



THE UNIVERSITY
of NORTH CAROLINA
at CHAPEL HILL

3rd Annual Symposium for Research Administrators

Budgeting for Proposals

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Who am I?

- John is a Manager with the Higher Education practice at the Huron Consulting and has over 20 years of Research Administration experience. He specializes in assisting institutions with research strategy and proposal development, organizational reviews and assessments, research administration operations assistance, business process analysis and design.
- He has significant experience with federal and non-federal sponsors as well as in the collaboration and negotiation with both industry and international entities, and addressing the unique intellectual property and cultural challenges common to these endeavors.
- He has been serving as the Interim Director for Pre-Award Service in OSR for about a year



What will we talk about today?

- This session will address how to gather information needed to prepare and develop a proposal budget.
- We will discuss the sponsor solicitation, applicable guidance and policies, the budget development process, and introduce a budgeting tool under development by OSR.



What is our Proposal Submission Policy?

- **5 business days prior to sponsor deadline:**
 - Administrative components, DRAFT technical components of proposal, routed in RAMSeS with completed IPF are due to appropriate central office (OSR or SPO).
- **2 business days prior to sponsor deadline:**
 - Final application package, including final technical components are due to appropriate central office (OSR or SPO).

Source: OSR Policy 300.3 effective July 1, 2008, Internal Deadlines for Proposal Submissions to University Offices



Sponsor Solicitation

Sponsor Solicitation

- The sponsor solicitation comes in many forms including but not limited to:
 - A formal Request for Proposal (RFP)
 - A call for proposals (RFA)
 - An open submission period (NIH, NSF etc.)
 - An email
 - A phone call
 - A conversation over dinner



I WANT YOU



Sponsor Solicitation (cont.)

- The sponsor solicitation typically includes the following:
 - Submission Deadline
 - Submission Process (i.e., electronic, paper, etc.)
 - Qualification requirements
 - Budgeting instructions
 - Anticipated Terms and Conditions of the Award
 - Point of Contact for Questions



Sponsor Solicitation (cont.)

- Budgeting Instructions:
 - Budget Ceiling – Direct cost or Total Cost
 - Allowable Costs / Unallowable Costs
 - FTE's for personnel – Effort Reporting
 - Indirect Cost (F&A) Limitations
 - Cost Sharing – Mandatory or Voluntary
 - Budget Justification
 - Applicable Cost Principles



Sponsor Solicitation (cont.)

- Solicitations Examples

- <http://grants.nih.gov/grants/guide/pa-files/PA-16-160.html>
- In addition to the budgeting instructions, don't forget to confirm the submission method, due date, POC for questions, eligibility and compliance (i.e., COI, IRB, IACUC etc.)



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Budget Ceiling – DC or TC

Budget Ceiling

- Researchers at UNC-Chapel Hill are required by Federal regulation to identify direct costs according to the definitive criteria in the applicable OMB Circular. Allowable costs *identified directly and solely with a particular sponsored project are classified as “Direct Costs (DC).”* Direct costs include both personnel and non-personnel cost elements that may include, but are not necessarily limited to:
 - Personnel Costs
 - Salaries
 - Fringe Benefits
 - Non-Personnel Costs
 - Capitalized Equipment
 - Travel
 - Subcontracts
 - Consultants
 - Other Direct Costs



Budget Ceiling (cont.)

- Total Cost (TC) Includes *ALL costs of the proposal* including, but limited to:
 - Personnel Costs
 - Salaries
 - Fringe Benefits
 - Non-Personnel Costs
 - Capitalized Equipment
 - Travel
 - Subcontracts
 - Consultants
 - Other Direct Costs
 - Indirect Costs (F&A)



Budget Ceiling (cont.)

- Why is this an important distinction?
- Example – NIH Modular Budgets
 - \$25K increments
 - Don't include F&A in the determination
 - Direct Costs > \$500K require additional sponsor involvement and approval at the proposal stage
- Review Sample Budget Example



Budget Ceiling (cont.)

Title or IPF No.	Symposium Example					
UNC Fiscal Year	7/1/2015	7/1/2016	7/1/2017	7/1/2018	7/1/2019	Total Cost
Labor Dollars						
F/T Permanent	30,850	30,850	30,850	-	-	92,550
UNC Practice Plan	-	-	-	-	-	-
Post Doc Associate/Trainee	32,617	33,595	34,603	-	-	100,815
Graduate Students	-	-	-	-	-	-
Temporary Employee	-	-	-	-	-	-
SubTotal Labor	63,467	64,445	65,453	-	-	193,365
Fringe Benefits						
F/T Permanent	7,927	7,927	7,927	-	-	23,782
UNC Practice Plan	-	-	-	-	-	-
Post Doc Associate/Trainee	5,848	5,936	6,026	-	-	17,810
Graduate Students	-	-	-	-	-	-
Temporary Employee	-	-	-	-	-	-
SubTotal Fringe Benefits	13,775	13,863	13,954	-	-	41,592
Other Direct Cost						
Travel	2,500	2,500	2,500	-	-	7,500
Equipment	-	-	-	-	-	-
Supplies	10,000	10,000	-	-	-	20,000
Contractual	-	-	-	-	-	-
Construction	-	-	-	-	-	-
Tuition	-	-	-	-	-	-
Other Direct Cost	-	-	-	-	-	-
SubTotal Other Direct Cost	12,500	12,500	2,500	-	-	27,500
Subtotal Direct Cost	89,742	90,808	81,907	-	-	262,457
Subcontracts, < \$25,000	25,000	-	-	-	-	25,000
Subcontracts, > \$25,000	40,000	65,000	32,500	-	-	137,500
SubTotal Subcontracts	65,000	65,000	32,500	-	-	162,500
Total Direct Cost	154,742	155,808	114,407	-	-	424,957
MTDC	114,742	90,808	81,907	-	-	287,457
Facilities & Administration Costs (F&A)	59,666	47,220	42,592	-	-	149,478
TOTAL COST	214,408	203,029	156,998	-	-	574,435



Budget Ceiling (cont.)

Period of Performance	7/1/2015	7/1/2016	7/1/2017	7/1/2018	7/1/2019	
	Year 1	Year 2	Year 3	Year 4	Year 5	Total Proposed
Direct Cost less Consortium F&A	139,742	140,808	106,907	-	-	387,457
Round to nearest 25K	150,000	150,000	100,000	-	-	400,000
Consortium F&A	15,000	15,000	7,500	-	-	37,500
Total Direct Cost	154,742	155,808	114,407	-	-	424,957
Indirect Cost Base (\$)	114,742	90,808	81,907	-	-	287,457
Total Indirect Costs	59,666	47,220	42,592	-	-	149,478
Funds Requested	214,408	203,029	156,998	-	-	574,435



Allowable vs. Unallowable Costs

Allowable Costs

- In order for a cost to be *allowable* it must meet the following:
 - Necessary and *Reasonable*
 - Conform to the limitations of the award
 - Be *consistent* with UNC-CH policies and procedures
 - Not included in another project – even as cost share
 - Adequately *documented*

Source: Uniform Guidance, Subpart E, 200.403 Factors affecting allowability of costs



Allowable Costs (cont.)

- What does “*reasonable*” mean?
 - A cost is reasonable if, in its nature and amount, it does not exceed that which *would be incurred by a prudent person under the circumstances prevailing at the time the decision was made* to incur the cost. The question of reasonableness is particularly important when the non-Federal entity is predominantly federally-funded:
 - Ordinary and necessary
 - Sound business practices
 - Acted with prudence



Allowable Costs (cont.)

- What does “*allocable*” mean?
 - A cost is allocable to a particular Federal award or other cost objective *if the goods or services* involved are chargeable or assignable to that Federal award or cost objective in accordance with *relative benefits received*:
 - Incurred specifically for the award
 - *Benefits* the award
 - *Reasonable* methods
 - *Necessary* for the award



Unallowable Costs

§200.31 Disallowed costs.

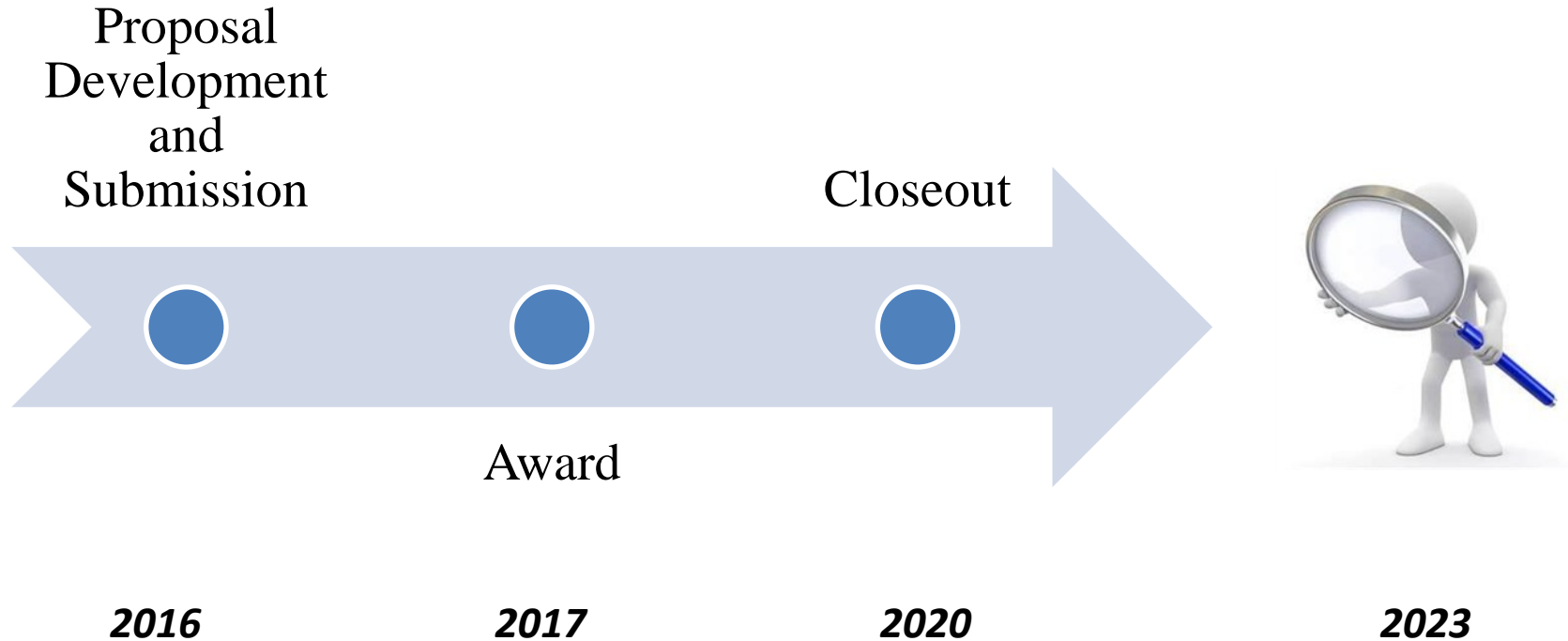
Disallowed costs means those charges to a Federal award that the Federal awarding agency or pass-through entity ***determines to be unallowable, in accordance with the applicable Federal statutes, regulations, or the terms and conditions of the Federal award.***

§200.410 Collection of unallowable costs.

Payments made for costs ***determined to be unallowable*** by either the Federal awarding agency, cognizant agency for indirect costs, or pass-through entity, either as direct or indirect costs, ***must be refunded (including interest)*** to the Federal Government in accordance with instructions from the Federal agency that determined the costs are unallowable



Unallowable Costs (cont.)



How good will your memory be 7 years from now?



Unallowable Costs (cont.)



Reasonable

Allowable



Allocable



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Unallowable Costs (cont.)



How good will your memory be 7 years from now?

FTE's and Personnel Costs

FTE's

- ***All individuals*** within the University ***who manage sponsored projects***, are involved in allocating compensation charges to sponsored projects, have committed effort (whether through salary support or cost share) to sponsored projects or are responsible for completing effort statements ***are responsible for understanding the principles of and standards for*** accurate and timely effort reporting as set forth in this Policy.

Source: <http://research.unc.edu/offices/sponsored-research/policies-procedures/section-600/policy-5/>



FTE's (cont.)

- Why does OSR spend so much time on this?
 - Consistency
 - UNC –CH Policies and Procedures
 - Auditable Record
 - Labor traditionally represents ~ 70% of all cost
 - JIT related requests



FTE's (cont.)

- How are these costs calculated?
 - Salary (IBS) and employment status *as reflected in Inforport*
 - Applicable fringe benefits
 - Applicable health insurance
 - Level of Effort proposed for each individual
 - Calendar Months vs. Hourly rates
 - Auditable records, institutional policy, and consistency



Indirect Cost (F&A) Limitations

Indirect Cost Limitations

- (c) Federal Agency Acceptance of Negotiated Indirect Cost Rates.
- (1) ***The negotiated rates must be accepted by all Federal awarding agencies.*** A Federal awarding agency ***may use*** a rate different from the negotiated rate for a class of Federal awards or a single Federal award only ***when required by Federal statute or regulation, or when approved*** by a Federal awarding agency head or delegate based on documented justification



Indirect Cost Limitations (cont.)

- ***All grants, contracts and other sponsored agreements*** accepted by the University ***will be charged the maximum allowable*** federally-negotiated Facilities and Administrative (“F&A”) cost rates or other published University F&A rate ***as determined by the type and location of the sponsored activity.***
- The University will fully recover its full allowable and appropriate direct costs and Facilities and Administrative (“F&A”) costs ***in the budget of every proposal that is submitted*** for sponsored funding irrespective of the sponsoring agency.



Indirect Cost Limitations (cont.)

- Non-profit and Governmental Sponsors - The University *will grant an exception* to the policy of charging full F&A costs for non-profit sponsors and governmental agencies that have *explicit, published policies* limiting F&A recovery. The OSR F&A Waiver Form will not be required, but *a copy of the published restriction to the eIPF must be attached to the proposal* in RAMSeS. The reduced F&A rate will be applied to *total direct costs* unless the sponsor's published guidance states otherwise.



Indirect Cost Limitations (cont.)

- For-profit Sponsors - are charged *the full F&A rate* appropriate for the project activity. A subsidy of any cost of the project would constitute a use of public funds for private benefit and would be an improper use of university resources.
- Other exclusions/exceptions to the full recovery of F&A costs *will be made on a very limited basis.*



Cost Sharing

Cost Sharing

- (a) Under Federal research proposals,
 - voluntary committed cost sharing is *not expected*.
 - It *cannot be used* as a factor during the merit review of applications or proposals,
 - but *may be considered if* it is both in accordance with Federal awarding agency regulations and specified in a notice of funding opportunity.
 - *Criteria ... must be explicitly described in the notice of funding opportunity.*



Cost Sharing (cont.)

- (b) For all Federal awards, any shared costs or matching funds and all contributions, including cash and third party in-kind contributions, ***must be accepted*** as part of the non-Federal entity's cost sharing or matching when such contributions ***meet all of the following*** criteria:
 - (1) Are ***verifiable*** from the non-Federal entity's records;
 - (2) Are ***not included*** as contributions for any other Federal award;
 - (3) Are ***necessary and reasonable*** for accomplishment of project or program objectives;



Cost Sharing (cont.)

(cont.)

- (4) Are *allowable* under Subpart E—Cost Principles of this part;
- (5) Are *not paid by the Federal Government ... except* where the Federal *statute authorizing ...* can be applied to matching or cost sharing requirements of other Federal programs;
- (6) Are provided for *in the approved budget* when required by the Federal awarding agency; and
- (7) *Conform to other provisions* of this part, as applicable.



Cost Sharing (cont.)

- Cost sharing involves the commitment of University funds or resources and can constitute mandatory, voluntary, matching, contributed effort and/or in-kind methods. To be considered acceptable as federal cost-sharing or matching costs, *contributions to a project must meet each of the following criteria:*
 - *Verifiable* from University records.
 - It must be *defined as an acceptable form* of cost sharing for that specific project and it cannot share duplicity with any other program.
 - *Necessary and reasonable* for proper and efficient accomplishment of project objectives.
 - An *allowable* charge according to applicable cost principles.
 - Not chargeable to any other grant or contract.



Budget Justification

What is a Budget Justification?

- Use the budget justification *to provide the additional information* requested in each budget category and any other information the applicant wishes to submit *to support the budget request*.
- The following budget categories must be justified, where applicable: equipment, travel, participant/trainee support and other direct cost categories



What is a Budget Justification? (cont.)

- IN GENERAL, THE BUDGET JUSTIFICATION SHOULD:
 - *follow sponsor proposal instructions* as closely as possible, providing as much detail and justification as necessary
 - *be organized* in the order of the detailed budget page
 - *give additional details* about significant items summarized on the budget page
 - *explain why* each of the items on the budget page is needed to accomplish the proposed research
 - *make it clear* that all budget requests are *reasonable and consistent* with sponsor and UNC-CH policies



Applicable Cost Principles

Applicable Cost Principles

- (a) General. These principles *must be used in determining the allowable costs* of work performed by the non-Federal entity under Federal awards. These principles also must be used by the non-Federal entity as a guide in the pricing of fixed-price contracts and subcontracts where costs are used in determining the appropriate price.



Applicable Cost Principles

- The University is *mandated to comply* with federal regulations ... 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.



OSR Budget Tool

OSR Budgeting Tool

- OSR is preparing to roll out a budget template. We've identified a few departments to start with. The plan is as follows:
 - ***Extend an Invitation*** to a small group of Departments
 - ***Meet with them*** to introduce the template, show them how to use it and answer any questions
 - ***Request*** that the department use the template to prepare their proposal budgets for a finite period of time
 - Work with the department to ***identify areas*** where the template could be improved
 - ***Incorporate*** the feedback received
 - ***Roll out*** the final version to the campus



OSR Budgeting Tool (cont.)

- Walk through the development of a proposal budget using the Budget Template





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