



*Section 300: Proposal Development and Submission*

## OSR Policy 300.8 — Direct Costs: Non-Personnel

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<b>Responsible Officer:</b>	Director
<b>Responsible Unit:</b>	Proposal Management
<b>Effective date:</b>	July 1, 2008
<b>Last revised on:</b>	June 1, 2009

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### Policy Statement

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In accordance with OMB [Circular A-21](#), the Office of Sponsored Research ([OSR](#)) requires the inclusion of non-personnel direct costs in proposed budgets. Each proposal cost estimate must be consistent with the [object code definitions](#) established by University Accounting Services.

The budget may include the following non-personnel costs:

- Capitalized Equipment
- Travel Expenses
- Subcontracts
- Consultants
- Other Direct Costs

Because Material and Disbursement Services ([MDS](#)) is responsible for the acquisition of goods and services throughout the University, it provides invaluable information to consider when planning proposal budgets, including [University allowances and rates](#). MDS provides a detailed list of goods and services and a helpful "[How to](#)" Series that explains the procedures for purchasing goods and services considered non-personnel direct costs such as capitalized equipment, travel, consultants and independent contractors.

#### I. [Equipment](#)

##### 1. Capitalized Equipment

To be considered an allowable direct cost item, the equipment must be wholly dedicated to the research. General purpose items are usually unallowable as a direct cost.

To be considered capitalized equipment, and thus, eligible as a direct cost, the proposed equipment must meet the [definition of equipment](#) and be listed separately in the proposed budget to prevent inclusion as general materials and supplies.



Prior to making a request for new equipment, the Principal Investigator (PI) must determine that equipment already on hand or readily available will not meet the project's needs and/or will not be available for use at the time it is required.

## 2. Specialized or Fabricated Equipment

Whenever practical, equipment already in the University's possession will be utilized to meet research needs. When deemed necessary, the purchase of specialized or fabricated equipment is frequently considered allowable with advance approval from the sponsoring agency. Requests to build or fabricate research-specific equipment must be identified in the proposal budget and justified with supporting documentation sufficient to obtain approval of the Contract Specialist, prior to submission of the proposal to the funding agency.

### II. [Travel](#)

Travel is a direct cost budget item subject to the provisions provided in OMB [Circular A-21, section J53](#). Foreseeable travel directly related to and necessary for the research project may be included as a direct, non-personnel cost. Estimations can be calculated by selecting either the [UNC-Chapel Hill travel allowance rates](#) or the General Services Administration ([GSA](#)) [rates](#), but not both. Once a method for estimating travel costs is selected, it must be implemented continuously throughout the course of the research project. Fluctuating between or combining the methods is unallowable.

University employees must also comply with [University travel policies](#). Sponsor regulations and requirements may differ and take precedence.

If air travel is necessary using federal grant monies, travelers are required to fly on a United States airline, by federal regulations of the [Fly America Act](#).

### III: [Subcontracts](#)

A subcontract represents any portion of a sponsored project that is performed by another organization. All direct and F&A subcontract costs must be identified and justified in the proposal budget.

#### 1. *Outgoing Subcontracts*

When the University enlists another organization to provide services to a UNC-Chapel Hill sponsored project, the outgoing proposal package must include each Subcontractor's:

- Statement of work.
- Proposed budget and budget justification. (The University may recover F&A costs for no more than \$25,000.00 of the total costs charged to the sponsored project by each subcontractor, over the total life of the project.)
- UNC-Chapel Hill Subcontractor Commitment Documents
  - a. [UNC-Chapel Hill Outgoing Subcontract Commitment Letter](#).
  - b. Face Pages [398](#) and [2590](#) (for NIH proposals only).
- Additional items as required by the specific proposal guidelines.

The total costs for an outgoing subcontract are considered and written as a direct line item cost in UNC-Chapel Hill's proposed budget to the sponsoring agency.



## 2. *Incoming Subcontracts*

When UNC-Chapel Hill is providing services to another organization, the proposal package must be routed as an eIPF through RAMSeS and include the University's:

- Statement of work.
- Proposed budget and budget justification.
- Properly executed UNC-Chapel Hill Subcontractor Commitment Documents
  - c. [UNC-Chapel Hill Incoming Subcontract Commitment Letter](#).
  - d. Face Pages [398](#) and [2590](#) (for NIH proposals only).
- Additional items required by the sponsoring agency.

The total costs for an incoming subcontract must include applicable direct costs and Facilities & Administrative (F&A) costs.

## II. [Consultants](#)

Consultants are [independent contractors](#) unaffiliated with the University, hired to provide specific services for a brief and/or limited period of time. Any person receiving compensation from Payroll Services as a UNC-Chapel Hill employee does not meet these criteria and therefore, cannot receive separate compensation as a “consultant” for a sponsored project at the University. This is also the case with collaborative efforts where the “collaborator” is a UNC-Chapel Hill employee. S/he is ineligible for compensation as a “consultant.”

For budget estimations, compensation for a consultant is based on his/her salary and rate history for comparable services and is subject to funding agency guidelines.

Compensation for consultants is expressed as a daily rate or a fixed amount for the services to be provided.

Although consultants can receive reimbursement for travel expenses, they are not eligible to receive fringe benefits and cannot be provided with supplies, administrative support, or other standard business items.

## III. **Other Direct Costs (ODCs)**

ODCs, or remaining costs directly related to a project, must be described in detail in the budget justification to support the amount of those costs. Typical items included in ODC include, graduate student tuition or stipend, materials and supplies consumed solely in the research project, rental space/equipment, specialized services, patient care costs.

### 1. **Tuition Remission for Eligible Graduate Students**

Tuition should be included for eligible graduate students in accordance with the [Graduate School's Guidelines for tuition remission](#).

Apply the appropriate [tuition rate](#) for the appropriate graduate program. Multiplying the percentage of effort times the tuition cost determines the tuition cost per employee.



## 2. Materials & Supplies

Funds may be used to purchase appropriate lab and project-specific research supplies delivered on or after the beginning date of the project period and received sufficiently in advance of the ending dates of the project period to be used effectively on the project.

## 3. Rental Space/Equipment

Rental space within 10 miles of Chapel Hill is paid from Facilities and Administrative (F&A) receipts. If further than 10 miles from Chapel Hill, the rent should be included as a direct cost in the budget.

## 4. Specialized Services

Costs for highly complex facilities operated by the University, such as specialized computers, wind tunnels, reactors and the like, may be designated as direct costs.

## 5. Research Patient Care Costs

Research patient care costs are the 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.

Research patient care costs exclude:

1. 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.
2. Costs of ancillary tests performed in facilities outside the hospital on a fee-for-service basis (for example, an independent, privately owned laboratory) or in an affiliated medical school/university based on an institutional fee schedule.
3. Data management or statistical analysis of clinical research results.

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## Reason for Policy

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In assisting the University's departmental research administrators, this policy provides guidelines for budget planning of direct non-personnel costs in accordance with [Federal regulations](#).

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## Exclusions/Exceptions

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To comply with OBM Circular A-21 guidelines, the University's Cost Accounting Standards (CAS) Board Disclosure Statement ([DS-2](#)) specifies that clerical and administrative salaries, memberships, postage, subscriptions, telephone line (local) charges, and office supplies are treated as facilities and administrative (F&A) costs.

Expenditures for these cost categories are generally not charged directly to sponsored projects. Circumstances occasionally arise when these costs have such a specific relationship to the research being



performed that their treatment as a direct cost may be considered an allowable exception. In these exceptional circumstances, the costs in question should be explicit, described in detail, and appropriately supported and justified in proposals and accompanying budgets.

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## Procedures and Related Policies

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Prior to taking any steps in estimating budgets, read the sponsor guidelines. In addition, the following policies are directly related to this policy.

- [OSR Policy 300.6](#)      [Direct Costs](#)
  - [OSR Policy 300.7](#)      [Direct Costs: Personnel](#)
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## OSR Research Tool Kits

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

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## Contacts

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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.

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## References

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 [Research Administration Glossary at Carolina](#)

1. Office of Management and Budget (OMB) Circular A-21, Section J.

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## Revision History

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**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](#).

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