

Proposal Budget Primer

This is a brief guide to common budget elements in a grant proposal. The definitions, procedures, and principles below are *general* and not guaranteed to be applicable to every sponsor and every award. Refer to your specific award solicitation for guidance on allowable costs and never hesitate to contact OSP with any questions, as our job is to help you develop a compliant award budget. A thoroughly planned budget at the proposal stage will preempt many headaches in the post-award management phase.

- **Faculty salary:**
 - For 9-month faculty:
 - Grant funds can be used to pay for supplemental faculty salary during the summer and/or to replace a portion of base salary during the academic year. Grant funds are not intended to *add* to faculty pay during the academic year. Faculty are limited to being paid 100% of institutional base salary (IBS) during the year.
 - If funds are used to pay salary for sponsored work during the summer (commonly referred to as “summer pay”), faculty can receive supplemental pay from a sponsor for up to 33% or three months’ worth of their nine-month IBS, subject to sponsor guidelines.
 - 33% of IBS is the total summer compensation limit and includes any summer teaching.
 - Ex: Faculty member’s IBS = \$56,000. Limit for summer pay is 33%, or \$18,667.
 - If funds are used to pay salary for sponsored work during the academic year, normal workload should be adjusted accordingly and in agreement with department head. Release time must be approved by the VPAA and President. (See CMU Professional Personnel Handbook, Section VIII part C.)
 - Grant funds are viewed as paying for the time reallocated from teaching a course to working on the sponsored project
 - The amount of a course buyout is calculated as a percentage of the faculty member’s IBS, based on an equivalent percent of effort devoted to teaching.
 - Ex: Faculty member’s IBS = \$56,000. Receives appropriate approvals for a course buy-out for one three-credit course, which is calculated to be 8% of their effort during the year. Faculty member can apply for salary up to 8% of their IBS, or \$4,480, for the equivalent effort devoted to the sponsored project during the academic year.
 - Salary requests on a proposal budget are based on “calendar months” of effort.

- Ex: A 9-month faculty member devoting 75% of their time during the summer:
 - 3 months during summer * 75% effort = 2.25 calendar months
- Ex: A 9-month faculty member devoting 8% of their time during the academic year:
 - 9 months during the academic year * 8% effort = .72 calendar months
- Ex: A 9-month faculty member devoting 10% effort during the academic year and 100% during summer:
 - $(9 \text{ months} * 10\%) + (3 \text{ months} * 100\%) = 3.9 \text{ calendar months}$
- For 12-month employees:
 - If funds are used to pay salary for sponsored work, normal workload should be adjusted accordingly and in agreement with department head/director, and release time must be approved by the appropriate Vice President and President.
- **Fringe benefits**
 - Benefits provided by employers to employees as compensation in addition to regular salaries and wages
 - At CMU, this includes medical, dental, vision, flexible spending plans, life insurance, long-term and short-term disability coverage, accident/cancer supplemental plans, retirement contributions, tuition waivers and tuition discount.
 - Calculated as a percentage for each employee based on their benefit elections
 - If a proposal budget includes salary/wages, it must also include fringe benefits
- **Direct costs**
 - Costs that can be specifically and easily identified with a particular project or activity related to the sponsored project, and are allowable under the sponsor's guidelines
 - Ex: salary for key personnel, supplies/equipment purchased specifically for the project, travel to conduct research, etc.
- **Indirect costs (IDC), also referred to as Finance & Administration costs (F&A)**
 - The related costs of using the university's facilities and administrative support that cannot be claimed as direct costs (in other words, cannot be easily and specifically identified/quantified with a particular sponsored project)
 - Can also think of this as overhead costs
 - IDCs are meant to recoup costs incurred by the university for conducting the sponsored project.
 - Ex: general office equipment, building/facility use, general office supplies, sponsored programs administrative costs, library costs, etc.

- CMU has a Federally Negotiated Indirect Cost Rate Agreement (NICRA): a pre-determined percentage rate that CMU can use to calculate indirect costs
 - Current rate agreement (valid through 6/23/23):
 - On-campus research: 40%
 - Off-campus research: 8%
- IDCs are calculated from a “base” of the direct costs and there are a few ways this can be done:
 - Modified total direct costs (MTDC) base – most common method
 - Excludes equipment greater than \$5,000, capital expenditures, tuition remission, scholarships, participant support costs, patient care, rental costs, and the portion of each subaward over \$25,000.
 - Total Direct Costs (TDC) base
 - Indirect costs are charged on all costs, no exclusions.
 - Total Federal Funds Awarded (TFFA) (uncommon; can be seen with USDA)
 - When indirect costs are considered on the full amount of the award – calculated using a percentage of TDC
 - Sponsor should indicate which IDC base to use, if allowed.
 - If not specified, use TDC.
 - No matter the method used, IDCs cannot be requested in excess of what would be allowed using the federally negotiated rate for CMU
 - IDCs are a budget line item, and must be included within the total budget request
 - Example (using IDC rate valid through 6/23/2023):
 - A grant has an award limit of \$100,000 and uses TDC base
 - Total Direct Costs = \$70,000
 - IDCs are 40% of \$70,000 = \$28,000
 - Total budget request = \$70,000 + \$28,000 = \$98,000
- **Cost-share/cost-match**
 - The portion of total costs of a sponsored project that is the responsibility of CMU rather than the sponsor.
 - A cost-sharing commitment is an obligation by the university to contribute to the total costs of a sponsored project by:
 - Providing goods or services at no cost to the sponsor (in-kind contribution), or
 - Cash toward a project expense (cash contribution)
 - Do not include cost-share in the budget unless it is required by the sponsor
 - If cost-share is required, PIs are required to get departmental approval
- Costs must be **Allowable**. In order to be allowable, costs must be:
 - **Allocable**: Incurred for the benefit of the sponsored project and can be assigned to the project with a high degree of accuracy

- **Necessary and reasonable:** Is the cost required for the performance of the project? Is the purchase one that a prudent person would have made under the circumstances? Would you have made the same purchase if you were funding the project yourself?
- **Consistent:** Costs must be given consistent treatment in like circumstances.
- **Subaward/subrecipient vs contractor/vendor:**
 - There may be occasions when a PI plans to work with a third party to take on some of the work associated with the sponsored project. This can happen through a **subaward** relationship or a **vendor** relationship.
 - A **subaward or subrecipient** is for the purpose of carrying out a portion of a federal award (typically another institution; has responsibility for programmatic decision making; has performance measured in relation to sponsored program objectives)
 - A **vendor or contractor** is used for the purpose of obtaining goods or services for CMU's own use (typically an individual or business)
 - Determining subaward vs vendor:
 - If the answer to any of the following questions is yes, a subaward is most appropriate:
 - Is the recipient responsible for adherence to applicable Federal program requirements as detailed in the Federal Award?
 - Is it possible that the work undertaken by the recipient could result in the development of intellectual property?
 - Does the work represent an intellectually significant portion of the overall programmatic effort?
 - Is the recipient's performance measured against the objectives of the award/program?
 - Does the recipient have responsibility for making programmatic decisions?
 - Is the recipient expected to author or co-author publications on the results of the work?
 - Will there need to be animal/human subject approval for the recipient's work?
 - If the answer to ALL above questions is no, a vendor/contractor relationship is likely most appropriate. If the answer to any of the follow-up questions below is yes, proceed with a vendor/contractor relationship:
 - Will the recipient's activities be under the direction of the PI at CMU, such that their work requires little or no discretionary judgment?

- Is the intended payment for goods or services within their normal business operations?
 - Can/does the recipient provide similar goods or services to other purchasers?
 - Will the recipient be providing professional services rendered by a person with specialized skills?
 - If a subaward relationship is established, the following documentation will be required from subrecipients prior to proposal submission
 - Budget (in sponsor-appropriate format)
 - Budget justification
 - Statement of Work
 - Commitment Form
 - Other documentation required by the Sponsor (ex: Biosketch, Current & Pending Support, etc.)
 - **Participant support costs**
 - Direct costs for items such as stipends, housing or per diem, travel allowances, business meals for participants, registration fees paid to or on behalf of participants or trainees (not employees) in connection with conferences or training projects
 - Participant is the recipient, not provider of, a service or training opportunity as part of a workshop, conference, seminar, symposium, or other short-term instructional or information sharing activity funded by a sponsored award.
 - Specifically regarding food:
 - While food is typically not an allowable expense on a federal award, it may be justifiable as a participant support costs in certain situations
 - Ex: If you were to put on a training at the UC and can only offer a 30-minute break to participants in order to get the full benefit of the training.
 - This probably isn't a reasonable amount of time for participants to use the restroom, walk elsewhere and get food, eat, and be back in time for the rest of the training.
 - If a justification like this is documented, then the food would be considered allowable.
- **Equipment**
 - Equipment is generally defined as tangible personal property (including IT/computers) having a useful life of more than one year *and* a per-unit acquisition cost of \$5,000 or more.
 - Equipment is not guaranteed to be an allowable expense and it almost always needs prior approval from a sponsor. PIs should communicate with OSP if they intend to purchase something that would be considered equipment.