

DIVISION OF RESEARCH

OFFICE OF SPONSORED PROGRAMS

Boise State University

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Guide To Developing A Budget



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INTRODUCTION

Developing accurate and useable budgets for proposals submitted to external agencies can be challenging. In an effort to assist you in this process we have created this Guide to clarify budgeting terminology and definitions, cost categories and line items, and general rules to follow when creating budgets.

Preparation of the budget is an important part of the proposal preparation process. The budget section of a proposal sets forth the estimated cost of the proposed project. The budget should be made an integral part of the proposal so that the cost estimates are clearly related to the purpose of the project.

◆ PROPOSAL BUDGET

◆ BUDGET JUSTIFICATION

The financial portion of the proposal normally consists of the Proposal Budget and the Budget Justification.

◆ PROPOSAL BUDGET

The Proposal Budget is a brief presentation of the dollar amounts requested for the individual cost categories.

For detailed information on cost categories see **Budget Cost Categories on Page 11.**

Link to Boise State University Budget Template:
<http://www.boisestate.edu/research/osp/forms.shtml>

◆ BUDGET JUSTIFICATION

A Budget Justification is a narrative explanation of each of the components of the budget, which justifies the cost in terms of the proposed work. The explanation should focus on how each budget item is essential to the conduct of the project and how the estimated costs in the budget were calculated. All budget line items should be justified. Quotes and supporting documentation used to substantiate estimates should be referenced or included. Refer to the Budget Justification Guide for further detail.

Link to Boise State University Budget Justification Guide:
<http://www.boisestate.edu/research/osp/forms.shtml>



Federal Office of Management and Budget (OMB) Circulars Governing College and University Budgets

◆ **OMB CIRCULAR A-21 – ALLOWABLE AND UNALLOWABLE COSTS ESTABLISHES PRINCIPLES FOR DETERMINING COSTS**

◆ **OMB CIRCULAR A-110 – ESTABLISHES STANDARDS FOR CONSISTENCY**

◆ **OMB CIRCULAR A-133 – ESTABLISHES AUDIT REQUIREMENTS**

The OMB Circulars are federal documents containing the rules and guidelines for costs and audits associated with grants and contracts. The three OMB Circulars that are of special importance to colleges and universities are listed below.

◆ **OMB CIRCULAR A-21 - ALLOWABLE AND UNALLOWABLE COSTS**

http://www.whitehouse.gov/omb/circulars_index-ffm

This circular establishes principles for determining costs applicable to grants, contracts and cooperative agreements from federal agencies.

◆ **OMB CIRCULAR A-110**

http://www.whitehouse.gov/omb/circulars_index-ffm

This circular sets forth standards for obtaining consistency and uniformity among federal agencies in the administration of grants to and agreements with institutions of higher education, hospitals, and other non-profit organizations.

◆ **OMB CIRCULAR A-133**

http://www.whitehouse.gov/omb/circulars_index-ffm

This circular establishes audit requirements and defines federal responsibilities for implementing and monitoring such requirements for institutions of higher education and other non-profit institutions receiving federal awards.



General Budget Terms and Definitions

Before beginning your budget, it is important to understand some basic terminology and definitions. Boise State University must comply with OMB Circular A-21's guidelines for determining costs allowable for grants, contracts, and cooperative agreements. The following are defined in the Federal Government's Office of Management Circular A-21 "Cost Principles for Educational Institutions."

◆ ALLOWABLE AND UNALLOWABLE COSTS

◆ REASONABLE COSTS

◆ ALLOCABLE COSTS

◆ DIRECT COSTS

◆ FACILITIES & ADMINISTRATIVE COSTS (F&A) ALSO KNOWN AS "INDIRECT COSTS"

In addition to these general terms, specific terms and definitions are included throughout this Guide.

◆ ALLOWABLE AND UNALLOWABLE COSTS

For a cost to be allowable in a budget it must be "reasonable" and "allocable." A complete list of generally allowable and unallowable costs is defined in **OMB Circular A-21, Section J**.
(See Summary Below)

The Office of Sponsored Programs and Sponsored Projects Accounting use federal rules and definitions when determining allowable costs.

Summary: OMB Circular A-21, Section J

Pertaining to allowable and unallowable expenses

Advertising & Public Relations Costs

ALLOWABLE:

Recruitment of personnel for sponsored research

Procurement of goods and services

Disposal of scrap or surplus except when institutions are reimbursed

Cost of communicating with public and press and conducting general liaison with news media and government public relations office relative to activities or accomplishments pertaining to sponsored research -UNALLOWABLE: See A-21, Section J

Alcoholic beverages -----UNALLOWABLE

Alumni activities -----UNALLOWABLE

Bad debts -----UNALLOWABLE

Civil defense cost

ALLOWABLE-----When distributed to all activities of the institution

UNALLOWABLE-----Capital expenditures for civil defense purposes

UNALLOWABLE-----Local civil defense project not on the institution's premises



Summary: OMB Circular A-21, Section J — Continued

Commencement and convocation-----UNALLOWABLE

Communication costs

Long Distance Toll -----ALLOWABLE with restrictions
Basic Telephone Line ----UNALLOWABLE unless justified and approved by agency in the award budget
Local Telephone Calls ----UNALLOWABLE unless justified and approved by agency in the award budget
General Office Supplies --UNALLOWABLE unless justified and approved by agency in the award budget
Local Telephone Calls ----UNALLOWABLE unless justified and approved by agency in the award budget
General Office Supplies --UNALLOWABLE unless justified and approved by agency in the award budget
Postage -----UNALLOWABLE should be approved as part of the award budget
Can rebudget up to \$500 without prior agency approval if proper justification is noted in award file

General principles

Administrative personnel--UNALLOWABLE unless justified and approved by agency in the award budget or retroactive agency approval has been obtained. For NIH awards, agency allows rebudgeting after the fact without prior approval if project meets NIH criteria NIH Criteria

Contingency provisions -----UNALLOWABLE

Deans of faculty and graduate schools: Salaries-----ALLOWABLE

Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringement
UNALLOWABLE. May be ALLOWABLE under certain conditions and restrictions
See A-21, section J11 for details

Depreciation and use allowances -----ALLOWABLE

Donations and contributions -----UNALLOWABLE

EXCEPTIONS (a) Depreciation and use allowances on donated assets are Allowable as stated in J12
Value of donated services and property may be used to meet cost sharing or matching requirements (A-110)

Employee morale, health, and welfare costs and credits ALLOWABLE with restrictions

Entertainment costs -----UNALLOWABLE

Equipment and other capital expenditures (note: the definition has been revised under A-110 and raises limit from \$500 to \$5000 per unit cost and specifies "life" as greater than 1 year. Institutions are allowed to determine equipment threshold within this limitation)

Capital expenditures for general purpose equipment, buildings, and land
(unless approved by agency) ----UNALLOWABLE

Capital expenditures for special purpose equipment with agency approval above a set dollar limit-----ALLOWABLE

(c) Capital expenditures for improvements to land, buildings, or equipment which materially increase value ---UNALLOWABLE unless approved by the agency

Executive lobbying costs ----UNALLOWABLE

Fines and penalties -----UNALLOWABLE except when incurred as a result of compliance with specific provisions of the sponsored agreement or approved by the agency

Goods or services for personal use -----UNALLOWABLE

Housing and personal living expenses ----UNALLOWABLE

Insurance and Indemnification -----ALLOWABLE with restrictions

Interest, fund raising, and investment management costs ALLOWABLE and UNALLOWABLE based on circumstances and restrictions as provided in A-21

Labor relations costs ----ALLOWABLE

Lobbying: Generally ----UNALLOWABLE as a direct charge



Summary: OMB Circular A-21, Section J — Continued

- Losses on other sponsored agreements of contracts** ----UNALLOWABLE
- Maintenance and repair costs** -----ALLOWABLE
- Material costs** -----ALLOWABLE
- Memberships, subscriptions, and professional activity**
 - Memberships -----UNALLOWABLE unless justified and approved by agency in the award budget
 - Subscriptions -----ALLOWABLE
 - Meeting and Conferences -----ALLOWABLE
- Patent costs** -----ALLOWABLE
- Plant security costs** -----ALLOWABLE
- Pre-agreement costs** -----ALLOWABLE under FDP, otherwise UNALLOWABLE unless approved by agency
- Professional services costs** -----ALLOWABLE
- Profits and losses** on disposition of plant equipment or other capital assets ALLOWABLE as stated under A-110
- Proposal costs** ----UNALLOWABLE as a direct charge
- Rearrangement and alteration costs** ---ALLOWABLE up to \$25,000 on FDP, NIH, PHS and the Expanded Authority grants without prior agency approval
- Reconversion costs** ---ALLOWABLE
- Recruiting costs** -----ALLOWABLE and UNALLOWABLE based on restrictions in A-21
- Rental cost of buildings and equipment** -----ALLOWABLE
- Royalties and other costs for use of patents** ---ALLOWABLE
- Sabbatical leave costs** -----ALLOWABLE in conjunction with established University policy
- Scholarships** and student aid costs- ---ALLOWABLE in conjunction with approved budget or award terms and conditions
- Selling and marketing** -----UNALLOWABLE noted in sections J1c and J34
- Severance pay** -----ALLOWABLE in conjunction with established University policy
- Specialized service facilities** -ALLOWABLE within established conditions cited in A-21
- Student activity costs** -----UNALLOWABLE
- Taxes** -----ALLOWABLE
- Transportation costs** -----ALLOWABLE
- Travel costs** -----ALLOWABLE
- Termination costs** applicable to sponsored agreements-----ALLOWABLE as provided in A-21
- Trustees travel** and subsistence costs of trustees, regardless of the purpose of the trip-----UNALLOWABLE



◆ **REASONABLE COSTS**

A cost is considered reasonable if the goods or services acquired and the amounts involved reflect the actions a prudent person would take when incurring the expense.

Considerations in Determining if a Cost is Reasonable:

- The cost is of a type generally recognized as necessary for the operation or performance of the sponsored project.
- The cost is consistent with institutional policies and practices.

◆ **ALLOCABLE COSTS**

A cost is allocable to a particular cost objective (i.e., a specific function, project, sponsored agreement, department) if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received or other equitable relationship.

Considerations in Determining if a Cost is Allocable:

- The cost is incurred solely to advance the work under the sponsored agreement.
- The cost benefits both the sponsored agreement and other work of the institution, in proportions that can be approximated through use of reasonable methods.

Note: It is important to note that where the purchase of equipment or other capital items is specifically authorized under a sponsored agreement, the amounts authorized are assignable to the sponsored agreement regardless of the use that may subsequently be made of the equipment.



◆ **DIRECT COSTS**

Direct Costs are costs that can be identified specifically with the performance of the scope of work or are necessary for the completion of the specific project.

Some Elements of Direct Costs Include the Following:

Salaries and Wages
Fringe Benefits
Other Expense (OE) Materials and Supplies Publication and Dissemination Costs Independent Contractors / Vendors (Procurement) Subawards Non-compensatory Payments (Stipends / Participant Support, Fellowship / Scholarship Payments)
Travel
Student Costs / Fees
Capital Equipment

◆ **FACILITIES & ADMINISTRATIVE COSTS (F&A) ALSO KNOWN AS “INDIRECT COSTS”**

F&A Costs are incurred for common or joint objectives and therefore, cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity. Such costs typically include central and departmental/college administrative support, utilities, space, library costs, etc.



Budget Cost Categories

The following Budget Cost Categories must be “allowable, allocable and reasonable” and must comply with University policies and standard practices.

◆ SALARIES & WAGES
◆ FRINGE BENEFITS
◆ OTHER EXPENSE (OE) (OTHER DIRECT COSTS)
◆ TRAVEL
◆ STUDENT FEES / COSTS
◆ EQUIPMENT OVER \$5,000
◆ FACILITIES & ADMINISTRATIVE COSTS (F&A) ALSO KNOWN AS “INDIRECT COSTS”

◆ **COST SHARING / MATCHING**

Cost Sharing / Matching funds are resources that are contributed to a sponsored project over and above the support provided by the external sponsor of that project.

(See **Cost Sharing / Matching** in this Guide on Page 26)

◆ **SALARIES AND WAGES**

The Salaries and Wages section of the budget should list the names of all persons (if known) who will work on the project. Salaries are typically the largest cost category in proposal budgets.

When University employees work on funded projects there are numerous options that need to be understood for budgeting purposes. For this reason it is important to carefully consider personnel needs involving:

Faculty Academic Year Salary / Release Time or “Buy Out” / Summer Salary
Research Faculty
Professional Staff
Classified Staff
Students



General Considerations When Budgeting Salaries:

- When preparing a budget for a multiple year project, projected raises should be anticipated and budgeted (3% annual escalation is generally recommended).
- Salary rates included in proposal budgets are approved by the University as estimates only.
- New job classifications and compensation must conform to Boise State University Human Resources regulations and will be approved at the time of appointment.
- The project timeline and other commitments of personnel should be considered to ensure that the promised level of effort is available during the period of the project.

Note: For those faculty other than “research faculty,” academic year salary is often paid out over 12 months (the “paid rate”); be careful to utilize the actual “earned” rate for budget calculation purposes.

When University employees work on funded projects there are numerous options that need to be understood for budgeting purposes. Some of these options include Release Time or “Buy-Out”, Summer Salary, and Overload Pay (Additional Compensation or Supplemental Pay).

Listed below are definitions and examples of each type of compensation.

Faculty

Academic Year Salary

Requests for Academic Year Salary should be listed as a percent of effort to be spent on the project. Faculty should consider their current commitments to teaching, research, and service.

See BSU University Policy *4560—Workload for Official Faculty at:

http://www.boisestate.edu/policy/IV_academicaffairs_facadmin.shtml

Principal Investigator’s may not budget in excess of 100% effort for all of their activities.

Release Time or “Buy Out”

Percentage of a faculty member’s time paid for by a contract or grant to allow the faculty member to be released from teaching, research or service activities. Typically, 30 units make up a faculty member’s 9 month commitment. Therefore, 3 units are equivalent to 10%.

For example: John Smith, 10% FTE, \$50,000/9 months, \$5,000

Summer Salary

Faculty on 9 month academic year contracts may also work up to 100% of effort during the summer months. The typical summer period is from mid-May through mid-August. Faculty should review their own contract for the exact appointment dates in a given year. Summer salary should be shown as a percentage of effort for the summer months. One (1) summer month is equivalent to one (1) month in the academic year.

For example: If Jane Jones earns \$45,000 for a 9 month appointment, she earns \$5,000/month

During the summer, 3 months are available for a total of \$15,000

Jane Jones, 2 months summer salary, (66% summer effort or 2/3) \$10,000



NOTE: Various appointment periods exist for faculty. Faculty should review their individual contract to determine if they have a 9- 10- or 11-month appointment. This is important for determining the period of time available for summer salary. Additionally, some sponsors limit summer support, i.e., National Science Foundation (NSF) limits support to a maximum of two (2) months per year.

Research Faculty

Research faculty are typically appointed for a 12 month period. Salaries should be shown as a percent of time equal to the amount of time to be devoted to the grant or contract, for example:

For example: Joe Johnson, 20% FTE, \$75,000/12 months, \$15,000

Overload Pay (Additional Compensation or Supplemental Pay)

Research, teaching, and service/administration are normally considered part of a faculty member's contracted responsibilities, and as such, Overload Pay (or Additional Compensation or Supplemental Pay) is usually not part of a proposal budget. Further, OMB Circular A-21 Cost Principles for Educational Institutions specifically states, "Charges for work performed on sponsored agreements during all or any portion of such period are allowable at the base salary rate. In no event will charges to sponsored agreements, irrespective of the basis of computation, exceed the proportionate share of the base salary for that period." However, A-21 also states, "in unusual cases where consultation is across departmental lines or involves a separate or remote operation, and the work performed by the consultant is in addition to his regular departmental load, any charges for such work representing additional compensation above the base salary are allowable provided that such consulting arrangements are specifically provided for in the agreement or approved in writing by the sponsoring agency."

Assuming the above criteria have been met and appropriate approvals are obtained, overload pay should be clearly shown in the proposal budget.

For example: If John Smith earns \$45,000 for a 9 month appointment (\$5,000/month) his overload request may be shown as follows:

John Smith, .5 month overload pay, \$2,500

General Guidelines Governing Overload Pay:

- The University limits faculty from working more than **120%** effort on all activities (University appointment, grants and contracts, or other campus-funded work).*
- Faculty are responsible for monitoring their time commitments for all activities paid by any University source to assure compliance with the **120%** guidance (including effort promised as cost sharing).*
- Faculty may earn in excess of their faculty pay rate assuming the funding source is not federal and the sponsor is adequately notified.



- When federal funds are involved, overloads should be disclosed at the proposal stage and must always be approved in writing by the sponsor.

**The 120% overload reference is only a guide. Faculty should consult with their department chair to determine standard workload requirements and overload allowability.*

Professional Staff

Salaries should be budgeted as a percent of time equal to the amount of time to be spent on the project.

For example: If David Donaldson earns \$50,000/12 months, he would be budgeted as follows:

David Donaldson, 33% FTE, \$16,500

Rules for overload pay for professional staff are comparable to those written for faculty overload.

Classified Staff

Salaries for classified staff may be budgeted hourly or as a percent of effort. Classified staff is not eligible for overload pay. However, in unusual instances, you may budget classified staff in excess of 40 hours per week at an overtime rate (time and a half). All requests for overtime pay must be approved in writing by the sponsor and through appropriate University channels.

Note: Charging of administrative and clerical staff is normally not allowable. These charges are only appropriate where a “Major Project” is involved.

Major Project:

Direct charging may be appropriate where a major project or activity explicitly budgets for administrative or clerical services and the individuals involved can be specifically identified with the project or activity.

Examples of “major projects” are offered in OMB Circular A-21. The key is that the project requires support services beyond the normal scope necessary for the typical project. OSP shall provide guidance to assist in determining if a project meets the criteria of a major project.

Students

Rules for student employees vary depending on student status, undergraduate vs. graduate level, and type of work being performed. In general, graduate research assistant salaries should be budgeted as a percent of time and undergraduate employees are typically budgeted as number of hours.

General Guidelines Governing Student Employment:

To be eligible as a student employee, an undergraduate student must be enrolled in at least 6 credit hours and graduate students must be enrolled in at least 5 credit hours during the active period of the grant.



- Student employees are limited to a maximum of 30 hours per week during the academic year. During breaks and summer, students may work a maximum of 40 hours per week. Graduate Assistants typically work 20 hours a week. Additional regulations may apply to international students. **See BSU University Policy *7000—Position Definitions at: http://www.boisestate.edu/policy/VII_humanresources.shtml**
- Student employees are subject to overtime if they work over 40 hours in a week.
- In addition to salary, you may wish to include student fees when budgeting. **(See Student Fees in this Guide on Page 20)**
- Rates of pay should be consistent with those of other students performing the same type of work.
- Rates of pay should be consistent with skill and experience level.
- Consultation may be needed with departmental chairs, Human Resources, and/or the graduate college to determine the appropriate rate of pay.

◆ **FRINGE BENEFITS**

Fringe Benefits are real, direct costs that must be included in any budget that includes University personnel. Fringe benefits should be listed as a separate line item in the proposal budget. Fringe benefit costs cover such things as:

FICA
Retirement
Health Insurance
Workers' Compensation
Unemployment Compensation

Fringe Benefit rates vary by type of employee and rate of pay. In general the following guides may be used:

<p>Full Time Faculty and Staff Rates Proposal Preparation: Fringe Benefits: Go To: "Fringe Benefits Table" Link: http://www.boisestate.edu/research/osp/proposals.shtml</p>
<p>Temporary and Part-Time (Non-Benefit Eligible) 9% - irregular salary</p>
<p>Student Employees 4% during the academic year – 10% during the summer</p>

If you use the Boise State University **Budget Template**, fringe benefit rates and amounts will automatically calculate. See: <http://www.boisestate.edu/research/osp/forms.shtml>



◆ **OTHER EXPENSE (OE) (OTHER DIRECT COSTS)**

OE refers to expenses other than University salary, fringe benefits, travel, and equipment costs. Below are examples of typical “other expenses.”

Materials and Supplies
Publications and Dissemination Costs
Independent Contractors / Vendors (Procurement)
Subcontract / Subrecipient / Subaward
Non-Compensatory Payments Stipends / Participant Support Fellowship / Scholarship Payments
Student Fees / Costs

Materials and Supplies

This category includes expendable items and miscellaneous expenses used exclusively for the project.

Allowable Examples of Costs In this Category:

Laboratory Items
Books
Chemicals
Glassware
Long Distance Phone Calls
Maintenance Agreements
Animal Care and Use Costs
Biohazard Materials Disposal Costs
Photocopying / Printing Costs
Equipment Items that Cost Less than \$5,000

Unallowable Examples of Cost In this Category:

General Office Supplies Including fax machines and printers
Are not normally allowable under federal grants/ contracts unless specifically requested and justified in your proposal budget and dedicated to the project.



Publication and Dissemination Costs

Budget the anticipated costs of publishing the results of the research. These costs may not be applicable for all disciplines. Keep in mind that page charges will vary from journal to journal. Consider both page charges and reprint costs.

Independent Contractors / Consultants / Vendors

These three terms are interchangeable. For the purpose of this document, from this point forward we will use the term Independent Contractor (to be consistent with University Policy and Payment Forms).

An independent contractor is a firm or an individual who is responsible to the University for the results of certain professional or highly technical advice or assistance. They may not be subject to the University's control as to the means and methods of accomplishing those results. They are not supervised directly by the Principal Investigator (PI) and they must use their own resources to accomplish the task for which they are paid.

It is the responsibility of the PI to anticipate and indicate the need for an independent contractor in the grant application. The proposal should include:

- The name of the individual or firm.
- A description of the services to be provided.
- The number of days of service and the rate of compensation.
- A curriculum vita for the independent contractor when appropriate.
- Additionally, many sponsors request a letter from the independent contractor confirming their role on the project.

General Budgeting Guidance for Independent Contractors:

- The cost budgeted should be commensurate with the qualifications of the independent contractor and the nature of the services rendered. If federal funds are involved, the daily rate for a consultant must be reasonable given all the circumstances. At times, federal agencies or programs will specify maximum daily rates.
- In general, hourly rates are discouraged for independent contractors. A lump sum payment is more appropriate as independent contractors are paid for completing an overall job.
- All costs relating to the independent contractor should be listed on the same line item. For example costs including travel, and materials and supplies for the independent contractor should be included here and not in OE categories. These costs should be individually explained in the budget justification.
- The appropriate selection process must be followed to secure the best-qualified independent contractor to perform the required tasks.

See University Policy *6150—Independent Contractor Services at:

http://www.boisestate.edu/policy/VI_finance.shtml



- University employees may not be retained as independent contractors. If you wish to engage University employees from other departments on a project they must be included in the salaries section of the budget and fringe benefits must be budgeted.
- If the independent contractor is a non-resident alien, separate IRS regulations apply and Principal Investigator should consult with Accounts Payable prior to budgeting.

**University Accounts Payable Independent Contractor Forms Link:
(Under Payments to Vendors)**

http://www.boisestate.edu/finad/accounts payable/ap_forms.shtml

Subcontract / Subrecipient / Subaward

If some work to be done under a contract or grant will be performed by another institution or company, those costs should be included as a subcontract.

The University budget should show a single line item with the full subcontract amount and **the Principal Investigator must:**

- Attach a separate budget page for each subcontract.
- It is also necessary to obtain a letter of commitment signed by the appropriate representative of the subawardee.

Subaward vs. Independent Contractor / Vendor

There often exists substantial confusion when an investigator attempts to determine if the collaboration with another organization constitutes a subaward, or independent contractor / vendor relationship. The Office of Sponsored Programs provides the following guidance.

An Organization is Considered to be a Contractor When It:

- Determines who is eligible to receive financial assistance.
- Has its performance measured against whether the objectives of the program are met.
- Has responsibility for programmatic decision-making.
- Has responsibility for adherence to applicable program compliance requirements.
- Uses the funds to carry out a program of the organization as compared to providing goods or services for a program of the pass-through entity.



In Contrast, a Firm or Individual is Considered a Vendor / Independent Contractor When It:

- Provides goods and services within normal business operations.
- Provides similar goods and services to many different purchasers.
- Operates in a competitive environment.
- Provides goods or services that are ancillary to the operation of the program.
- Is not subject to compliance requirements of the program.

Following are a series of questions that will help you understand the difference between a subawardee and an independent contractor / vendor:

- Is there an identified investigator at the lower-tier organization?
If yes, is he/she a co-investigator on the primary award?
- Is the lower-tier organization free to decide how to carry out the activities requested of it?
- Will there be potentially patentable or copyrightable technology developed from the activities of the lower-tier entity?
If yes, does the entity have rights to its technology?
- Are publications anticipated from the lower tier entity?
- Will individuals at the lower-tier organization be co-authors on articles?

Non-Compensatory Payments

Stipends/Participant Support

Fellowship/Scholarship Payments

Payments for stipends, participant support costs, fellowships, and scholarships, are often complicated and the definitions are often overlapping. In addition to University policies and payment procedures, State Regulations and IRS regulations may also apply. The IRS does not use or acknowledge the terms stipend or participant support. Additionally, usage of these terms is not consistent among sponsoring agencies. All of these factors contribute to the challenge of appropriately budgeting these costs. The explanations below define these terms as they relate to grant and contract budgeting only. Other University units, such as athletics, the graduate college, and various student support service units may use these terms in a different manner.



Stipends / Participant Support

Stipends or participant support costs are payments to individuals for which no services are rendered or required. These payments are requested for the purpose of defraying the costs of educational and/or other incidental expenses directly related to attendance or participation in a University sponsored event, workshop, symposia, conference, or other training or information sharing activity. Recipients of stipends or participant support payments are not involved in providing any deliverables to the University or a third party and cannot be terminated or replaced for unsatisfactory performance.

When budgeting stipends or participant support payments you should list the number of participants, the amount to be paid to each, and provide a brief explanation of the event or activity.

Fellowship / Scholarship Payments

An amount paid for the benefit of an individual to aid in the pursuit of study or research. Fellowship or scholarship payments are not compensation for a service. The fellow or student cannot be required to perform any specific research or teaching activity. The recipient cannot be required to work a specified number of hours per week. The recipient must not be treated as an employee.

Note: It is important to recognize that there may or may not be a tax liability to recipients of stipends, participant support payments, fellowships or scholarships. All payment recipients will be informed by Accounts Payable that it is their responsibility to make that determination. Other issues may arise when planning non-compensatory payments to foreign nationals. Any Principal Investigator considering payment to foreign nationals should plan early and contact Accounts Payable.

◆ Student Fees / Costs

It may be allowable and appropriate to request the payment of student fees on sponsored projects. It is important to note the following:

- Not all sponsors allow student fees.
- Current student fee rates can be found under Proposal Preparation at <http://www.boisestate.edu/research/osp/proposals.shtml>
- Student fees historically have increased at a rate of approximately 6%-10% annually. Multiple year budgets should anticipate such increases.
- When budgeting student fees it is important to consider the period that the fees cover and this must correspond with the period of the proposed work.



◆ TRAVEL

Travel costs are frequently necessary to complete a project. Budget the costs based on your actual travel plans. Some costs may include:

Registration Fees
Airfare or Mileage
Hotel
Per Diem
Car Rental
Taxi Fares

General Considerations When Budgeting Travel:

- Principal Investigators should be familiar with University Travel Policy and Procedures **See University Policy *6180—Travel at:** http://www.boisestate.edu/policy/VI_finance.shtml
- Domestic travel and foreign travel should be listed separately.
- Some agencies require specific written authorization for a particular trip even if it is included in the proposed budget.
- If travel costs are for non-University personnel, they may need to be included as a different line item (i.e., independent contractor travel costs, subcontractors, students from other universities, collaborators from other institutions, etc.).
- Federal regulations require that air travel take place on US-flag carriers.

◆ EQUIPMENT OVER \$5,000

Equipment means tangible, nonexpendable property, having an acquisitions cost of at least \$5,000. Equipment items costing less than \$5,000 should be included in the Other Expenses (OE) section. Many agencies have specific guidance that must be followed when budgeting equipment.

General Considerations When Budgeting Equipment:

- When budgeting for equipment you may include shipping and set-up fees. (These costs do not count toward the \$5,000 threshold.)
- General purpose office equipment (example: desks, office computers) is not allowable except where approved in writing by the funding agency.
- Ownership of the equipment should be considered. Some agencies require that the equipment be returned to the funding agency at the completion of the project.
- Cost estimates for equipment should be justified with vendor quotes or other documentation.



Principal Investigators Should Be Aware of Inventory and Purchasing Policies:

- University Inventory Policies and Procedures.
See University Policy *6270—Control of University Equipment and Materials at:
http://www.boisestate.edu/policy/VI_finance.shtml
- **See University Purchasing Policies and Procedures at:**
<http://www.boisestate.edu/finad/purchasing/>

The timeline for bidding and purchasing specialized equipment should be considered in relation to the project's timeline.

◆ FACILITIES AND ADMINISTRATIVE COSTS (F&A) ALSO KNOWN AS “INDIRECT COSTS”

Facilities and Administrative costs are true costs which must be remanded to Boise State University in order to support the infrastructure necessary to provide services for externally funded projects.

Definitions:

F&A: F&A costs are general operating costs incurred by the University in support of research, instruction, and other sponsored activities. Typically, F&A costs cannot be readily attributed to, or directly charged to, specific individual projects. F&A costs should be included as a separate line item in the budget of each proposal submitted to external funding agencies.

On-campus / Off-campus: Contact your OSP representative to discuss.

Research: Sponsored Research means all research and development activities that are sponsored by federal and non-federal agencies and organizations. This term *includes activities involving the training of individuals in research techniques* where such activities utilize the same facilities as other research and development activities and where such activities are not included in the instruction function.

Research seeks fuller knowledge of a subject and involves investigation aimed at the discovery of new facts or revision of accepted theories. Research projects may include laboratory work, testing and evaluation, questionnaires, pre-and post-tests, and statistical analysis.

Instruction: Sponsored Instruction means the teaching and training activities of an institution established by grant, contract, or cooperative agreement. These activities may be offered for credits toward a degree or certificate or on a noncredit basis, and may be offered through regular academic departments or through separate divisions, such as summer school or extension. **(Research training is not included; it is included under Research, above.)**



“Instruction” includes training, curriculum development, instruction, demonstration, or efforts to improve pedagogical methods. Instructional projects may include some elements of research, particularly if new techniques of instruction or curriculum content are being developed. This does not change the definition of the project to "research."

Other Sponsored Activities (OSA): "Other Sponsored Activities" are programs and projects sponsored by federal and non-federal agencies which involve the performance of work other than instruction and organized research. Examples include health service projects, community service programs, service and technical assistance projects, such as student assistance to corporations and government, and conferences. This category also includes sponsor-designed testing, clinical trials, evaluations, and non-credit community education.

Note: If a proposal is solely to purchase equipment, the project should be coded according to the principal use of the equipment, e.g., research, instruction, or other.

Note: **Projects which cannot be easily coded into one of the above categories should be reviewed by the Office of Sponsored Programs.**

Modified Total Direct Costs: (MTDC): The “modified total direct cost” is the base on which the F&A rate is charged (typically this applies to federal sponsors). It is the sum total of all direct costs less equipment in excess of \$5,000 per unit, capital expenditures, tuition remission, rental costs of off-site facilities, scholarships and fellowships, and the portion of each subgrant and subaward in excess of \$25,000.

Federal Flow-Through: If funds requested from a sponsor originate with a federal agency, the funds are considered to be “federal flow-through” and the F&A rate used for federal grants and contracts may be used if allowed by the sponsoring agency.



Rates Effective July 1, 2009:

FEDERAL SPONSORS:

Research

41% of Modified Total Direct Costs for on-campus projects

26% of Modified Total Direct Costs for off-campus projects

Instruction

50% of Modified Total Direct Costs for on-campus projects

26% of Modified Total Direct Costs for off-campus projects

Other Sponsored Activities

28.5% of Modified Total Direct Costs for on-campus projects

26% of Modified Total Direct Costs for off-campus projects

STATE OF IDAHO AGENCIES

(INCLUDES COUNTY, MUNICIPAL, HEALTH DISTRICTS, AND JOINT PLANNING ENTITIES)

20% of the Total Direct Costs

PRIVATE PROFIT-MAKING OR NON-PROFIT SPONSORS:

25% of Total Direct Costs **OR** the appropriate federal rate, whichever is greater

Steps to determine which F&A rate to apply:

1. Identify the sponsoring agency type. If the funds are not from a federal agency (or federal flow-through) use the appropriate rate for the agency type referenced above.
2. If the sponsoring agency is federal, follow Steps 3-6.
3. Identify if the project is research, instruction, or other sponsored activity (see definitions).
4. Identify if the project will be performed on- or off- campus.
5. Determine the modified total direct costs (see definitions).
6. Multiply the modified total direct costs (MTDC) by the appropriate rate.



Reduction and Waiver of F&A Costs

It is the policy of Boise State University to apply the full relevant F&A cost rate to all externally sponsored projects unless specifically reduced or unallowed by the sponsoring agency. Requests for waivers or partial waivers of the F&A costs are rarely granted by the Office of the Vice President for Research.

Requests for an F&A cost waiver or partial waiver must be initiated by the project's Principal Investigator (PI) and endorsed by the department chair or unit director and college dean. The request is submitted to the Office of the Vice President for Research by the college dean with accompanying justification. The Vice President for Research is responsible for final approval or denial of the request.

The Following Factors Will Be Considered with Every Request for a Waiver of F&A Costs:

- The grounds on which the waiver might be justified to other faculty whose projects carry full overhead;
- The total cost to Boise State University;
- The likelihood that an award would be seriously jeopardized without a waiver and the potential effect of the loss on the faculty member's overall research program;
- The benefit of the waiver to new or junior faculty members or in support of research efforts in new directions which otherwise might not be sufficiently developed to attract typical peer-reviewed awards;
- The effect of a waiver to increase direct costs available for student support.

A Waiver of F&A Costs Will Not be Granted in Cases Where Any of the Following Apply:

- The research is sponsored by a profit-making or foreign organization;
- The research involves any requirements imposed by the sponsor with respect to intellectual property;
- Granting the waiver might appear to establish a precedent for future projects.



◆ **COST SHARING / MATCHING**

Some sponsors will not fund all of the costs of a project. Instead they require the University to contribute to the cost of the project. These costs are referred to as cost sharing or matching.

Types of Cost Sharing:

Mandatory Cost Sharing:

Refers to those costs that are required as a condition of the award.

Voluntary Cost Sharing:

The portion of the project costs offered by the University on its own initiative.

- Cost sharing may be in cash or in-kind. In-kind refers to contributed items that do not require any cash outlay. Volunteer time, for example is an in-kind contribution.
- OMB Circular A-110 regulates the allowability of cost share items. All cost share items must meet the same allowability requirements as those of direct costs.
- Appropriate and allowable cost share items might include salaries, fringe, travel, equipment donated or purchased specifically for and used only on the proposed project, student or third-party volunteers, and unrecovered indirect costs.

General Guidelines Governing Cost Sharing / Matching:

- University strongly discourages voluntary cost sharing. These costs create a liability for the University and require significant additional work to monitor and document.
- Federal funds cannot be used as a cost share on federally-funded or federal flow-through projects.
- All cost share items must be expensed during the period of the project.
- All cost share items must be necessary and reasonable to accomplish the project.
- All cost share items may not be included on any other project.
- Federal regulations specify that cost share cannot be used in proposal evaluations unless it is specified in the evaluation criteria.

Note: Project directors should be aware that they will be responsible for securing appropriate and adequate cost share documentation. Additionally, faculty and staff contributing time from their regularly compensated activities as cost share will be required to certify effort.