# Stephen F. Austin State University
# Grants and Contracts Procedures Manual (GCPM)

**Adopted by SFA policy 8.3**

# PART 3 - Prepare a Grant Application

**Standard Proposal Information (Contacts, EIN, DUNS, Fringe Benefit rates, IDC, etc.)**

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## Standard Proposal Information

The following information is needed for the submission of some grant applications. Contact ORSP if you need any information not provided below.

| | |
|---|---|
| **OFFICIAL ADDRESS\*** **REQUIRED for federal applications** **Submitting Organization (Applicant)** (\*for DUNS, CCR, and SAM) | **Stephen F. Austin State University** **1936 North Street** **Nacogdoches, Texas 75965-3940** |
| For applications REQUIRING 501(c)(3) status [Please contact the Office of Development or SFA Foundation staff.] | Stephen F. Austin State University Foundation, Inc. P.O. Box 6092, SFA Station Nacogdoches, Texas 75962-6092 |
| Address for Official Correspondence | Stephen F. Austin State University Office of Research and Graduate Studies PO Box 13024 Liberal Arts North, Room 421 Nacogdoches, Texas 75962 Physical address: 1936 North Street |
| Type of Organization | Public Institution of Higher Education |
| U.S. Senate U.S. Congress Texas Senatorial District Texas House of Representatives District | Senator John Cornyn and Senator Ted Cruz Congressional District 1 - Congressman Louie Gohmert (TX-001) Senate District 3 - Senator Robert Nichols House District 11 - Representative Travis Clardy |
| Authorized Organizational Representative (AOR) - *signatory authority for all proposals, certifications, and contracts* | Scott Gordon, President *or his designated authority* |
| Financial Contact Mailing Address for Checks | Dannette Sales, Controller Phone: 936.468.2303 Office of the Controller P.O. Box 13035, SFA Station Nacogdoches, Texas 75962 |
| Contact for Contractual Matters | Jennifer Hanlon, Assistant Director Office of Research and Graduate Studies P.O. Box 13024, SFA Station Nacogdoches, Texas 75962 |

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| | Phone: 936.468.6606 |
| Principal Investigator or Project Director | Faculty Name (or investigator to serve as project contact if there are co-investigators) |
| SFA Employer ID Number (IRS EIN)<br>System for Award Management - SAM (CCR)<br>DUNS Number (parent location)<br>CAGE Code<br>FICE Code<br>TEA County-District Number (CDN)<br>SFA Charter School CDN<br>State Agency Number<br>Federal Non-Profit Status | 75-6002514<br>Valid until **June 22, 2021**; POC - Dannette Sales<br>073894727<br>3EXP9<br>362400<br>174-501<br>174-801<br>755<br>Governmental entity, Section 170, IRS Code, 1986 |
| Fringe Benefit Rates **(estimates FY20)**<br>*See fringe benefit rate table (below) for additional information and rates for part-time employees, retirees, and additional compensation* | **30% of salaries or wages (faculty and staff)**<br>2% of salaries or wages (all students)<br><br>*If you are on a family health insurance plan, you should budget 40% of salary for fringe benefits.* |
| Indirect Cost (IDC) Rates<br>Negotiated Indirect Cost Rate Agreement (NICRA)<br><br>*Use for all grants and contracts (unless a different rate is required by the sponsor)* | **Effective rate for projects awarded on or after 9/1/17:**<br><br>*31.28% MTDC (on-campus); 10% MTDC (off-campus)*<br><br>Effective rate for projects awarded prior to 9/1/17:*31% MTDC (on-campus); 10% MTDC (off-campus)*<br><br>*MTDC excludes capital equipment items >/=$5,000, scholarships, fellowships, and the portion of each subgrant or subcontract in excess of $25,000.<br><br>Cognizant Agency: Department of Health and Human Services (DHHS)<br><br>Date of agreement: 06/20/2017<br><br>Effective dates of agreement: 09/01/2017 - |

| | 08/31/2021 or until amended |
| --- | --- |
| | Type of Rate: Predetermined |

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## Proposal Processing and Submission Procedures

**Administrative Review and Clearance Process** - All external funding proposals must be approved <u>prior to submission</u> by the appropriate department chair(s), college dean(s), vice president(s) and the president.

**Per SFASU policy and procedure, all contracts, grants, online and paper submissions, require prior approval of the Provost/VPAA and the President** or delegated authority and require completed Proposal Clearance and Compliance Forms. This includes submission with SFASU as a contractor or subaward.

*Deans and academic chairs/directors are responsible for reviewing grant proposals and contracts. Their signature on the PCF and the REA verify that they assure the proposed commitments of unit resources are feasible and realistic, and that the proposal supports the mission of the university. This includes confirming that the following are appropriate, as applicable: (1) faculty and/or staff time commitments; (2) cost-share or matching commitments; (3) use of university facilities; (4) required facility modification or remodeling; and (5) overall cost of equipment to be purchased, including shipping, set-up, and maintenance.*

- For a proposal to be cleared for submission, the Principal Investigator (PI) or Project Director (PD) should submit the following items to ORSP <u>at least five business days prior to the date the proposal is due to the sponsor or at least six weeks before the planned start of a contract term</u> (note that for non-electronic submissions, more processing time is required):

  - Proposal Clearance and Compliance Forms (PCF) and your proposal package as determined by the sponsor (items may include abstract, timeline, current & pending support, etc. ) and other required documents/forms (such as cost-share detail form, conflict of interest disclosure, IDC waiver request, etc.) - completed and signed through the dean level; and

  - A final detailed budget that meets university and sponsor requirements; and

  - A final or final draft proposal or contract that meets sponsor guidelines.

  Prior to routing the above forms, contact ORSP to review the proposal and budget to determine what forms are needed.

  **ORSP will then obtain the required vice president/president signatures.**

- PCFs should be received no later than 5 business days prior to a sponsor deadline. If the package is considered 'complete' (meaning all internal and sponsor required documents are included, the budget meets both SFA and the sponsor guidelines) then this 5 business-day window is typically adequate for ORSP to review the package and obtain all VP, Provost, and President approvals.

- If a proposal reaches ORSP with insufficient time for review, or is submitted without prior administrative approvals, ORSP will perform a post-submission review and notify the sponsor of any needed revisions so that the proposal complies with university policy. Proposals with serious deficiencies may be withdrawn.

- ORSP will assist in the review and editing of proposals if given at least ten business days prior to routing the documents.

- The University will not authorize the submission of proposals with budgets that do not meet university or sponsor requirements.

- The University will not authorize the submission of proposals that ORSP staff, department chairs, deans, vice presidents, and/or the President consider substantially incomplete (non-responsive to the sponsor's RFA/RFP requirements).

- Principal Investigator / Project Director Eligibility Guidelines

- PI/PD Proposal Instructions

- PI/PD Proposal Checklist

**Electronic Submissions** - ORSP submits **all** applications on behalf of the University, including those submitted electronically (by e-mail or web-based systems). Common web-based systems include:

- Grants.gov

- National Science Foundation's FastLane (NSF FastLane Registration Request Form - for PIs/co-PIs)

- National Institutes of Health (eRA Commons; submissions coordinated with Grants.gov)

- Texas Education Agency (e-grants) and TEASE

- Texas Higher Education Coordinating Board

- Texas Commission on the Arts

Tips for a successful electronic submission:

● Provide ORSP with the program solicitation, link to the application, guidelines, and forms well in advance of the proposal deadline. This will allow ORSP staff to preview requirements to ensure a timely and successful application.

● Contact ORSP as soon as possible to ensure that ORSP has access to the application in advance, and that all required parties have registered with the sponsoring agency as required.

● Many federal projects are submitted through Grants.gov. Individuals **DO NOT** register in this system for projects submitted by SFASU; ORSP is already registered on behalf of the university.

● For NSF and NIH grants, PIs and PDs are required to register which requires several levels of approval. Notify ORSP as soon as you begin proposal development using one of these online application systems. See NSF FastLane and the eRA Commons system for NIH.

● ORSP always prefers to submit electronic applications several days before the due date to allow adequate time to deal with technical difficulties, incomplete proposal attachments, system errors, or power failure. Note that sponsors do not allow additional time past a deadline just because the power fails or the computer crashes!

● ORSP can help you prepare grant-related documents for uploading into the electronic system prior to submission, can monitor the status of submitted proposal components, and can provide electronic confirmation of proposal submission.

● Some applications require that a signature page signed by the Authorized Organizational Representative (the SFA President or delegated authority) be submitted after completion of the online submission.

Some additional tips:

● SFASU is already registered in Grants.gov - please do not attempt to register the university in that system.

● SFASU already has a DUNS number - please do not request another DUNS number for the university.

● SFASU is already registered in the Central Contract Registry (CCR; now part of SAM) - please do not attempt to register the institution in this system.

**Copying and Mailing Paper Applications** - In instances where a proposal must be mailed, the PI/PD is responsible for making copies and sending the proposal package to the agency. ORSP will provide assistance when requested, but it is the project director's responsibility for all costs associated with copying and sending to the agency.

**Provisions & Assurances and Terms & Conditions** - Federal and federal pass-through applications and awards require that the University agree to specific provisions and

assurances. Non-federal contracts and similar agreements include terms and conditions that also must be reviewed by the university's general counsel and agreed to by the University. Only the president (or designee) may sign provisions/assurances and contracts.

Required assurances, representations or certifications are usually detailed in the proposal instructions. Proposals are considered incomplete if required endorsement signatures are omitted, or if required certifications are not provided.

For example, federal funding agencies require certification that the University is in compliance with the Drug-Free Workplace Act; that the university has not used and does not intend to use federal funds for lobbying activities; and that the University is not debarred or proposed for debarment.

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## Contracts to SFASU: *Processing, development, review, and approval*

A PI/PD must contact ORSP before beginning any contract/budget discussions with a sponsor.

Before contracts, subcontracts, subawards, consulting agreements, interagency, interlocal, cooperative agreements, or other forms of contractual agreements from another entity to SFASU can be fully executed, they **must be**:

- Reviewed by ORSP;

- Reviewed by general counsel (ORSP will route); and

- Signed by the president or designee (ORSP will route).

If the contract represents the entire proposal, a Proposal Clearance and Compliance Form (PCF) also must be submitted to ORSP. The completed form should be submitted to ORSP for routing with:

- A final budget;

- A final or final draft of the contract (also email a Word version); and

- Required departmental and college signatures on the contract, if any.

To ensure that there is sufficient time for the clearance process, including legal review, and to obtain the president's signature on the contract, please submit the contract and PCF, as required, to ORSP at least six weeks before the start date of the contract.

- ALL contracts shall have the signature of the President;

● ALL contracts should include contact information for SFASU and the contractor.

For SFASU, the contact for contractual matters is:

Jennifer Hanlon, Assistant Director
Office of Research and Graduate Studies
P.O. Box 13024, SFA Station
Nacogdoches, Texas 75962

**Contracts with Commercial Sponsors** - A PI/PD must contact ORSP before beginning contract term and budget discussions with a commercial (private, for-profit) sponsor. These contracts often require modifications and subsequent review by legal departments on both sides. Refer to SFA policy 1.3 (Contracting Authority) for more information.

Additionally, these contracts often include one or more of the following special terms or conditions:

● a fixed-price for the development of a product, provision of a service, or conduct of a research activity;

● a confidentiality provision;

● intellectual property and/or technology transfer provisions; and

● restrictions on publications.

**Regardless of the source or purpose, no contracts or other binding agreements shall be executed without the signature of the President or delegated authority.** Only the President has the authority to make commitments for the University.

**Management Responsibilities of the PI/PD** - The PI/PD is responsible for the effective management of all awards to SFASU in the form of a contract (*see section IX. Manage a Project*).

**Subawardee Certifications** - Subawards and subcontracts from federal sources may require completion of one or more subawardee certifications in addition to those included in the body of the contract. ORSP obtains any required signatures.

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# Tips for Project Planning and Proposal Writing

**Okay, you're ready to begin writing - where do you start?**

**1. Meet with ORSP early and often** - ORSP can offer insight and assistance in your proposal development. By contacting ORSP at the beginning of the process, ORSP staff can

help make sure you have all the necessary documents in the correct format. ORSP staff can also provide suggestions and basic information for your narrative and budget, or provide suggestions if you are submitting a letter of intent. We also encourage you to attend our workshops.

A copy of the entire proposal solicitation instruction package (application forms and instructions) should be forwarded to ORSP when it is received by the PI or PD, along with an indication of who intends to submit a proposal under the RFP, so that appropriate internal reviews and approvals may be accomplished before specified submission deadlines.

**2. Plan your Project** - Develop a project plan BEFORE seeking a potential sponsor. The development of a project plan and proposal is an ongoing process and ORSP can help you every step of the way.

It's not best practice to look for a funding agency and then create a project to fit the agency's needs. You will typically find yourself pursuing a project far from your original idea! Instead, develop a project plan first that will help you get your thoughts organized, This plan allows ORSP, project staff, potential partners, and management to provide feedback. A good plan includes the following elements, modified to reflect a research, service, instructional, or other purpose:

- How the project meets the goals of SFASU;

- A statement of a need or problem;

- A description of clients and service area(s) or geographical study areas;

- Project goals and objectives;

- Methodology and activities;

- A project evaluation plan;

- Estimated resources or needs (budget);

- An estimation of future funding;

- Existing and prospective support from external sources; and

- Strategies for marketing the project to partner and sponsors.

While developing the plan, you should consider the following:

- Does SFA have the infrastructure and expertise to conduct this project (or will partnerships be beneficial)?

- Will more space be needed or any special equipment?

- Is SFA making good use of its resources in the proposed project?

- Does the project constitute a duplication of services?

**3. Read the Project Guidelines** - Once you identify a potential sponsor, your primary guide for proposal preparation is the sponsor's written guidelines, information provided on a sponsor's web site, and any personal advice offered by the program officer or grant contact. The guidelines will tell you what documents are required and how to format your proposal. If you don't understand something in the program guidelines/announcement, you can usually submit questions to the agency's contract or program officer (within specified time lines); however, you should be aware verbal information given to you by the sponsor is not binding, so it's always best to get everything in writing.

Typically a proposal will include a narrative, budget, and budget justification. Many agencies have prescribed formats for text, biographical data, budgets (including cost-sharing and matching), and forms. For agencies that do not have specific formats, we suggest that the project director contact ORSP for sample proposal outlines.

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## Special Proposal Requirements

Some federal agencies require that the applicant address specific areas in a proposal. For example, the National Science Foundation (NSF) requires a Data Management Plan, Current and Pending Support descriptions, and Post-doctoral Mentoring Plans.

**1. SFASU Subrecipient Certification**

When SFASU serves as a subrecipient on a proposal, the lead institution may require SFASU to complete a subrecipient certification form. Most institutions have their own standard form (for reference, see SFASU's form SUB). This document must be signed by the university's signature authority (the president or designee), and becomes part of the proposal package submitted to the lead institution. The certification form usually requests, but is not limited to, the following information:

- Project title;

- Requested amount and project period;

- PI name and contact information;

- university information;

- ORSP liaison and contact information;

- Fiscal officer and contact information;

- Compliance concerns (IRB, IACUC, conflicts of interest, hazardous wastes);

- Most recent federal A-133 audit;

- Debarment status; and

- Copy of Negotiated Indirect Cost Rate (NICRA).

**2. NSF Data Management Plans** (DMP)

All proposals to the NSF must contain a Data Management Plan (DMP) which describes the plans for data management and sharing of research products. The DMP is reviewed as part of the intellectual merit and/or broader impacts of the proposal. This supplement is limited to no more than two pages and should describe how the proposal will meet the NSF policy on the dissemination and sharing of research results and may include the following:

- The types of data, samples, physical collections, software, curriculum materials, and other materials to be produced in the course of the project;

- The standards to be used for data and metadata format and content (where existing standards are absent or deemed inadequate, this should be documented along with any proposed solutions or remedies);

- Policies for access and sharing including provisions for appropriate protection of privacy, confidentiality, security, intellectual property, or other rights or requirements;

- Policies and provisions for re-use, re-distribution, and the production of derivatives; and

- Plans for archiving data, samples, and other research products, and for preservation of access to them.

A valid DMP may include a statement that no detailed plan is needed but there must be a clear justification. Only one DMP is needed for simultaneously submitted collaborative proposals and proposals that include subawards (they are considered a single project). Data management requirements and plans specific to the Directorate, Office, Division, Program, or other NSF unit, relevant to a proposal are available at: http://www.nsf.gov/bfa/dias/policy/dmp.jsp. If guidance specific to the program is not available, then the general requirements apply.

For more information, refer to NSF's Proposal & Award Policies & Procedures Guide (PAPPG).

**3. Current and Pending Support Descriptions**

Almost all government agencies require documentation of current and pending support/funding from all sponsor types (federal, state, local, and private). Most have their

own form or required format and request the following information for projects that are currently funded or pending applications.

- Sponsor name;

- Proposal title;

- Amount funded and funding period; and

- Amount of effort committed each year.

This information is required for PIs and co-PIs (and often senior personnel) even if they do not receive salary support from the funding agency.

**4. NSF Post-doctoral Mentoring Plans**

Any National Science Foundation (NSF) proposal including a postdoctoral researcher must include a one-page description of the mentoring activities that will be provided to that researcher, regardless of his/her institutional affiliation. This document is a supplement and not a part of the 15-page project description.

Examples of mentoring activities include, but are not limited to: career counseling; training in preparation of grant proposals, publications and presentations; guidance on ways to improve teaching and mentoring skills; guidance on how to effectively collaborate with researchers from diverse backgrounds and disciplinary areas; and training in responsible professional practices. The proposed mentoring activities will be evaluated as part of the merit review process under the Foundation's broader impacts merit review criterion.

For more information, refer to NSF's [Proposal & Award Policies & Procedures Guide](Proposal & Award Policies & Procedures Guide) (PAPPG).

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# Fringe Benefit Calculations

For each dollar paid as salary or wages to an employee, the university incurs associated costs for non-optional fringe benefits. These benefits include F.I.C.A., worker's compensation, unemployment compensation, retirement matching, and health insurance. [SFA Human Resources Benefits](SFA Human Resources Benefits). Fringe benefits always "follow" salary; thus, for split appointments, the same proportion fringe is applied to a Banner fund as payroll.

Fringe benefits are treated as a direct cost to a sponsored project and are usually shown as a separate entry in the proposed budget. When developing a budget, use the SFA stnadard fringe benefit rate. However, once awarded, the actual costs for fringe benefits will be charged to a sponsored project fund at the time the costs are incurred. The amount charged is based on salary, the selected benefit package, and other variables applicable to the

individual employee. Calculations for full-time employees include withholding taxes, retirement contributions, and health insurance.

When developing budgets, determine benefits using an estimated calculation based on the below table. If a current employee will be included in the budget, ORSP will determine their actual rate based on current payroll.

- **For FY20**, The fringe benefit estimate to use for unspecified employees is <u>**30% of salary or wages**</u> (full benefits) for faculty and staff and <u>2% of salary or wages</u> (unemployment insurance and worker's compensation) for graduate and undergraduate students. One-half of health insurance benefits may be added to accommodate <u>known</u> graduate students who elect to pay the balance of the premium (not added as a general rule.) *This rate is based on an employee-only health insurance plan. If the employee is known, contact ORSP who will notify you of the actual fringe rate for that particular employee.*

- For employees who do not elect health insurance and employees receiving additional compensation pay, calculate fringe benefits at <u>16.45% of salary</u> (includes all but health insurance).

- For casual employees and retirees, calculate fringe benefits at <u>9.65% of salary or wages</u> (FICA/Medicare, unemployment insurance, and worker's compensation).

- <u>Accrued compensation</u> for end-of-year vacation and non-exempt staff comp time balances is charged at the end of the fiscal year for project personnel who leave university employment during the year. Since these charges are usually not budgeted, they can result in an unexpected deficit at the close of a fiscal year. Please contact ORSP if you anticipate this type of situation.

**The table below outlines rates for each benefit category.**

| Fringe Benefit Breakdown - FY 2020 | | | |
|---|---|---|---|
| Description of Benefit (paid by SFA) | Regular Employee | Graduate Assistant** | Student Assistant |
| Health Insurance (portion paid by SFA) | 100% $624.82/mo. employee only $1,340.82/mo. employee + spouse $1,104.22/mo. employee + children $1,820.22/mo. employee + family | 50% ($312.41/mo.) | 0 |
| FICA/Medicare | 7.65% | 0 | 0 |

| | | | |
|---|---|---|---|
| Retirement Matching | 6.8%, TRS; 6.6% ORP; (8.5%)* | 0 | 0 |
| Unemployment Insurance | 1% | 1% | 1% |
| Worker's Compensation | 1% | 1% | 1% |

\* Non-TRS employees hired before 1996 receive 8.5%. All others receive 6.8% (TRS) or 6.6% (ORP) as of FY20.
\*\*Graduate assistants must pay half of their insurance premium if they elect to be covered by SFA.

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## Facilities & Administration (F&A) [a.k.a. Indirect Cost (IDC)] Calculations

**All proposals and contracts submitted on behalf of the University must include indirect costs at the maximum rate allowed by the sponsor.**

- SFASU's Negotiated Indirect Cost Rate Agreement: NICRA

- Discussion of Indirect (F&A) Costs for Federal Awards: **2 CFR 200.414**

- Cognizant Agency for SFASU: Department of Health and Human Services (DHHS)

- Indirect Cost Policy: University policy 8.5 (*Facilities and Administrative (Indirect) Cost Recovery, Distribution and Use*)

- Exceptions to the 17.5% IDC rate for CESU projects:

    1. The USFS will not reimburse IDC for "state cooperative institutions" as defined by 7 USC 31403(16) and 7 USC 3319, but can be used to satisfy the 20% cost-share requirement.
    2. IDC is limited to 10% for NRCS funded projects per P.L. 111-8, section 705.

In addition to costs directly related to a project, the University incurs costs that are indirectly related to all projects. These costs include:

- building space and utilities; departmental administrative and clerical services; and the services of ORSP, general counsel, payroll, travel, purchasing, university security, and custodial staff.

In other words, indirect costs encompass all elements that support sponsored activities that cannot be directly associated and charged to a specific grant or contract. The recovery of these costs is essential because these costs don't go away, and if unrecovered, are paid for by tuition and other non-grant sources.

Indirect costs are allowable, necessary and expected. Sponsors that allow indirect costs DO NOT preferentially fund proposals that request less than the maximum allowed IDC rate and including indirect costs in a budget does not negatively affect the outcome.

Indirect cost rates are determined for each institution using a standardized, detailed cost accounting procedure. Representatives of the federal government (the cognizant agency) audit and approve IDC rate calculations.

**SFASU's current negotiated indirect cost rates and effective dates for all programs are:**

- **On-campus:** Effective 9/1/2017, the rate is 31.28% MTDC.

- **Off-campus:** Effective 9/1/2017, the rate is 10.0% MTDC. <u>Off-campus is defined as activities performed at facilities not owned by SFA and for which rent is directly allocated to the project</u>. In rare occasions, a proposed budget may include both on- and off-campus budget items. Prior to selecting the off-campus rate, please contact ORSP for assistance.

- **Fixed Amount Awards (fixed-price agreements)** (University policy 8.12) will be assessed the full on-campus indirect cost rate. When developing budgets for such agreements, be sure to include indirect costs in order to arrive at the total cost to SFA (direct plus indirect) before providing the estimated cost of services to a sponsor. Contact ORSP for assistance, and preliminary review and approval of a proposed fixed award amount.

**To calculate F&A on MTDC** (refer to the NICRA for additional exclusions):

- Exclude capital equipment with a unit value of >/=$5,000; and

- Exclude direct payments to students or other program participants in the form of stipends, scholarships, and tuition remission; and

- Exclude all but the first $25,000 of each subaward or subcontract. This does not apply to vendor contracts (contracts for services). Subawardee indirect costs must be in compliance with the sponsoring agencies guidelines and they may be able to recover indirect costs on the amount of their subaward at their organization's negotiated rate. <u>If the subcontracting organization does not have a negotiated rate, a de minimis rate of 10% MTDC for the subawardee organization may be included</u>. **See [2 CFR 200.414 (f)](#)** .

**F&A must be included using SFASU's federally-negotiated rates unless the sponsor has a written policy that specifically limits F&A for all applicants.** Sponsor guidelines

or policies that document limitations on F&A must be included with the Proposal Clearance Form (PCF). Requests for voluntary F&A reduction must be approved by SFASU administration <u>before</u> a proposal or contract budget is presented to a sponsor. These requests must be justified using a Facilities and Administration (F&A/IDC) Reduction Request (ICR) form and submitted with the PCF.

> **Only the President of SFASU can approve a reduction of indirect costs as this is a loss to the university** (University policy 8.5). Any under-recovery of indirect costs due to grantor restrictions must either be treated as cost-sharing on behalf of the university or supplied from other funds.

> **Program income** is assessed the same indirect cost rate as the program that generated the income. For example, if a project is restricted to 8% MTDC by federal agency regulations, any income earned as a direct result of the project will also be assessed at the 8% MTDC rate.

**F&A Recovery and Distribution:** After F&A is charged to sponsored projects based on the approved rate, the resulting revenue is placed in a campus fund for distribution by campus administration based on university policy. Any questions about the collection and distribution of recovered F&A may be directed to ORSP.

Recovered F&A Distribution Formula - *as of July 28, 2015*

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# Develop a Budget

Budget preparation is a critical component of grant applications and contracts. The budget should reflect, as precisely as possible, the funding needed to carry out the project. The Principal Investigator (PI) or Project Director (PD) should neither overestimate nor underestimate budgetary needs as either of these strategies may lead to proposal rejection.

A budget that accurately details the funds necessary to carry out the technical statement of work strengthens the overall proposal and increases the likelihood of funding. A carefully prepared budget can also identify weak areas in the proposal narrative and result in improvement of the technical proposal.

ORSP staff are experienced in budget development; thus, investigators should contact ORSP to review the intital draft budget. ORSP can provide expertise in completing a budget request, calculating fringe benefit and indirect cost rates, documenting subcontracts/ subrecipient agreements, consultants, indirect costs, and identifying matching funds and/or cost sharing resources. ORSP also completes sponsor assurances and certifications for the President's signature, when required by the sponsor.

Budget Set-up and Revision Form (BUD) - This form is designed to help you plan your budget, including indirect costs, and translate SFA internal accounting codes to sponsor budget categories.

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## 1. Direct and Indirect Costs

**Direct costs** are costs which can be directly identified with your project. The categories established for federal budgets are useful in the preparation of budgets for all types of proposals. To be eligible as a direct cost, a cost must be allocable to the project, allowable under the cost principles, reasonable, and charged consistently across the University.

**Indirect costs** are costs that cannot be directly identified with your project. They include building space, utilities, departmental administrative and clerical services, the services of ORSP, general counsel, payroll, travel, purchasing, university security, and custodial support, and other related services. In other words, all those elements essential to supporting sponsored activity which cannot be broken down and directly charged to a specific grant or contract (sometimes referred to as 'overhead costs').

Definitions of what are allowable and unallowable direct costs for federal projects are outlined in OMB A-21, Cost Principles for Educational Institutions ([OMB A-21](#)) for projects funded prior to December 24, 2014, and for those funded after that date, **2 CFR 200, Subpart E**.

Most sponsors further define allowable costs specific to their grants within their respective grant guidelines. If you are uncertain or have any questions about what constitutes an allowable direct cost for an application or award, contact ORSP.

> **Quick Reference Guide**: Allocable and Allowable Costs
>
> [Guidelines for expenditures from university funds](#) (includes restricted grant funds).

Before finalizing a project budget, review the budget format, cost categories, and allowable costs for the specific funding opportunity. These will differ significantly from one sponsor/ opportunity to another.

**In general, categories of direct costs include:**

- Salaries and Wages

- Additional Compensation

- Fringe Benefits

- Subawards and Vendor Contracts

- Equipment

- Supplies and Materials

- Travel

- Participant Costs - scholarships and stipends

- Other Direct Costs

**Indirect Costs**

**<u>Salaries and Wages</u>**

A project may employ current university employees or may hire new employees solely for the duration of the grant. Allowable costs for federal awards are detailed in **2 CFR 200.430** - **431**.

Salaries and wages should be listed by the time to be spent by each person who will work on the project, including faculty, exempt and non-exempt staff, and students (graduate and undergraduate). For faculty, professional staff, and graduate assistants, time commitments are usually expressed in terms of months and a percent of full-time effort (i.e., 9 months at 25% time). Budgets should show a breakdown between summer commitments and the regular, 9-month academic year for faculty (or for 10- or 11-month appointments). Non-salaried students and casual employees are calculated based on the hourly rate times the anticipated number of hours to be committed to the project.

Sponsored activities may not result in any employees receiving compensation at a rate in excess of their authorized base salary or rate of pay. In other words, under no circumstances can anyone be paid from grants at a rate higher than their regular salary. In exceptional circumstances, exempt individuals may receive additional compensation above their base pay (see below.)

- Some agencies (e.g., NSF) limit the amount of faculty salary to 2/9 of a 9-month contract typically to be received during the summer months.

- For multi-year projects, the budget should take into consideration any possible salary or step increases.

- Direct charging of administrative and clerical staff salaries are typically treated as an indirect cost. In specific instances, these costs may be appropriate for a major project that requires an extensive amount of administrative, clerical, or technical support. The positions and job responsibilities must be clearly outlined in the application and budget.

**Grant Funded Positions**

Human Resources (HR) has developed standard classifications for common grant-funded staff positions. You are required to use these classifications and related salary scales except as noted below.

Project Assistants (I, II, III) [Administrative Assistants on grants] – There are three levels of administrative assistant classification specifically for grants. Project Assistant I is a clerical position similar in scope to a senior secretary. Project Assistant II is an administrative support position similar in scope to an administrative assistant. Project Assistant III is a senior level administrative support position and assumes a higher level of project responsibilities. Most grants will need a Project Assistant II. Contact ORSP for assistance in selecting the proper classification for your project.

Project Coordinator – This is a generic classification used for a position responsible for coordinating the financial/operational activities of a project, without providing any technical or field-specific assistance. It is an exempt position in a salary grade 9. HR should review the general duties before this title is used in a proposal.

Associate Project Director – This is a specific classification created when a new position is created under an awarded grant. This classification is used for a position responsible for assisting in directing project activities, including providing technical or field-specific assistance. Officially, the classification will be ungraded to allow for competitiveness with the market. However, unless justified, the position will be in a salary grade 7. HR should review the general duties before this title is used in a proposal.

Project Director - This is a specific classification created when a new position is created under an awarded grant. This classification is used for a position responsible for overseeing the operations of a project. An incumbent in this position should be considered an expert in the field. The classification will be ungraded to allow for competitiveness with the market.

Principal Investigator

**Any other unique or specialist position created by a grant will have a specific classification created when the new position is awarded by a grant. HR should review the general duties before any unique title is used in a proposal.

**Contact ORSP for more information**.

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## Additional Compensation

**In exceptional and unusual circumstances**, faculty and exempt staff may be eligible to receive additional compensation for work performed outside of normal work hours and that exceeds normal expectations as outlined in SFA policy, faculty contracts, and/or job descriptions. Non-exempt staff are generally not eligible to receive additional compensation; they must be paid overtime for work performed in excess of 40 hours a week.

PIs and PDs are not eligible to receive additional compensation on their own projects.

Sponsors and SFA normally expect faculty to be paid a portion of their base salary with grant funds and to be granted proportional release time from teaching and other duties and/ or receive pay for work on grants during the summer months.

Please review the following two policies, Compensation from Grants, Contracts and Other Agreements (policy 12.1) and Salary Supplements, Stipends, and Additional Compensation (policy 12.16) , as well as the sponsor guidelines, before deciding to include additional compensation in your proposal.

If warranted and approved as outlined below and per policy, faculty who expend extra effort during the conduct of sponsored projects may be paid additional compensation up to an amount not to exceed 25% of their institutional base salary for work performed in addition to teaching and other university duties. Please note that an employee cannot be paid regular salary or cost-share salary on a grant **and** receive additional compensation pay from the same grant.

Institutional base salary is defined as the total annual compensation that an individual receives from the university to perform activities listed in a faculty contract or professional employee job description. It does not include stipends for temporary administrative assignments, course overloads, or additional compensation payments.

In summary, employees may be eligible for additional compensation if the work falls into one of two areas:

- Employee paid for short-term, incidental work on a task basis (less than one month) **OR**

- Employee from another department paid to provide intra-university consulting services (such as project evaluation).

**Terms for the payment of additional compensation to faculty and staff must be specifically outlined in the grant application or contract and approved by the sponsoring agency.** The proposal, budget, and/or budget justification must:

- Explicitly state the employee or position who will receive additional compensation;

- Describe the specific work to be performed by the employee;

- State the total dollar amount of the additional compensation to be paid based on their respective hourly rates;

- State the percent of additional effort or the hourly rate and number of hours being committed in exchange for additional compensation; and

- Segregate the amount of the additional compensation from regular salary expenses.

**All grant or contract budgets must be reviewed by ORSP staff *before* they are submitted to a sponsor for consideration. This will help to ensure that they meet SFA and sponsor requirements.**

ORSP's Additional Compensation Verification Form (ACV) must be submitted to ORSP along with HR's [Authorization for Additional Compensation Services](#) before the proposed work begins. After ORSP staff have confirmed the request meets both sponsor and university policies and guidelines, the ACV is signed by the director of ORSP and both forms are routed by ORSP to HR for processing.

Refer to the section on Fringe Benefit Calculation for the current fringe benefit rate on additional compensation.

**IMPORTANT:** You must account for fringe benefits on additional compensation amounts. For example, using FY19 fringe benefit rates, if $2,000 **total** is budgeted for additional compensation, then 16.45% of the total must be subtracted from the amount requested for payment ($1,717 in additional compensation payment and $283 for fringe benefits). Failure to account for fringe benefits may result in a budget overage.

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**Subawards and Vendor Contracts** - *See the Forms page for contract templates (updated 9/1/17)*

**Subawards (Subcontracts)**

Subawards are made by the university to other organizations that will perform a part of the scope of work for a project awarded by the sponsor to the university. Subawards may be subgrants, sub-cooperative agreements, or subcontracts, and are generally of the same type as the award to the university. Allowable costs for federal awards are detailed in **2 CFR 200.459**.

The PI/PD should incorporate prospective subrecipient's work statements, budgets, and administrative approvals, with the university's initial proposal to the potential sponsor, adhering to any required sponsor or SFA formats. Failure to identify a subrecipient in a proposal may require sponsor approval or competitive selection before the subaward can be executed.

In some cases, such as National Science Foundation (NSF) submissions, partnering institutions that constitute subawards will be required to enter and submit their own information in an online application.

If your project involves expenses associated with a cooperative organization or a tiered agreement, those expenses should be included as a subcontract in the proposed budget. The total subcontract cost should appear as a line item in your proposal budget, and a separate budget breakdown for subcontract costs should follow the proposal budget. In addition to a detailed subcontract budget, a letter signed by the individual authorized to contractually

commit the subcontracting organization is typically required by a sponsor. Subcontract costs should include the subcontracting organization's fringe benefit expenses and indirect costs (see below).

$25,000 IDC limitation - Indirect costs (IDC) in a subcontract must be in compliance with the sponsoring agencies guidelines. Under federally sponsored research awards, as well as some additional sponsors, the university may only recover indirect costs on the first $25,000 of each subcontract over the life of the contract.

Subcontractors may recover indirect costs on the amount of the subcontract in excess of $25,000 at the organization's negotiated rate. If the subcontracting organization does not have a negotiated rate, no indirect for the organization should be included. This limitation generally does not apply to training grants or other programs that require alternate IDC rate calculations. Be sure to carefully read the program guidelines, and request assistance from ORSP, as needed.

**Vendor Contracts (Consultants, Lecturers, Workshop Presenters, Mentors, etc.)**

Agreements to obtain goods or routine services are purchases (vendor contracts) and not subawards and are subject to all relevant university procurement policies.

Consultants - Normally, consultants are paid a consulting fee plus travel expenses, if applicable. Some sponsors do not permit payments to consultants and some restrict or limit such payments and may require inclusion of travel costs in the contract fee. If in doubt as to the allowability of consultants or rates paid to consultants, refer to the sponsor's program guidelines and/or award documents, or contact ORSP for assistance.

Whenever possible, provide the following information in the proposal before it is submitted:

- Identify the proposed consultant or service provider by name;

- Indicate the number of days to be worked and the daily rate of pay; and

- Include a curriculum vitae (only if required by the sponsor).

Lecturers, Presenters, and Mentors - Lecturers, workshop presenters, mentors and other service providers are not ordinarily considered consultants. Such services should be detailed by task and overall amount of funding.

Additional information on the distinction between subawards and procurement is found in **2 CFR 200.330**.

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**Equipment**

Most agencies make a distinction between capital equipment, which must be detailed in line items, and minor equipment, which is generally included in the supplies and materials (or operations and maintenance, O&M) budget category. Federal property standards are governed by **2 CFR 200.310** - **200.316**. Allowable equipment costs for federal awards are detailed in **2 CFR 200.439**.

Most sponsors accept the applicant institution's definition of capital equipment, which for SFA is defined as an item with a cost of $5,000 or more, which is non-consumable, independently functional, not attached to a permanent structure, and with a useful life of more than one year.

Unless otherwise specified by a sponsor, capital equipment is the property of the university and must be inventoried. All capital equipment purchased with federal funds must be identified as such in the institution's property records.

Any shipping, maintenance, and warranty costs to be paid during the life of the award should be included in the budget per sponsor guidelines. If allowed, these costs may be listed under equipment, supplies, or other direct costs).

For more information: SFA's Department of Procurement and Property Services

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## Supplies and Materials

Materials and supplies, which include expendable, non-capital equipment, are items costing less than $5,000 and include such items as expendable laboratory supplies, teaching aids, computer software, and office supplies. A reasonable amount should be budgeted for these items as allowed by the sponsor. Allowable costs for federal awards are detailed in **2 CFR 200.453**.

Most federal grants generally do not allow the purchase of office furniture and other general purpose equipment unless they are necessary for conduct of the project and are specifically approved in the budget. In addition, some general office supplies, telephone, long distance, fax, and copy machine charges are frequently considered part of indirect costs and are not allowable without clear justification.

Note that although they cost less than $5,000, some items are controlled (e.g., cameras, computers, scanners, TVs, and all other digital equipment except cell phones and fax machines) and must be inventoried.

For more information: SFA's Department of Procurement and Property Services

Guidelines for the expenditure of university funds (includes restricted grant funds).

## Travel

Individuals who travel using grant funds must adhere to university travel policies. (See SFA policy 3.29, Travel.) Allowable costs for federal awards are detailed in **2 CFR 200.474**.

ONLY SFA employee and student travel is included in the travel section of the budget. Travel funds for non-SFA personnel are included as part of subawards and/or vendor or participant contracts.

Travel on official university business, including travel on grants, requires prior approval of university administration and the sponsor. In addition, many sponsors require a detailed estimate of travel plans and expenses (e.g., destinations, hotel, per diem, and transportation) in the proposal. Travel on grants must directly support project goals, which may include dissemination of results. Federal grants generally prohibit travel outside of the 48 contiguous United States. If approved by a sponsor, travel to a foreign country may require additional administrative approvals.

Meal and lodging rates differ depending on whether the travel is in-state or out-of-state. Reimbursement for travel on grants is the same as for all other university business, except in instances where the approved grant application or contract specify different rates in the travel justification. Meals are reimbursed only if associated with overnight travel.

For complete information regarding university travel policies and procedures: SFA's Travel Office

## Participant Costs - scholarships and stipends

Participant scholarships and stipends are payments to provide financial assistance during a period of grant-supported education and training. Scholarships typically pay for tuition and fees, but also may provide for living expenses (paid as a "difference check"). Scholarship funds are classified in the Banner accounting system with account codes 775830 for undergraduate students and 775831 for graduate students. Research scholarships (both graduate and undergraduate) use account code 775835. Scholarships are managed by the Financial Aid Department. Allowable costs for federal awards are detailed in **2 CFR 200.456** and **200.466**.

Participant stipends are non-scholarship, non-salary support classified in the Banner accounting system with account code 772991. Such stipends are monetary support for participation in the project as approved by the sponsor. They require a contract with the participant that outlines the terms for payment and typically include monetary support for participation in the sponsored project.

If these items are allowed by a sponsor, they must be clearly detailed in the project budget. Participant costs are typically excluded from indirect cost calculations.

Note that fellowships, scholarships/tuition, that are specifically designated for research purposes, have a separate Banner account code (775835) so they can be monitored and reported separately.

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## Other Direct Costs

Other direct costs include items that cannot be captured in any of the above categories. As appropriate for the project and as allowed by the sponsor, costs for copying, long-distance telephone calls, postage, reference books and materials, publication costs, and equipment maintenance. As noted before, some general supplies, telephone, long distance, fax, and copy machine charges are frequently considered part of indirect costs and are not allowable without clear justification.

Use caution in this area as some of these costs are considered indirect costs, so the PI/PD must justify the need for these items in relation to the project's scope and desired outcomes.

Major Programs (see **2.CFR 200.518**) For many of these charges to be allowable in federal projects, they must be part of what is considered a "major program." Examples of major projects include but are not limited to:

- Large and/or complex projects that involve coordination of a number of institutions in professional development, data collection, evaluation, and other similar activities.

- Projects that involve extensive data collection, analysis, surveys, and cross-institutional reports.

- Projects that involve the management of a large number of project participant contracts, tracking of participant activities, and follow up.

**Quick Reference Guides:** What about Food Purchases?

Allowable, Allocable and Reasonable Costs

[Guidelines for the expenditure of university funds](#) (includes restricted grant funds).

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## 2. Matching and Cost-sharing Commitments

Some sponsors require matching funds or cost-sharing of resources.

Although these two terms are often used interchangeably, matching funds are normally defined as cash (e.g. a percentage of the cost of a piece of equipment or cash donations from a collaborating partner). On the other hand, cost-sharing usually takes the form of contributed time and effort by the PI, PD, or other project staff (faculty release time, graduate student salaries, and student workers).

**Some tips on cost-sharing and matching:**

- Cost-shared or matched funds/resources must be expended or used <u>during the term of the award</u>.

- Do not include cost-sharing or matching unless it is required, and do not cost-share or match at a higher percentage than is required.

- For federal projects, you cannot cost-share federal funds. This includes students paid through the Federal Work-Study (FWS) Program. Only use non-federal sources and only cost-share federally allowable costs.

- For all projects, do not use the exact same funds to cost-share or match more than one project. In other words, don't commit the same funds twice.

- Exercise care not to over-commit cost-shared effort or facility usage. These are areas that are examined closely by auditors.

- Unrecovered indirect costs (IDC) may be included as part of cost-sharing if allowed by the sponsoring agency.

- Cost-sharing and matching commitments must be honored, documented, and reported to the sponsoring agency.

**Refer to <u>2 CFR 200.306</u> (or OMB Circular <u>A-110</u>, Subpart C.23 for earlier awards), for federal cost-share requirements.**

If cost-sharing and/or matching funds are committed to a project, the PI/PD includes a detailed budget showing these funds with the Proposal Clearance Form (PCF). This detail may be provided within the proposal budget detail and/or attached using the Cost-share Budget Detail Form (CSB). Cost-sharing and matching commitments must be approved by the department chair(s), the college dean(s), the provost/VPAA, and the president.

When an award is accepted that includes cost-sharing, the university commits to formally documenting that the cost-sharing was actually applied to the project during the term of the project. If the award level is significantly lower than the requested level, a corresponding reduction in cost-sharing should be negotiated.

Upon award, and annually thereafter for multi-year awards, the budgeted amount of cost-shared salaries and wages, travel costs, and supplies and materials, will be transferred from

the designated departmental fund into a Banner cost-share fund (107600 or 150600) specifically tied to the grant by a unique Banner organization number (ORG) assigned to the project manager, thus providing a clear accounting record of these cost-shared expenditures. Electronic Personnel Action Forms (EPAFs) are required for all cost-shared salaries and wages to charge the cost-shared salary or wage to the corresponding cost-share fund-org.

Matching funds in the form of cash may be accounted for using this same companion cost-share fund or another, non-federal university fund that is appropriate for the stated purpose of the match. If cash is provided by an outside party to satisfy a matching commitment, it cannot be considered a gift.

Cost-sharing in the form of volunteer effort or contributions from third parties must be accounted for in terms of the "market value" of the effort or contribution. Written documentation must be kept for such cost-sharing and may need to be submitted to the sponsor.

**Suggested cost-sharing or matching items and required documentation:**

| | |
|---|---|
| Faculty salaries and benefits, percent release time | Effort certification documents and 107600/150600 fund expenditure details |
| Graduate assistant salaries and benefits | Effort certification documents and 107600/150600 fund expenditure details |
| Graduate assistant out-of-state tuition waivers | Banner expenditure reports from the Controller's Office |
| Student wages (non-FWS) | Time records from the TimeClock Plus System and 107600 fund expenditure details |
| Unrecovered indirect costs (if allowed by sponsor) | Example: balance of 31% - 15% (charged) = 15%<br>Example: balance of 10% off-campus - 5% (charged) = 5%<br><br>If the full off-campus rate of 10% is used, there is no unrecovered IDC to cost-share<br>Banner expenditure reports |
| Indirect costs on cost-shared salaries, benefits, etc. | Example: 31% x total of cost-shared charges<br>Banner expenditure reports |

| | |
|---|---|
| Use of equipment or computer services (e.g., GIS lab) | Sign-in sheets documenting hours used and by whom; must use established rate schedule |
| University space | Use of facilities or land at the established rental or lease rate or rental estimates based on square footage and the prime commercial rate for the area (market value). ORSP can provide assistance with this information. <br> Rental rates from real estate agents, square footage from the THECB space utilization records |
| Travel | 107600 fund expenditure details or copies of invoices and Banner expenditure reports provided to the Controller's Office |
| Materials and supplies | 107600 fund expenditure details or copies of invoices and Banner expenditure reports provided to the Controller's Office |
| Cash matches from third-party collaborating partners | Banner expenditure reports for matching grant or non-grant funds |
| In-kind volunteer services or activities (non-SFA) | Sign in sheets documenting hours; rate of pay equivalent to the going rate for that activity (market value) |

**Quick Reference Guide:** Documenting Cost-sharing and Matching

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# 3. Budget Justifications

The budget justification is a narrative explanation of the budget and is typically the first item that reviewers see. The budget for the project must be directly related to the scope of work discussed in the proposal.

Every item in the budget should be completely justified in the narrative as to why it is needed and how it is related to the activities proposed. If an item cannot be easily justified and supported in the body of the grant, then that item should be removed from the budget.

Some sponsors explain the detail they expect to see in the justifications. Some limit the number of pages; others do not. ORSP pre-award staff can provide you with sample budget justifications.