BUDGET PREPARATION

Overview

The budget section of a proposal should represent/reflect the Principal Investigator's best estimate of the actual cost of conducting the scope of work outlined in the text of the proposal.

Please Note: The guidance in the following sections for budget categories is general/generic and doesn't apply to any specific agency. It provides brief guidance on typical major budget categories contained in most proposal budgets.

When submitting a proposal to a funding agency that has its own proposal application guidelines and forms, budget categories may be referred to differently. For example:

- An agency may not have a separate category for Salaries and another one for Fringe Benefits, but may combine them and refer to them as Personnel, or
- An agency may have a specific category for Subcontracts rather than having such costs be contained in an Other Expenses category.

Please defer to the specifics of the particular funding agency in regard to placement of costs from a category standpoint.

Please keep in mind; the University has established rate information, such as Fringe Benefit rates, etc. are applicable for use in all proposal budgets regardless of the funding agency. The exception to this may be the Facilities and Administrative (Indirect Cost category) for Non Profit, State of California and Foreign agencies only, as these rates vary from agency to agency.

Please contact the Office of Sponsored Programs (OSP) with any clarifying questions you may have before preparing the budget.

Salaries

Salaries and wages are monetary compensation paid to CDU employees working on a project. Personnel may include faculty, researchers, and staff. Investigators/personnel from other institutions must be listed in either the Consultant category or as part of a Subcontract, depending on the applicability of their role in the project.

Proposed University salaries should be in accordance with the current academic or staff salary schedules for each particular job classification. For further detailed information please refer to Human Resources at 323-563-5827. The Department of Human Resources will be able to provide the correct Title and Pay information for your budget.

Projected applicable cost-of-living and merit increases should be applied in accordance with annual guidance provided by the Office of Sponsored Programs and the Department of Human Resources.
Information to utilize when preparing the salary for each individual listed in the Salaries category includes:

- Name and payroll title of the employee. If a position is required but the individual has not yet been identified at proposal submission time, indicate "To Be Named" (or "TBN") in lieu of name.
- Monthly or Annual salary that has been escalated for applicable cost-of-living and merit increases to coincide with the future start date of the proposal.
  - To accomplish this for existing personnel, escalate their current salary, based on payroll records.
  - To accomplish this for "To Be Named" positions, escalate the salary based on title and pay obtained from the Department of Human Resources.
- Number of months per year that salary is being requested for.
- Percentage of effort that will be expended on the project.

To calculate the salary requested, multiply the monthly salary times the number of months per year times the percentage of effort. For example:

- $4,500/month x 12 months x 50% effort = $27,000 salary requested.

The budget justification should discuss such aspects as each individual's role on the project, what tasks they will perform and why the level of effort budgeted is required to conduct the project.

Stipends are fixed payments made to individuals under a fellowship or training grant in accordance with pre-established levels to provide for the individual's living expenses during the period of training. As such, stipends should only be used specifically for proposals submitted in response to training programs such as National Institutes of Health (NIH) Institutional Training Grants and/or Minority Undergraduate Programs, some U.S. Department of Education training programs, etc.

In addition, stipends are not to be budgeted in proposals for research projects. Only compensation in the form of salaries and wages commensurate with effort (and corresponding employee related expenses (ERE) or fringe benefits) is to be budgeted on a research project. As such, Postgraduates should be budgeted as Post Graduate Researchers (PGR's) at the applicable salary and not as post doctoral fellows, post graduate fellows, etc. Graduate students should be budgeted as Graduate Student Researchers (GSR's) and not as fellows, etc.

Employee Related Expenses (Fringe Benefits)

Employee related expenses (ERE) are non-salary employee compensation expressed as a percentage of salary. As such, to calculate the ERE, the salary requested for each individual on a proposal budget is multiplied by the applicable ERE rate percentage.

These rates are used for pricing proposal budgets. Charges to contract and grant awards are based upon the actual fringe benefit payments.

The CDU develops and/or revises these rates whenever necessary and forwards a copy to its audit agency, the Department of Health and Human Services (DHHS), for purposes of formal notification and filing. The University then issues these rates to the Office of Sponsored Programs for use in the pricing of proposal budgets. The current ERE is at 26.7%
ERE rates are categorized as composite rates, composite rates are a weighted average percentage which consists of some of the following components:

- Retirement Contribution
- Health Plan Contribution
- Social Security (FICA)
- Dental Plan
- Vision Contribution
- Workers’ Compensation Insurance
- Employee Support Program
- Unemployment Insurance
- Non-Industrial Disability Insurance
- Employee-Paid Life Insurance
- Annuitant Health/Dental Program

**Consultants**

Consultants are **individuals who do not provide effort to the project** but, rather, provide expert advisory or other services for brief or limited periods of time.

The names of consultants should be specified along with the daily rate of pay and the number of days each consultant will be paid. Costs intended to cover travel (and per diem) of bringing such outside consultants to CDU are also to be included in this category.

The budget justification should address the services/advice the consultant will provide and the potential benefit to the project.

Documentation, ideally via a letter, from the consultant indicating their participation and any justification supporting the reasonableness of the daily rate should be included in the proposal.

**Please Note:** Consultants who are CDU employees may be listed, but generally are not able to receive payment. As such, the general rule is for there to be no compensation listed.

**Equipment**

The University definition of equipment is an item of non expendable, tangible personal property (i.e., can be appraised for value), which has an acquisition cost of $5,000 or more, is free-standing/stand alone, and has a normal useful life expectancy of one year or more.

Equipment items are budgeted in the Equipment category of the proposal budget.

Estimates of the cost of each item of equipment should be based on a catalogue, telephone, or written quotation. The estimated cost should include sales tax, shipping, and assembly, if necessary. Each item should be listed individually and described as completely as possible. The budget justification should address the need for the equipment and the potential benefit to the project.

Please be aware of the following clarifications/caveats:
• Equipment upgrades valued at less than $5,000 are not considered to be equipment and should be budgeted in the Supplies & Materials category.
• Repair/replacement components for equipment, regardless of cost, are not considered to be equipment and should be budgeted in the Supplies & Materials category.
• Computer software, regardless of cost, is not considered to be equipment and should be budgeted in the Supplies & Materials category.
• Accessories or component parts are considered to be equipment when the acquisition cost is $5,000 or more, and either:
  • the accessory or component permanently increases the value of the existing equipment, or
  • the accessory or component permanently increases the useful life of the existing equipment.

Please Note:
• Under the University's federally negotiated indirect cost rate agreement, equipment (as defined above) is exempt from F & A.
• For Non Profit agencies: exclusions used when calculating the F & A for Federal and For Profit agency proposals should not be confused with the individual rate each Non Profit agency will have.

Fabrications:
• If a piece of equipment is to be fabricated (i.e., assembled) rather than purchased, the cost of its components plus all materials, supplies, and services from outside vendors or authorized internal recharge activities used in the fabrication process are exempt from indirect costs if title is retained by the University and the item has a useful life expectancy of more than one year.
• Department labor, travel or other operating expenses associated with the fabrication such as salaries of Principal Investigators, graduate student researchers, or other comparable personnel who participate in the fabrication process are not included in the acquisition cost of the item and are subject to indirect costs.
• If the fabricated piece of equipment will be a deliverable and the title is not retained by the University, all costs of the fabrication are subject to indirect costs.
• If the fabricated item has a life expectancy of less than one year, it does not meet the definition of equipment and all fabrication costs are subject to indirect costs.

Leasing:
When preparing a proposal budget that will involve the leasing of equipment, as opposed to the outright purchase, please be aware of the following caveats as it pertains to the assessment of indirect costs:
• If equipment is being leased with an option to buy, indirect costs are **not assessed**.
• If equipment is being leased/rented with no intention to buy, indirect costs **are assessed**.
• The determination of option-to-buy versus lease-only is made at the time the lease agreement is prepared. In order to insure that sufficient costs have been included, namely indirect costs if applicable, this should be looked into at the time of proposal preparation.
**Supplies and Materials**

Examples of items to be budgeted in the Supplies and Materials category include:

- Consumables, such as chemicals, glassware, etc
- Animal purchases
- Equipment items with an acquisition cost of less than $5,000
- Repair parts/replacement components for equipment items
- Computer software

Each item listed above should be listed separately and in sufficient detail.

The budget justification should address any additional details which would demonstrate the reasonableness of the amount requested based on past experience and/or high cost of a particular item. Any unusual or one-time purchases could also be discussed.

**Travel**

The travel category of the budget contains costs associated with the required travel of personnel working on the project. The following aspects of each trip should be outlined:

- The purpose and specific destination (if known) of each trip.
- The number of individuals going on each trip.
- The mode and cost of transportation to be used.
- The number of days of per diem and the per diem rate.

For example:

Travel for the Principal Investigator to attend (and present a paper at) the National Academy of Sciences annual conference in Washington, D.C. Air fare $400 round trip; conference registration fees $350; per diem $36/per day for 3 days.

**Please Note:** Travel costs intended to cover costs of bringing participating outside consultants to CDU are to be budgeted in the Consultant category.

**Other Expenses**

This category is also commonly referred to as Other Expenses or Other Direct Costs.

**Miscellaneous:**

Examples of miscellaneous items to be budgeted include:

- Publication costs (such as "per page" charges)
- Animal subject care per diem
- Human subject payments and travel reimbursements
- Service contracts for equipment maintenance
- Annual software licenses (as opposed to purchases of software)
- Rent/lease costs for off-campus non-CDU owned space

Each item listed above should be listed separately and in sufficient detail.
The budget justification should address any additional details which would demonstrate why the items are needed for the project, the reasonableness of the amount requested, how the estimated costs were determined, etc.

Animal subject care per diem should be itemized by species, number of animals, number of days per year, and the rate.

Rent/lease costs for off-campus non-CDU space should address why the rental space is needed, and also include the square footage and cost per square foot.

**Patient Care Costs**

"Research Patient Care Costs" are the costs of routine and ancillary (i.e., additional, supplementary) medical services (i.e., tests and procedures) provided by a hospital or hospital-operated clinic to individuals participating in research programs. This includes University and affiliated hospitals and clinics but does not include laboratories of academic departments or organized research units.

A project must have an IRB approved human subjects protocol in order to incur patient care costs.

Given the very specific nature of these costs and their indirect cost-exempt status, departments planning to submit proposals involving patient care costs should contact the Office of Sponsored Programs for guidance before including these costs in the proposal budget.

In the proposal budget, provide details about the inpatient and/or outpatient costs including names of hospitals and/or clinics where care will be provided.

**Please Note:** Patient care costs do not include the following:

- 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 or clinic on a fee-for-service basis (e.g., in an independent, privately owned laboratory).
- The data management or statistical analysis of clinical research results.

**Please Note:** These types of costs are subject to indirect costs and should be listed in the "Other Expenses" category, and not referred to as "Patient Care Costs".

"Usual Patient Care Costs" are those that would have been incurred even if the research study did not exist.

Please Note: For the National Institutes of Health (NIH) projects, these kinds of costs can only be charged to an NIH award under special circumstances.

**Subcontracts**

During the proposal preparation process, a CDU Principal Investigator may determine that they need a portion of the project to be performed by an outside entity (i.e., a subcontract site).
As such, the total costs for the subcontract site (which consists of their direct costs plus their indirect costs) should be included in the Other Expenses category of CDU’s proposal budget. Or in the case of National Institutes of Health (NIH) grant submissions in the Consortium/Contractual Costs category.

The budget justification should address what aspect of the project is to be carried out at/by the Subcontract site.

**Overview of subcontracts:**
Under a contract or a grant between a funding agency and an entity/institution, a further sub-portion of the project can be given by that awarded entity/institution to another outside organization. The resulting sub-award can be either in the form of a subgrant or a subcontract, depending on whether the prime award is a grant or a contract.

Although the separate terms of sub-award, sub-grant, and sub-contract are technically accurate, the overall term of **“subcontract” is commonly used when referring to all types of subawards.** As such, the term “subcontract” will used in this way uniformly.

Examples of a Subaward:

**CDU issuing a subaward** to an entity/outside organization:
- During the proposal preparation process for a proposal to be submitted by CDU to the National Institutes of Health (NIH), a CDU Principal Investigator may have determined that they needed a portion of the research project to be completed by a Principal Investigator at the University of Washington (i.e., a subcontract site).
- When CDU receives the resulting contract or grant from the funding agency (NIH), the Principal Investigator contacts the Office of Sponsored Programs to begin the process of the formal issuance of a subcontract award from CDU to the University of Washington (the subcontract site).

Proposal Preparation for Subcontracts:
- During the proposal preparation process, a CDU Principal Investigator may determine that they need a portion of the research project to be performed by an outside entity (i.e., a subcontract site).
- As such, the total costs for this sub-portion will be included in the overall costs of the proposal that CDU submits to the funding agency.
- **Well in advance** of the proposal deadline, the Principal Investigator will need to request a proposal from the subcontract site that generally includes the following.
- The CDU Principal Investigator will prepare their proposal in accordance with the funding agency’s written guidelines, including any specific directions regarding subcontracts. Whether responding to specific guidelines or in the absence of any, the subcontract site’s information should generally be addressed by the CDU PI as follows:
  - Include the subcontract site’s total costs on the CDU budget pages (usually in the “Other Expenses” category shown as one lump sum). Or in the case of National Institutes of Health (NIH) grant submissions in the Consortium/Contractual Costs category.
  - Address why the subcontract site is necessary and what part of the work they will be performing on the CDU budget justification page.
- Attach the subcontract site’s complete proposal at the end of the CDU proposal (or wherever directed to by the funding agency’s written guidelines, if applicable).

Minimum requirements:
- A proposal face page signed by the subcontract site Principal Investigator and their Authorized Institutional Official (i.e., Contract and Grant Office).
- A brief abstract or text that outlines the technical duties the subcontract site will be performing.
- A detailed budget
- A budget justification (if required by the agency)

Optional elements to be included or that may be required by the agency:
- A biosketch or curriculum vitae (CV) for the subcontract site Principal Investigator.
- Details on use of animal and/or human subjects if included in the project.
- Current and pending support information for the subcontract site Principal Investigator.

Budget Information:
Both the **direct** and **indirect costs** for the Subgrant/Subcontract site appear on CDU’s budget page and are considered to be direct costs to CDU.

Work that is contracted out on a fee for service basis (such as assays, lab tests, etc.) is not considered to be research and should be budgeted in the Other Expenses category. This is an important distinction because of different indirect costs implications.

Future Years:
The period of performance for a proposal routinely consists of the first, or initial, year and any additional, or future, years. It is prudent and advisable to always incorporate an increase to the budget categories overall to ensure that there will be adequate funds throughout the life of the project. Please Note: Salaries for CDU employees working on a project should always be escalated to allow for sufficient funds to cover future personnel costs.

After preparing the budget for the initial year, the individual budgets for any future years can be escalated either by:
- Escalating all of the categories by a flat percentage rate of anywhere from 3% to 5%.
  - **Please Note:** Some agencies, such as the National Institutes of Health (NIH), limit future increases in awards to no more than 3%. Thus, Principal Investigators and/or Departments may choose to limit categorical requests for future years in proposal budgets for such agencies to 3%.
- Increasing and/or decreasing specific categories to reflect the changing needs during the course of the project, while also escalating other categories by the above suggested flat percentages. Examples of cost fluctuations could include:
  - Additional costs in the future years for the salary and fringe benefits for a position, such as a Laboratory Technician, which is not needed until later in the project.
  - Additional costs in the future years for an item of equipment or supplies & materials due to the stage the proposed experiments have reached.
  - A decrease in costs in the future years for human subjects that are no longer necessary when all data has been collected and the research shifts to the analysis of the data.
Facilities and Administration - F&A Costs (Indirect Costs)

Overview:
There are two categories of types of costs applicable to contract and grant awards:
- Direct Costs
- F & A Costs

CDU’s Office of Finance has primary responsibility for the development and negotiation of the campus F & A rates. This is accomplished through extensive financial analysis and the preparation of a proposal. This F & A rate proposal is presented to and negotiated with the Division of Cost Allocation within the University’s government audit agency, the Department of Health and Human Services (DHHS). Once negotiations have been finalized, this is documented via a formal F & A Rate Agreement.

Facilities and Administrative (F&A), also referred to as “Overhead” or “Indirect” costs are costs that are not identifiable to any one project but are valid expenses of conducting research, instruction, and other sponsored activities programs at the University. Examples include:
- Building and Equipment use
- Depreciation
- Operation and Maintenance of facilities
- Departmental Administration
- Student Services
- Administrative Support Offices such as Payroll, Purchasing, Accounting, Facilities, libraries etc.

All proposals with sponsoring agencies must provide for Indirect Cost recovery at the appropriate negotiated rate.

For Federal Government and For Profit agencies, there are 3 categories of federally-negotiated F & A rates for CDU, which include:
1. Research
2. Instruction
3. Other sponsored activities

Please Note: F&A rates for Non Profit, State of California, and Foreign agencies vary from agency to agency. If you are not sure what the applicable rate is and/ or what costs the F & A is assessed on, please review the agency’s written application instructions or contact the Office of Sponsored Programs with clarifying questions you may have before preparing the budget.

(1) Research Project Rates:
The rates listed below are applicable to basic, applied, developmental, or other scientific research. There is one rate for research that is taking place on campus and another rate for research that is taking place in an off campus location.

(2) Instruction Rates:
The rates listed below are applicable to projects that involve the scholarly, professional, or occupational instruction for matriculated students or University employees in forms such as classes, seminars, workshops, conferences, etc. There is one rate for instruction that is taking place on campus and another rate for instruction that is taking place in an off campus location.

(3) Other Sponsored Activities:
The rates listed below are applicable to projects where the agency desires to have the University provide the benefits of scholarly or professional training or services to individuals or agency-designated recipient groups which are external to the University. Examples of Other Sponsored Activities include; conferences, workshops, seminars, etc. There is one rate for other sponsored activities that are taking place on campus and another rate for other sponsored activities that are taking place in an off campus location.

Quick View of Facilities and Administrative (F & A) Rates:
These rates are based on the DHHS agreement effected period until 6/30/2011.

<table>
<thead>
<tr>
<th></th>
<th>On- Campus</th>
<th>Off Campus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research Project Rates</td>
<td>41.0%</td>
<td>26.0%</td>
</tr>
<tr>
<td>Instruction Rates</td>
<td>32.6%</td>
<td>26.0%</td>
</tr>
<tr>
<td>Other Sponsored Activities</td>
<td>34.6%</td>
<td>25.3%</td>
</tr>
</tbody>
</table>

How Indirect Cost Rates are applied and what is excluded:
The Federally-negotiated Indirect Cost rates are not assessed on every type of direct cost contained in proposal budget; there are specific exclusions.

- The group of costs that do have F & A Costs assessed are referred to collectively as the Modified Total Direct Cost (MTDC) base. The MTDC base consists of the following direct costs:
  - Salaries and Wages
  - Fringe Benefits
  - Materials and Supplies
  - Services
  - Travel
  - The first $25,000 of each Subgrant and subcontract regardless of the period covered by the Subgrant or Subcontract.

The group of costs that do not have F & A Costs assessed are referred to collectively as the Exclusions from the base. These costs are subtracted from the total direct costs before the indirect cost rate is applied. The exclusions consist of the following direct costs:

- Equipment and Capital Expenditures
- Patient Care Costs
- Tuition and Fees for University Students
- Rental Costs of off-site Facilities
- Scholarships and Fellowships
- The portion in excess of the first $25,000 of each Subgrant and Subcontract

How Facilities and Administrative (F & A) Cost apply to Other Sponsoring Agencies:
Non Profit Agencies:
- Each Non Profit agency will have its own unique indirect cost rate.
- The base on which these rates are multiplied also varies from agency to agency.
- The F & A Cost rate, and the base that it applies to, should be stated in the agency's written application instructions.
- **Please Note:** The exclusions to the base when calculating the F & A for Federal or For Profit contracts or grants **should not** be confused with the individual rate each Non Profit agency will have.

State of California:
- As with the Non Profit agencies, each department and/or program within the State of California will have its own unique indirect cost rate.
- The base on which these rates are multiplied also varies from program to program.
- The indirect cost rate, and the base that it applies to, should be stated in the State's written application instructions.

Foreign Agencies:
- As with the Non Profit agencies, each foreign agency will have its own unique indirect cost rate.
- The base on which these rates are multiplied also varies from agency to agency.
- The indirect cost rate, and the base that it applies to, should be stated in the written application instructions.