

Budget Basics Part 2

F & A Costs and Budget Justifications

Objectives

- Understand F&A and the use of a Negotiated Indirect Cost Rate Agreement (NICRA).
- Create budget justifications to support your proposal's budget components



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Facilities & Administrative (F&A) Costs

Costs incurred for common or joint objectives which **cannot** be allocated to a specific direct cost activity

- Also called Indirect Costs (IDC)
- Facilities (lab and office space)
- Salaries of administrative, clerical staff, custodian, HR staff, etc.
- Libraries and other common buildings
- Building maintenance, utilities

Facilities & Administrative (F&A)

- ❖ Negotiated Indirect Cost Rate Agreement (NICRA)
- ❖ F&A rates are negotiated with a Cognizant Agency who acts on behalf of federal government (OU's NICRA is negotiated with DHHS).
- ❖ Only the Provost, President, VPRP and their legally appointed designees are allowed to negotiate the NICRA or to approve, negotiate, or set a rate other than the full research rate.
- ❖ At OU F&A is applied to a 'base' called Modified Total Direct Costs (MTDC)
- ❖ The MTDC base excludes equipment costing \$5,000 or more, participant support costs, tuition remission, and subaward amounts in excess of \$25,000.
- ❖ When there is a sponsor limitation on F&A rate, Total Direct Cost (TDC) base is use, unless sponsor stipulates MTDC must be used.

Facilities and Administrative (F&A)

Example 1: F&A calculated at full rate of 55% of MTDC

Personnel Salaries & Fringe	\$100,000
Equipment	\$ 20,000
Travel	\$ 5,000
Supplies	\$ 1,200
Tuition Remission	\$ 12,912
Other Direct Costs	<u>\$ 3,000</u>
Total Direct Costs	\$142,112
MTDC	\$109,200
IDC at 55% of MTDC	<u>\$ 60,060</u>
Total Project Costs	\$202,172

Facilities and Administrative (F&A)

Example 2: F&A calculated at sponsor limited rate of 12% of TDC

Personnel Salaries & Fringe	\$100,000
Equipment	\$ 20,000
Travel	\$ 5,000
Supplies	\$ 1,200
Tuition Remission	\$ 12,912
Other Direct Costs	<u>\$ 3,000</u>
Total Direct Costs	\$142,112
IDC at 12% of TDC	<u>\$ 17,053</u>
Total Project Costs	\$159,165

Facilities & Administrative (F&A)

Activity Codes help determine the F&A rate.

- ❖ Organized Research (OR) - 55%
 - All research and development activities
 - Default rate for all proposals, other rates must be requested and approved.
- ❖ Other Sponsored Activity (OSA) - 36.3%
 - Health Service Projects
 - Community Service Programs
 - Delivering a workshop
 - Writing/publication development
- ❖ Instruction - 53.5%
 - Instructional and training activities and may include curriculum development and evaluation of curriculum or teaching

Facilities & Administrative (F&A)

Other factors:

- Off-Campus (26%)
 - More than 50% of project work is taking place off campus.
- OK State Agency (26%)
- Sponsor Limitation

It's possible to have an F&A rate on your project that is different from the one associated with the activity code.

Facilities & Administrative (F&A)

Sponsor Limitations on F&A

- OU usually accepts a sponsor limitation if it is officially established in guidance, solicitation, website, board approval
- A sponsor limitation is normally tied back to the source solicitation/sponsor so if OU is subcontract, we'd accept that limitation.
- When the sponsor limits F&A, you'll usually see an entry for internal cost share commitment on the budget spreadsheet and in routing; this is usually not reported to the sponsor unless it's part of a cost share package.

Facilities and Administrative (F&A)

Examples of IDC limitation

❖ US Department of Education

Indirect cost reimbursement on ED training grants is limited to grantee's actual indirect costs as determined by the grantee's negotiated indirect cost rate agreement or 8% of a modified direct cost base, **whichever is less**. Indirect costs in excess of 8% may not be charged directly, used to satisfy matching or cost-sharing requirements, or charge to another Federal award.

❖ Spencer Foundation

Proposed budgets for this program are limited to \$75,000 and may not include indirect cost charges [per spencer's policy](#)

Cost Share

- ❖ There are three types of cost sharing
 - Involuntary committed (mandatory)—required by the sponsor as a condition of the award
 - Voluntary committed –when the PI or institution volunteers to commit a specific portion of the costs of the project (PI time, matching funds, percentages of cost, etc.). “PI will provide 50% of 1 month effort; no funds are requested from the sponsor”.
 - Voluntary uncommitted-when the PI chooses to provide some unspecified amount of effort or other resources. “PI will provide management of the project; no funds are requested from the sponsor”.
- ❖ If your proposal requires cost share, ORS can provide some info on sources and documentation needed. Sometimes the solicitation will prescribe what is allowed in the cost share package.
- ❖ Do not provide cost share unless you need to, and if possible, show it as unquantified. Quantified cost share must be tracked whether the sponsor includes the reporting of it in the award documents or not and it also becomes an audit issue.

Budget Justifications

- ❖ Narrative representation of expenses in the budget, it explains how the numbers were calculated and provides more information than what the budget spreadsheet provides.
- ❖ OU requires a detailed budget justification at proposal submission regardless of sponsor requirement for a budget justification
- ❖ Some sponsors will have their own budget justification worksheet
- ❖ Sponsor may want budget justification for one year with explanation of differences on additional years or may want one for each year.
- ❖ If the sponsor defined specific budget periods for the budget spreadsheet (calendar year, fiscal year, tasks), the justification should follow that same format.

Budget Justifications

- ❖ **Personnel** - OU employees or people who will become employees if the grant is awarded
- ❖ **Fringe Benefits**
- ❖ **Equipment** - how many, what type, if parts being fabricated (basis of estimate or cost: catalog prices, PI experience, quotes)
- ❖ **Participant support** – include number of participants
- ❖ **Travel** – purpose, where to, number of days, method of travel. A table can be helpful if there is a lot of travel.

Budget Justifications

❖ Other Direct Costs

- Materials and Supplies - how many, what type, (basis of estimate or cost: catalog prices, PI experience, quotes)
- Publication Costs/Document Dissemination – might include cost per article.
- Consultant/Vendor Services – need to include information on their tasks, hourly/daily rate and number of hours/days.
- Computer Services
- Subcontracts - provide the name of subcontract organization(s) and the total they will be receiving. The sponsor usually requires a full subcontract budget and justification with the submission.
- Tuition Remission
- Shipping Costs
- Incentives – how are they being provided (gift cards, cash, etc.)
- Other – provide information on each item and expense

❖ Indirect Costs

Revisions, Modifications, Supplements

- ❖ Revisions to budget are common prior to award; normally with a reduction.
 - PI should notify ORS if they receive any notices of a possible revision.
 - Opportunity to update salaries, fringe, tuition, and IDC rates
- ❖ Modifications can occur after award may impact the budget
 - Rate changes
 - Shifting of funds between categories (as allowed)
- ❖ Supplements are usually tied to the original awards rates and can be for a variety of purposes
 - Addition of personnel to achieve objectives
 - Change in scope of work/objectives
 - Research Experience for Undergraduates (REU)
 - Conference/Meeting travel
 - Special assistance/needs
 - Diversity opportunities

ORS Contacts

- ❖ RIS@ou.edu will answer questions or put you in contact with the appropriate person to answer your questions for anything pre-award/Office of Research Services (ORS) related.
- ❖ Submit an Infosheet and someone from ORS will contact you
<https://ors.ou.edu/proposal/infosheet/infotype/CMSIinfosheet.asp>
- ❖ Center for Faculty Excellence (CFE) provides proposal assistance and some training cfe@ou.edu
- ❖ If your question is related to post award, then contact Research Financial Services (ReFS) refsinfo@ou.edu

QUESTIONS?