](#) of OMB Circular A-21.
- It is specifically designated as an unallowable cost as defined in the proposal guidelines and award terms and conditions.

Direct and F&A costs are allowable if they are determined to be “allocable” — meaning they can be assigned to a particular cost objective as a direct cost or an F&A cost, according to [applicable guidelines](#).



The Principal Investigator (PI) is responsible for preparing proposed budgets that meet University and sponsor cost principles and ensuring projected costs meet these criteria throughout the duration of an awarded project. To assist with budget preparation, the PI may refer to *Guidelines for Direct Charges to Sponsored Research Projects* along with the policies and procedures contained in Section 300.

Proposal budgets should include all direct costs, F&A costs, and cost sharing contributions. Written justification is also required to explain each line item and its correlation to the project. Should the budget include cost sharing or cash matching, the administrative office responsible for funding the contribution must include this information.

Reason for Policy

This policy mandates the University's compliance with the Federal requirements defined in OMB [Circular A-21](#), *Cost Principles for Educational Institutions*. It emphasizes the University's use of consistent financial accounting and compliance measures from the beginning to the closing of each research project.

These preventative measures minimize non-compliance issues and audit disallowances that may impede or detrimentally affect the University research community.

Exclusions/Exceptions

1. In conjunction with an initiative by the National Institutes of Health (NIH) regarding modular applications, the Office of Sponsored Research (OSR) and the Sponsored Programs Office (SPO) in the School of Medicine provide [standardized modular budget templates](#) to streamline review of [NIH modular application and proposal budgets](#).
2. Any foreseeable program income (such as fees for laboratory services, sale of tissue cultures, third-party patient reimbursement, etc.) should be included in budget estimations during the proposal stage. For Public Health Service ([PHS](#)) applications, estimation of program income is required at the proposal stage.

Procedures and Related Policies

Policies regarding direct and F&A costs are included throughout Section 300 and can be found in the [Table of Contents](#), along with the procedures used to calculate those costs.

Other related policies include the following:

- [OSR Policy 200.4](#) [Principal Investigator \(PI\) Overall Responsibilities](#)

OSR Research Tool Kits

[Proposal Development and Submission: Developing a Budget](#)



Contacts

Questions and concerns can be submitted online at [Ask OSR](#) or by using the [OSR staff directory](#). Within [RAMSeS](#), the “*Speak to Someone*” option assists in locating the staff member best suited to address project-specific issues.

References

 [Research Administration Glossary at Carolina](#)

1. OMB Circular A-21, C. *Basic Considerations*, Section 10. Consistency in Estimating, Accumulating and Reporting Costs.

Revision History

Prior Revisions: The policies in the *Office of Sponsored Research Policies & Procedures Manual* supersede any OSR policies, procedures and appendices previously included in the *University Business Manual*, a publication of UNC Chapel Hill’s [Division of Finance](#).

