

Preparing Project Budgets

Presented by



THE RESEARCH ADMINISTRATION IMPROVEMENT NETWORK

Workshop Overview

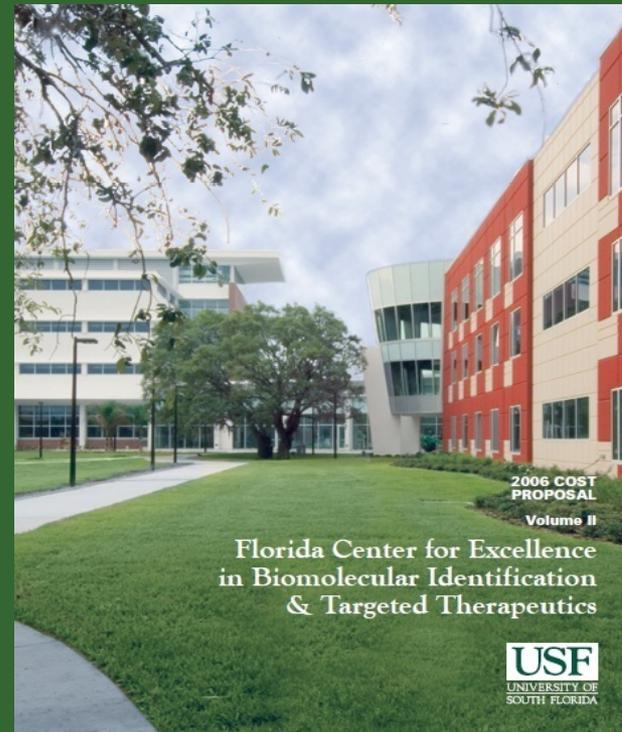
This workshop provides information on the following:



- About Proposal Budgets
- Sponsor Guidelines
- Budget Formats
- Project Costs
- Major Cost Categories
- Preparing the Budget
- Budget Justification
- Determining Salaries and Wages
- Equipment
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- Consultant Services
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- Subcontractor/Contractual Costs
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- Patient Care Costs
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- Other Expenses
- Cost Sharing
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- Indirect Cost Rates
- Modified Total Direct Costs (MTDC)
- Total Direct Costs (TDC)
- 3-Minute Budget Preparation Tool

About Proposal Budgets

A proposal budget is a detailed breakdown of the financial support requested from the sponsor. The budget should reflect the best estimate of the costs requested to carry out the work outlined in the project narrative.



Refer to: <http://www.research.usf.edu/manual.asp?id=7093>

About Proposal Budgets continued

When the university receives an award, the approved budget becomes part of the agreement between the university and the sponsor. Only those costs that are included in the budget (or re-budgeted costs allowed by the sponsor) should be directly charged to the award.

If an expense requires prior institutional and/or sponsor approval after the award is made, approval must be secured before the expense is incurred. Therefore, it is important to develop a budget that will enable the principal investigator to fulfill the programmatic requirements of the project.

Every effort should be made to develop a budget that meets all anticipated project needs and will require minimum modifications during the research financial management period.

Refer to: <http://www.research.usf.edu/manual.asp?id=7093>

Review Sponsor Guidelines

Most sponsors provide detailed instructions for budget preparation; many provide budget forms or require a specific format.

If guidelines (RFA, RFP, etc) are available, the Department Research Administrator should review the documentation and provide the PI with guidance on any limitations identified in the document.

If no guidelines are available, contact the sponsor regarding any limitations, restrictions or requirements.

Always review the sponsor guidelines before preparing a proposal budget!

4.6 Selecting the Appropriate Budget Component

The application forms package associated with most NIH funding opportunities includes two optional budget components—(1) R&R Budget Component, and (2) PHS398 Modular Budget Component. NIH applications will include either the R&R Budget Component or the PHS398 Modular Budget Component, but not both. (Note AHRQ does not accept modular budgets.)

To determine which budget component to use for NIH applications, consult the modular budget and foreign grantee guidelines below. Additional guidance may also be provided in the specific funding opportunity announcement.

Modular Budget Guidelines. Modular budgets are applicable to certain research grant applications requesting \$250,000 or less per year for direct costs. Note, consortium/contractual F&A costs are not factored into the direct cost limit. Consortium F&A costs may be requested in addition to the \$250,000 limit. Modular budgets are simplified; therefore, detailed categorical information is not to be submitted with the application. The modular budget is applicable only to R01, R03, R15, R21, and R34 applications.

Instructions for completing a Modular Budget Component can be found in [Section 5.4](#). Instructions for completing the R&R Budget Component are provided in the next section.

Foreign Grantee Budget Guidelines. All competing (new, renewal, resubmission, and revision) grant applications from foreign (non-U.S.) institutions must include only detailed (non-modular) budgets. For additional information, see NIH Guide Notice NOT-OD-06-096, <http://grants.nih.gov/grants/guide/notice-files/NOT-OD-06-096.html>.

Applications from foreign (non-U.S.) institutions submitted via Grants.gov must follow the Research & Related Budget Component instructions and must complete and submit the Research & Related Budget forms. Applications from foreign organizations must request budgets in U.S. dollars.

4.7 R&R Budget Component

The R&R Budget component includes three separate data entry screens: (1) Sections A and B; (2) Sections C through E; and (3) Sections F through K. To navigate between the various screens, use the "Previous" and "Next" buttons at the top of the form or use the scroll bar on the side of the screen. Complete the R&R Budget component following the instructions provided. You must complete a separate

Part I: Instructions for Preparing and Submitting an Application I-69

Sponsor Guidelines – Federal and Federal Flow-Through

Federal and federal flow-through project budgets must comply with sponsor budget guidance, university guidelines and Office of Management and Budget, [OMB Circular A-21, Cost Principles for Educational Institutions](#).



Sponsor Guidelines – Federal and Federal Flow-Through continued

The program announcement should identify applicable administrative regulations, in addition to [OMB Circular A-21](#).

Examples:

- NIH & HHS Grants Policy Statements
- Federal Acquisition Regulations
- Defense Federal Acquisition Regulations
- NSF Award & Administration Guide

Sponsor Guidelines – State and Local Government



Funding received from the State of Florida or local governments may be derived from one or more sources such as:

- General revenue
- Special state, county or local government funds
- Flow-through dollars that may be federal in origin

The Department Research Administrator should confirm all sources of funding at the proposal or contract negotiation stage.

Sponsor Guidelines – State and Local Government continued

State and local project budgets must comply with applicable State of Florida administrative policies and regulations, as well as university guidelines.

If the funding includes federal flow-through dollars, all budgeted costs must comply with [OMB Circular A-21](#), in addition to applicable State of Florida administrative policies and regulations, and university guidelines.

- The project chartfield will include the federal fund code designation.

Sponsor Guidelines – Private

Budgets developed for private entities such as foundations, corporations and non-profit organizations must comply with sponsor requirements and university guidelines.

In addition to the program announcement, applicable financial guidelines and administrative requirements may be available via the sponsor website.

Determine Required Budget Format

The program announcement or application instructions will specify the appropriate budget format. It is essential to comply with the budget format specified by the sponsor. Often templates are provided to be completed and submitted with the proposal.

Refer to the program announcement and any other sponsor instruction or guidelines regarding the degree of detail required.

Special Instructions for Modular Grant applications

R01 applications from U.S. institutions/organizations requesting up to \$250,000 per year in direct costs (excluding consortium F&A costs) must be submitted in a modular budget format. Additional information on modular budgets is available at <http://grants.nih.gov/grants/funding/modular/modular.htm>. When submitting a modular budget, the applicant organization will include only the PHS398 Modular Budget component. See Section 5.4 of the SF424 (R&R) Application Guide for further instructions regarding the use of the PHS398 Modular Budget component. Foreign organizations may not submit modular budgets. See [NOT-OD-06-096](#).

Budget Formats continued

Some budget templates do not display a detailed cost breakdown. A more extensive cost analysis may be required in the budget justification.

The budget justification or narrative provides additional detail to support the data entered into the budget template.

Budget Formats - Categorical

Categorical (Detailed) Budgets:

- Provide a breakdown of costs within each budget heading.
- The degree of detail required should be specified in the program announcement and reflected in the budget template.

The [3-Minute Budget Preparation Tool](#) can be used to calculate budget expenses for all sponsors. Designed for [Grants.gov](#) budget submissions, the data displayed on the Summary tab follows the SF 424 (R&R) detailed budget format.

Budget Formats - Modular

Modular Budgets:

- Are built in funding increments of a specific dollar amount. For example, NIH formats are often budgeted in modules of \$25,000, up to the modular limit of \$250,000.
- May require less detailed information in general.
- Should provide information regarding personnel, consortium agreements and other costs that require prior sponsor approval (such as equipment and foreign travel).

NIH Modular Research Grant Applications	
Who Must Use the Modular Grant Application?	Required on new, competing continuation, and revised (amended) applications, as well as for competing supplements that request up to a total of \$250,000 Direct Costs (Less Consortium F&A) and fall in one of the following mechanisms: <ul style="list-style-type: none">• Research Project Grants (R01)• Small Grants (R03)• Academic Research Enhancement Award (AREA) Grants (R15)• Exploratory/Developmental Research Grants (R21)• Clinical Trial Planning Grant Program (R34)• Some RFA/PAs

Click to view a Modular Budget Sample: http://grants.nih.gov/grants/funding/424/SF424R-R_PHS398_ModularBudget_Sample.pdf

Budget Formats – Unit or Deliverable Based

Fixed Fee (Fixed Price) Budgets:

- Based on a fixed payment amount to perform a specified scope of work and/or to complete certain products or deliverables.
 - Negotiation of a fixed fee award requires development of a detailed budget and budget justification to ensure that the fixed fee is sufficient to cover all anticipated costs.
- Total payment is restricted to the negotiated fixed fee, regardless of actual costs incurred to fulfill the scope of work and deliverable requirements.
 - The budget becomes part of the negotiation documentation between the university and sponsor.
- Fixed Fee awards are usually contracts or procurement mechanisms.

Project Costs

Projected costs for federal and federal flow-through projects must be prepared with great care and conform to the policies as prescribed in [Circular OMB A-21](#) in conjunction with the [Cost Accounting Standards](#) and applicable [USF policies](#).



OMB A-21 identifies allowable direct and indirect cost categories and establishes standards for consistency in the treatment of costs for institutional accounting, the A-21 regulations apply to grants, contracts, and other types of awards accepted by the university.

To learn more about Cost Accounting Standards, refer to the online training module:
http://www.research.usf.edu/training/PI_Awareness/pia_fcp.htm

Direct Costs vs. Indirect Costs [Facilities & Administrative (F&A) Costs]

The cost of a sponsored agreement comprises the allowable direct costs, plus the associated F&A costs.

Direct Costs

"... those costs that can be identified specifically with and relate directly to a particular sponsored project..."

Facilities & Administrative (F&A) Costs

"...those that are incurred for common or joint objectives [of the university] and, therefore, cannot be identified specifically with a particular sponsored project..."

Major Cost Categories of a Proposal Budget

Direct Costs include the following major categories:



- [Salaries/Wages](#)
 - [Fringe Benefits](#)
- [Consultant Services](#)
- [Equipment](#)
- [Supplies](#)
- [Travel](#)
- [Patient Care Costs](#)
- [Human Subjects and Focus Groups](#)
- [Training Group Participants](#)
- [Alterations and Renovations](#)
- [Training Expenses](#)
- [Subcontractor/Contractual Costs](#)
- [Other Expenses](#)

Note: Refer to the sponsor guidelines for appropriate cost categories.

Preparing the Budget

A carefully prepared budget can often identify weak areas in the proposal narrative.

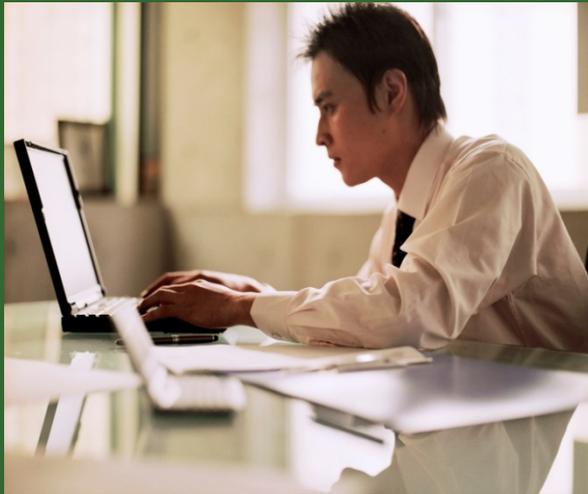
Accurate and detailed budgets strengthen the overall proposal and contribute to its quality.

It is the responsibility of the Department Research Administrator ([administrative staff](#)) to review proposal budgets and determine that all costs are allowable and allocated correctly between direct and indirect cost categories.



Refer to: <http://www.research.usf.edu/manual.asp?id=7093>

Budget Justification/Narrative



The budget justification is an explanation of the costs of each budget line item. It provides the sponsor and reviewers with information why costs are programmatically necessary and how they are calculated.

Reviewers will analyze the budget and scope to determine reasonableness.

The budget narrative or justification provides an opportunity to explain budgeted items in greater detail and describe how they benefit specific project activities.

Determining Salaries/Wages

Budgeted salaries and wages should accurately reflect the current compensation level of employees who will provide effort to the project, including positions to be recruited. If it is provided by the sponsor, consider the anticipated start date for the project when calculating year one salaries and wages.

The amount of salary requested should be in proportion to the amount of "effort" each resource will spend on the project.

Realistic salary increases should be built into the budget. Summer salaries for faculty appointed on an academic year base should be projected at the per-month rate of one-ninth of the academic year salary.



Refer to the [3-Minute Budget Preparation Tool](#) for person month calculations.

Determining Salaries/Wages continued

A detailed budget may require the following information per person for each budget period:

- Name
- Degree(s)
- Project Role
- Level of Effort
 - Sponsor may require effort to be expressed as percentage effort or as person months.
 - To assist in determining person months, the [3-Minute Budget Preparation Tool](#) provides a person month calculator:

If you are unsure of what to write for Cal. Months, Acad. Months, and Sum. Months, please use this calculator.				
Appt Type	Percent Effort	Cal. Months	Acad. Months	Sum. Months
Annual	25%	3	0	0

- Institutional Base Salary
- Salary/Wage Amount
- Fringe Amount
- Total Amount

The [budget justification](#) should describe the role of each resource, professional and nonprofessional, even if salary is not requested.

Proposal Budget Considerations – Salaries and Fringe

- Faculty, Administration, Staff and OPS
 - Salary cap for NIH grants: http://grants.nih.gov/grants/policy/salcap_summary.htm
- Cost-of-Living Adjustment (COLA) and Merit-Based Adjustment Increases
- Inflationary Adjustment
 - Typically 3% - 4%: <http://www.research.usf.edu/sr/dsrfs.htm#ECI>
- Extra Compensation
 - Guidelines: http://www.research.usf.edu/files/policies/Extra_Comp_Guidelines_Research.doc
 - Policy: <http://files.acad.usf.edu/facprogdev/19945.doc>
 - Procedure: <http://files.acad.usf.edu/facprogdev/21798.doc>
 - Form: <http://usfweb2.usf.edu/human-resources/pdfs/employment-center/request-extra-comp.pdf>
- Fringe Benefit Calculation Rates: <http://www.research.usf.edu/sr/dsrfs.htm#FBR>

Calculating Salaries/Wages

Current USF employee salary information can be found in GEMS (Global Employment System), USF's enterprise business system that tracks payroll and other human resource related information. For access and general GEMS information refer to the [GEMS website](#).

Note: 9-month faculty health insurance premiums are doubled in February, March and April to cover the months of June, July and August. To ensure that the appropriate salary data is collected from GEMS, please consult HR or your department HR liaison.

Fringe benefit rates are based on two calculations and can be found on the [Sponsored Research Fact Sheet](#).

- The total salary/wage request per person is multiplied by the appropriate "regular" fringe rate to account for FICA, Medicare, workers compensation, unemployment compensation and retirement.
- The employer contribution to health insurance is determined based on each individual's type of enrollment: i.e., family, spouse, single or none. Health insurance enrollment may be confirmed by generating payroll registers in GEMS. Positions to be recruited should be budgeted for family coverage.

Once the basic salary and fringe rates have been obtained, use the [3-Minute Budget Preparation Tool](#) to calculate the project budget amounts.

Equipment



OMB A-21, Cost Principles for Educational Institutions, Section J, Item 16, "Equipment" is defined as:

- An article of nonexpendable, tangible personal property
- Having a useful life of more than one year
- An acquisition cost which equals or exceeds the lesser of the capitalization level established by the organization for financial statement purposes, or \$5,000.

The equipment threshold amount for USF is \$5,000, per Florida Statute 273.02.

Equipment costing less than \$5,000 is considered a supply expense. For federal projects equipment expenses are excluded from the indirect cost calculations.

Refer to CCHIP #018, Purchasing Equipment on Sponsored Awards :

http://usfweb2.usf.edu/UCO/research/CCHIP018_Purchase_Equipment_on_Sponsored_Awards_final.pdf

Proposal Budget Considerations – Equipment

- Equipment should be budgeted according to the university's definition:
http://www.usf.edu/purchasing/rules-redtape/rules_A-F.htm#equipment
- Many agencies will approve an equipment purchase for specific scientific purposes contingent on the availability of that equipment at the university.
- The specific acquisition cost of any piece of required permanent equipment must be listed in the budget, and justification of need must be detailed in the budget justification.
- Some agencies require price reference and detailed stock numbers from catalogues, especially for contractual agreements.
- If freight and installation charges are to be billed on the same invoice as the piece of equipment, these charges should be included in the acquisition cost.
- Maintenance costs should be listed in the "other" or "expense" direct cost category.

Travel

All travel (travel expenses include transportation, lodging, meals and incidentals) must benefit the research project. Typical examples are fieldwork and attendance at scientific conferences to present research findings.

Travel expenses should be specific and detailed, as reviewers carefully scrutinize this category. The [budget justification](#) should include the purpose, destination and time frame for travel.

Contact the [USF Travel Department](#) for allowable rates, or visit [COMPASS](#) for more information.

Please see the [State of Florida Statutes Related to Travel](#) for policies and procedures.



Proposal Budget Considerations – Travel

- Sponsors usually require designation of domestic vs. foreign travel.
- Prior sponsor approval is normally required to incur project costs related to foreign travel.
- Refer to sponsor guidelines regarding the definition of foreign travel, which may differ from the university definition.
- Refer to sponsor guidance to determine if a detailed cost breakdown is required versus an estimate of total costs/trips/persons.



Domestic vs. Foreign Travel

Domestic Travel:

Travel should be requested on the basis of actual expenses for lodging, meals and round trip economy airfare, ground transportation, and any other specifics that can be detailed. Some agencies have maximum per diem limits. Refer to [Florida Statute 112.061](#) for information and domestic per diem rates.

Foreign Travel:

[Foreign Travel](#) requests must specify the destination, and the [US Department of State](#) foreign per diem rates should be used. Many federal agencies no longer cover travel for conference attendance unless personnel are presenting in the program and/or the meeting has direct relevance to the research project. Consult a travel agency for airfares (**only American flag carriers may be used**).

When maximum allowed by the sponsored and the maximum allowed by USF are different, the lesser of the two shall apply. If the sponsored rates are less than the University's current allowances, an explanation should be entered into the comment field of the Expense Report page in the Travel Module.

Refer to the USF Travel Policy Manual: <http://usfweb2.usf.edu/proced/fiscal/uco/travel/policymanual.doc>

Training Group Participants

Training Group Participant costs include payments to individuals participating in educational programs. The budget justification should include a breakdown of costs per trainee.

Training Group Participant costs are subject to university and sponsor guidelines.

Examples of participant support costs include:

- Fees
- Tuition
- Stipends
- Travel
- Subsistence (living expenses)
- Other miscellaneous expenses



Supplies

Laboratory/Research Supplies:

These should be itemized by general classification (glassware, chemicals, questionnaires, etc). Some agencies require itemization and justification for all expenditures greater than \$1,000.

Animal Costs:

Comparative Medicine per diem rates can be found at http://www.research.usf.edu/cm/ppd_a.htm.

These costs are normally contained within the supplies section of a proposal.



Publications

Publication costs include the anticipated costs of documenting, preparing, publishing, or otherwise making available to others the findings and products of the work conducted under the project, including the costs of reprints, page charges and illustration costs if needed. Supporting information should be included in the budget justification.

Costs of typing, editing, graphs, illustrations, and all other costs prior to printing are not considered publication costs, and may be covered in the "other cost" category.



Consultant Services

A consultant is an individual who provides specific professional advice and expertise to a research project on a limited basis, normally for a fee. While a set rate is not utilized, [consultant fees must be reasonable](#).

Consultant or lecturer charges for travel, lodging, per diem and professional fees may be included in the budget, but should be justified carefully. The [budget justification](#) should include the time period of the consultant's service, while the narrative should include an explanation that the specific expertise either does not exist on campus or is not easily available. Some consultants may provide their services without charge, but they should still be identified in the budget.

Federal employees may not be paid from federal grant funds, nor can USF faculty be paid a consultant fee on a grant.

A Consultant is not the same as a Contractor. A Contractor is an entity that enters into a formal agreement to conduct **significant portions** of the work described in the research plan.

Refer to the [COMPASS](#) procedures and the [Independent Contractor Consulting & Professional Services Worksheet](#).

ADP/Computer Services

Automatic Data Processing (ADP)/Computer Services costs include computer-based retrieval of scientific, technical and education information.

The budget justification should include the established computer service rates, if applicable.



Subcontractor/Contractual Costs

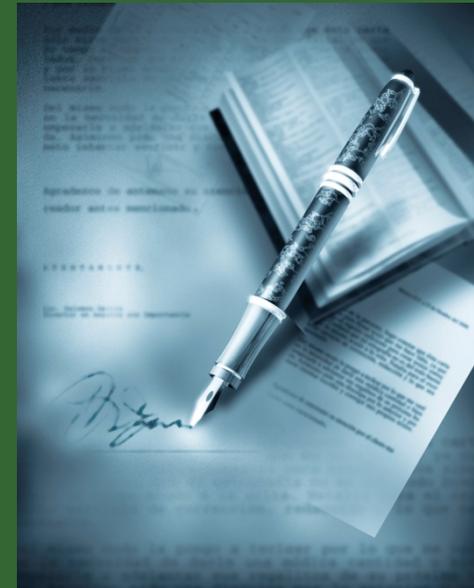
When [subcontracts](#) are necessary for a project, the total dollar amount must include the direct as well as indirect costs of the subcontracting party. These will appear as a direct cost in the USF proposal budget.

Refer to the [SF424 \(R&R\) Application Guide for NIH and Other PHS Agencies, Section 4.8 Special Instructions for Preparing Applications with a Subaward/Consortium.](#)

Federal projects are subject to the assessment of [USF indirect cost on the first \\$25,000 of each subcontract.](#)

Entities working under a contract (sometimes referred to as consortium institutions) are provided a certain degree of autonomy in their work. Contractual agreements require the contractor to provide the university with a detailed budget, which is incorporated in the proposal application and detailed in the [budget justification.](#)

Note: Contact [Sponsored Research](#) for guidance on indirect cost rates for subcontractors.



Proposal Budget Considerations – Consultants and Subcontractors

- Proposed costs should be reasonable, allocable and allowable.
- Some sponsors impose a daily cap on consultant rates; please refer to sponsor's guidelines for details.
- Subcontract budgets should include both direct and indirect (F&A) costs.
- Subcontractor and consultant roles should be described within the proposal narrative.
- Authorized subcontract representative / consultant should provide letter of intent confirming their roles in the project and rate / charge for services.
 - [Template: Letter of Intent – NIH Consortium](#)
- If the proposal includes funding for subcontractors, but identification of one or more institutions will occur after receipt of the award, prior sponsor approval may be required before executing agreements with those institutions.
- If foreign subcontractors are identified, refer to the sponsor guidelines regarding any potential restrictions or limitations, e.g., export control, allowable subrecipient F&A rates.

Note: To ensure that the appropriate relationship ([contractor vs. consultant](#)) is documented, please consult [Purchasing and Property Services](#).

Equipment or Facility Rental/ User Fees

Rental costs are allowable to the extent that the rates are reasonable at the time of the decision to lease in light of such factors as rental costs of comparable property, if any; market conditions in the area; the type, life expectancy, condition, and value of the property leased; and available alternatives.

Each rental user fee should be identified in the budget justification.
Please check the sponsor's guidelines.

Alterations and Renovations



This category is normally restricted to facilities and construction awards.

Most universities typically treat alterations and renovations as indirect cost allocations.

Please check the sponsor's guidelines.

Tuition

- USF Research & Innovation [guidelines](#) require tuition for eligible graduate students be included in the budgets when allowed by sponsors.
- Tuition may be budgeted at in-state or out-of-state fee levels, as appropriate.
- Budgeting for out-of-state tuition fees is highly desirable.

Patient Care Costs

To be considered an allowable Patient Care Cost, the charges must be over and above the routine costs of a subject's hospital visit. For federal and federal flow-through budgets, patient care costs are excluded from the indirect cost calculations.

Patient Care Costs are not the same as Human Subject costs.



If the patient was admitted to the hospital for the sole purpose of participating in a research project, all applicable patient care costs may be charged to the grant.

If reimbursement is requested for in-patients participating in the research, the negotiated hospitalization fee must be stated, along with the required number of patient days.

Outpatient charges may also include transportation and an escort, if required. These costs should be detailed in the budget justification.

For information on Medicare coverage of costs associated with clinical trials, refer to:
<http://www.cms.hhs.gov/ClinicalTrialPolicies/Downloads/finalnationalcoverage.pdf>

Human Subjects and Focus Groups

Human Subject and Focus Group costs include payments to individuals participating in research and clinical programs.

Human Subject and Focus Group costs are subject to university and sponsor guidelines and are not the same as Patient Care costs.

These costs should be detailed in the budget justification.



Other Expenses

This category also includes miscellaneous items such as:

- International long distance telephone charges
- Copying charges
- Postage
- Utilities
- Meeting costs
- Food (check sponsor allowability)

Refer to: http://www.research.usf.edu/sr/CAS_Policies_and_Procedures_3.htm

Cost Sharing

In general, cost sharing is the portion of allowable costs contributed to the project that are not paid for by the sponsor. In other words, it is the portion paid by USF and/or a third party.

Cost sharing can be mandatory or voluntary:

- Mandatory - Required by the sponsor and must be included in the proposal.
- Voluntary - Resources offered which were not required for proposal consideration.

Proposed cost share should be limited to the minimum requirements mandated by the sponsor. Voluntary cost sharing, other than salary cap related cost share, is **highly discouraged** and requires approval.

Refer to USF System Policy 0-313, Sponsored Research Cost Sharing:

<http://generalcounsel.usf.edu/policies-and-procedures/pdfs/policy-0-313.pdf>

Committed Cost Share

Committed	Mandatory	<ul style="list-style-type: none"> ➤ Required by sponsor ➤ Must be documented ➤ Must be reported to sponsor
	NIH Salary Cap (voluntary)	<ul style="list-style-type: none"> ➤ Researcher's salary exceeds sponsor's maximum ➤ Must be documented ➤ May require reporting to the sponsor
	Voluntary	<ul style="list-style-type: none"> ➤ Volunteered by investigator in proposal ➤ Must be documented ➤ May require reporting to sponsor
Uncommitted	Voluntary	<ul style="list-style-type: none"> ➤ Not included in proposal or contract ➤ Does not need to be documented ➤ Not reported to the sponsor

Cost share commitments are identified and described in the budget justification, **but may also be inferred by information provided in the scientific/technical proposal narrative.**

In either case (voluntary or mandatory), once the sponsor awards the project, the cost sharing proposed is considered **committed cost sharing**. Once committed, the cost share must be met and appropriately tracked as expenditures.

Cost share commitments must comply with USF and sponsor guidelines and cost principles.

Refer to: <http://www.research.usf.edu/sr/costsharing/>

Program Income

Program income is gross income earned by the university that is directly generated by a supported activity or earned as a result of a sponsored award.

Examples of Program Income include:

- Income from fees or services performed;
- Use or rental of real or personal property acquired utilizing project funds;
- Sale of commodities or items fabricated under an award;
- License fees and royalties on patents and copyrights;

Always **include anticipated program income** in the proposed budget.

With sponsor approval, program income may be used to finance all or a portion of the university-share of project costs.



Refer to CCHIP #008, Accounting for Program Income Related to Sponsored Projects:
http://usfweb2.usf.edu/UCO/research/CCHIP008_Accounting_Program_Income.pdf

Program Income continued

Three options/alternatives are available for the utilization of program income related to federal awards. If the award terms and conditions do not specify an alternative, default alternatives are noted below. The [budget justification](#) should indicate the option used. Failure to disclose the intent of generating program income may result in the treatment of program income per the deductive method.

- **Additive Alternative** - Program income may be utilized over and above the total federal and non-federal share. The additive method is the default for research awards.
- **Deductive Alternative** - The federal and non-federal share of the project is reduced by the amount of program income expenditures. The deductive method is the default for non-research awards.
- **Matching or Cost Sharing Alternative** - Program income may be used to meet committed cost share, in part or in whole.

If making application to a non-federal sponsor, refer to the application forms and instructions, and sponsor award management policies and procedures for information regarding the treatment of program income. In the absence of available information regarding program income, contact the sponsor for guidance.

Indirect Cost Rates

Indirect costs are calculated on a percentage of the direct costs of the project.

All proposals must use one of USF's negotiated indirect rates.

- The appropriate [USF negotiated indirect rate](#) is applied to all federal and federal flow-through awards using a Modified Total Direct Cost Base ([MTDC](#)).
- For all awards other than federal and federal flow-through, the appropriate [USF negotiated indirect rate](#) is applied to the Total Direct Cost ([TDC](#)) base.
- If a sponsor has formal guidelines indicating a lower rate, USF will accept the lower rate.
- Letters indicating a sponsor's refusal to pay our negotiated rate is not acceptable. We must have reference to an official rule or published guideline. Contact [Sponsored Research](#) for assistance.



Modified Total Direct Cost (MTDC)

MTDC consists of all:	Excluded from the MTDC calculations are:
<ul style="list-style-type: none">• Salaries and Wages• Fringe Benefits• Materials and Supplies• Participant Costs• Meeting Costs• Services• Travel• The first \$25,000 of each subgrant and subcontract regardless of the period covered by the subgrant or subcontract.	<ul style="list-style-type: none">• Equipment• Alterations and Renovations• Patient Care• Tuition• Space Leasing• Utilities• Scholarships• Fellowships• Stipends• The portion of each subgrant or subcontract in excess of \$25,000.

Always consult the program guidelines for exceptions to the example above.

Total Direct Cost (TDC)

TDC consists of all:

- Salaries and Wages
- Fringe Benefits
- Materials and Supplies
- Participant Costs
- Meeting Costs
- Services
- Travel
- Equipment
- Alterations and Renovations
- Patient Care
- Tuition
- Space Leasing
- Utilities
- Scholarships
- Fellowships
- Stipends
- Subgrants and subcontracts in full.

Total Direct Cost (TDC)
means no exclusions.

Direct Charging of F&A Costs for Federal and Federal Flow-Through (CAS Exceptions)

Exceptions to federal cost accounting standards (CAS) must be requested in the budget.

Exceptions must comply with [USF Research & Innovation costing guidelines](#).

Written [justification](#) must be provided for each exception.

Refer to CCHIP #003, Direct Charging Administrative and Clerical Costs to Sponsored Projects:
<http://usfweb2.usf.edu/UCO/research/CCHIP3DirectChargingofAdmin.pdf>

CAS Exceptions Requiring Narrative Budget Justification:

- Administrative and clerical salaries (salaries/wages and fringe benefits)
- General office supplies (expense)
- Postage (expense)
- Local telephone installation and maintenance; cell phones (expense)
- Individual memberships and subscriptions (expense)
- General purpose equipment (equipment)
- Foreign travel (travel)

Fees

Occasionally a program announcement will allow the inclusion of a Small Business Innovation Research (SBIR)/Small Business Technology Transfer (STTR) “fee.”

Include fees **ONLY** if the program announcement specifically allows the inclusion of a SBIR/STTR fee.

Please check the sponsor's guidelines.

3-Minute Budget Preparation Tool

The [3-Minute Budget Preparation Tool](#) can be used to calculate budget expenses for all sponsors.

The tool is specifically designed to follow the Grants.gov, SF 424 (R&R) detailed budget format.

Congratulations



You have completed this training module!