

OFFICE OF RESEARCH AND SPONSORED PROGRAMS

GUIDE TO BUDGET PREPARATION

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INTRODUCTION

This guide contains basic information for faculty and staff budgeting proposals for extramural support. It is updated periodically to reflect changes in budgetary policies and suggestions on budgeting likely costs in future years.

ORSP has prepared a [Project Budget spreadsheet](#) template (Excel) to assist in building budgets for proposal submissions. The campus community is encouraged to use this tool. Please refer to the instructions included in the template for specific guidance in how to use the template, and contact ORSP [Pre-Award staff](#) if you require assistance.

When preparing a proposal budget, begin by reviewing the sponsor's guidelines. The guidelines generally include the sponsor's cost definitions (i.e. equipment vs. supplies), description of cost allowability, the allowable Facilities & Administration (or indirect) rate, and required budget formats (if applicable).

All budgets must be prepared in accordance with the Office of Management & Budget (OMB) [Circular A-21, Cost Principles for Educational Institutions](#), University of Maine System (UMS) [Administrative Practice Letters \(APL\)](#) and University of Maine [Policy and Procedures](#).

Keep the likelihood of inflationary increases in mind as you prepare the budget, especially for multi-year projects. ORSP recommends that you project 5% annual increases for salaries and wages, purchased goods and services, and tuition. If you propose a project of more than three years, you may wish to lower these rates.

BUDGET BASICS

Expenses associated with sponsored projects are grouped into two types of costs: Direct Costs and Facilities & Administrative (indirect or overhead) Costs. The University and most sponsors require a separate budget for each project year and a summary budget for the entire project period.

Direct Costs

Direct costs are those costs that can be identified specifically with a particular sponsored project, an instructional activity, or any other institutional activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. Direct costs include salaries and wages, fringe benefits, equipment, materials and supplies, travel, consultant costs and subawards, and other costs such as tuition and Graduate Student health insurance.

Facilities & Administrative Costs

F&A costs (also known as indirect or overhead costs) are those costs that are incurred for common or joint objectives and, therefore, cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity. F&A costs include depreciation and interest on buildings, equipment and capital improvements; operation and maintenance expenses; library expenses; general administration; and sponsored programs; departmental; and student administration services expenses etc.

- The University requires including the appropriate F&A costs in all proposal budgets, unless the sponsor specifically prohibits them. The University expects that F&A costs will be recovered to the maximum extent possible. Please refer to the memo "[F&A Rate Agreement Charged to the Federal and State Governments for Research](#)"
- The distribution base used to determine Facilities & Administrative Rates is *Modified Total Direct Costs (MTDC)* as defined by OMB Circular A-21. *MTDC* consists of all salaries and wages, fringe benefits, materials and supplies, services, travel, and subawards/contracts up to the first \$25,000 each; and excluding capital equipment, capital expenditures (construction, renovation or alteration of physical facilities), tuition for student assistants, rental and maintenance of off-campus facilities, scholarships and fellowships, as well as the portion of each subaward/contract in excess of \$25,000.

- The [F&A rate](#) is determined by the type of project i.e. research, instruction or other, and whether the project is performed on-campus or off-campus.

For more information about Direct and Facilities & Administrative Costs, and the allowability of costs, refer to:

- UMS APL VIII(C) [Direct Charging of Expenses](#);
- UMS APL IV(I) [Use of University Funds](#);
- ORSP's [Allowable Costs Quick Reference Guide](#); and
- ORSP's [Allowable Costs Flow Chart](#)

BUDGET CATEGORIES

Senior Personnel

Senior personnel are individuals who contribute to the scientific development or execution of a project in a substantive measurable way, including the Program Director or Principal Investigator (PI) and Co-Principal Investigators (Co-PIs).

Other Personnel

Other personnel include all other personnel employed by the university who will work on the project, such as Post Doctoral associates, professional employees, graduate students, undergraduate students and temporary employees etc.

- GRADUATE STUDENTS: The minimum twelve-month stipend rate for graduate research assistantships, and tuition rates are available on [ORSP's rates page](#).
Note: Investigators may propose higher stipend levels to help graduate assistants offset mandatory fees, which can exceed \$1,000 per year.
- SECRETARIAL/CLERICAL: Salaries and wages of administrative or clerical staff are typically treated as an F&A cost and may be requested as direct costs only for projects requiring an extensive amount of administrative or clerical support and where these costs can be readily and specifically identified with the project with a high degree of accuracy. The circumstances for requiring direct charging of these services must be clearly described in the budget justification, and must demonstrate that the effort required is well beyond the routine requirements of sponsored projects. See [OMB Circular A-21](#), or [UMS APL VIII-C](#), for examples of where direct charging of administrative salaries may be appropriate.

Personnel (*General Tips*)

- Use the current accurate salary and wage figures as a basis for calculating salaries and wages for all persons included in the budget.
 - For assistance in determining the classification and salary/wage range of a new position, consult ORSP's [Pre-Award Hiring Process flowchart](#), or contact the [Office of Human Resources](#).
- Add 5% to salary and wage figures every July 1 for the duration of the project. This will help cover any raises, promotions, or increases in the fringe benefit rate.

NOTE: Faculty and staff preparing proposals which will fund salaries for University employees must budget for salary increases which may result from collective bargaining and/or Board of Trustee action. The fact that an estimated increase is funded by an external source does not mean that such an increase will be given to employees: employees receive only increases approved by the Board of Trustees and/or provided for in the appropriate collective bargaining agreement.

- Designate time commitments for all project personnel as salary (expressed in months)
 - To derive monthly salary figures, divide academic year salaries by 9 and fiscal year salaries by 12, excluding from the basic salaries any administrative stipends.
 - To derive weekly salary figures, divide monthly figures by 4; to derive daily salary figures divide monthly figures by 20.

NOTE: Both University and federal policy normally prohibit faculty members from earning as additional compensation from sponsored projects any monies beyond their regular salaries, except that faculty on academic year appointments may derive additional summer salary for the portion of the summer devoted to sponsored activity. (See annual [memo on summer salary](#) from the Office of Human Resources.) Summer Salary is treated as temporary employment for the purposes of calculating fringe benefits. The temporary fringe benefit rate is significantly lower than the regular rate, so it is essential that the proper account code be assigned in Column A of the salary line in the Budget Template so the benefits are calculated correctly. If you are requesting both regular salary and summer salary for the same person, they will have two entries with separate account codes.

- ORSP also needs to know the time commitment and funds requested for each person or position included in the budget. Such information is necessary in order to meet subsequent reporting requirements.

Fringe Benefits

The University has negotiated two fringe benefit rates, one for all non-faculty temporary employees and a second for all other non-student personnel. See [Fringe Benefits](#) for rates currently in effect.

Equipment

Capital equipment refers to an item of nonexpendable, tangible, personal property having a useful life of at least one year, an acquisition cost of \$5000 or more, and the ability to function as a stand alone unit. Equipment meeting all three criteria is exempt from indirect costs.

Non-Capital Equipment refers to equipment which satisfies the definition of Capital Equipment except for the acquisition cost which is less than \$5000. Non-Capital equipment (found under *Other Direct Costs* in the budget template) is included in the base (i.e. included in *Modified Total Direct Costs*) on which F&A costs are charged.

- Capital Equipment must be distinguished from Non-Capital Equipment in all proposal budgets. Each should be shown as a separate line item as appropriate.
- Some sponsors, such as NSF, specify the budget format to be used for proposals and include "equipment" as one of the categories. Only Capital Equipment should be listed in the "equipment" category. Non-Capital Equipment should be listed as a separate line item within "Other Direct Costs".
- Some sponsors prohibit equipment purchases, some permit "scientific" but not "general purpose" equipment to be purchased, others require special cost-sharing for equipment purchases.

Travel

Eligible travel costs usually include the costs of attending professional meetings to confer with colleagues and to disseminate the results of the project, as well as the costs of travel necessary to conduct the project. Most sponsors have special restrictions on foreign travel; if foreign travel is included in your project, designate it as such on a separate line from domestic travel. For multi-year projects, estimate a 5% annual increase in costs.

- To estimate travel costs by public carrier, consult a travel agent.
- To estimate travel costs by your own vehicle, use the current [University mileage reimbursement rate](#) determined through collective bargaining.

- To estimate travel costs by University motor vehicle, use the current [Motor Pool mileage and daily rental rates](#).

Participant Support Costs

Participant support costs are those costs (i.e. stipends, registration fees, travel expenses etc.) paid to (or on behalf of) participants or trainees (not employees) for participation in sponsor-funded meetings, conferences, symposia, and workshops or other training activities. Be aware, these costs are often subject to special sponsor regulations. For example, NSF has a [specific policy](#) for what constitutes participant support costs, and how they should be treated.

Materials & Supplies

Materials & Supplies include project specific consumables such as laboratory materials and supplies, data processing supplies, books, periodicals, and other reference material, and equipment that costs less than \$5000 to acquire or has an expected useful life of less than one year. If your materials and supplies needs are large, classify them by major items or categories, and justify the larger categories. Keep in mind, the University typically treats routine office supplies as F&A costs. Remember to take inflationary increases into account.

Publications

Publication costs include the costs of preparing and publishing the results of research conducted under the project, including costs of reports, reprints, page charges, or other journal costs, and necessary illustrations ; cleanup, documentation, storage and indexing of data and databases; and development, documentation and debugging of software etc.

Consultant Services

Consultants are experts (normally individuals, not organizations) engaged by the project for short-term or sporadic periods, usually to provide technical assistance or to render evaluation services. Not all temporary project personnel qualify as consultants; if you are in doubt on this issue, consult with the Office of [Human Resources](#). Consultants should be identified in your budget by name. University of Maine employees or students may not be budgeted as consultants; they must be included in the senior or other personnel lines.

Also review:

- [UMS APL VII-A\(2\): University of Maine System Purchasing Procedures](#) (in particular, section VIII: Procurement of Professional Services and Consultants)
- UMaine [Personal Service Contract](#)

Anticipated consultant services must be justified; and the following information should be provided in a signed letter of commitment from the proposed consultant: The individual's expertise, their primary organizational affiliation, their normal daily compensation rate, and the number of days of expected service. Consultants' travel costs may be included.

Professional Services

Vendors or professional services refer to dealers, distributors, merchants or other sellers providing goods or services that are required for the conduct of a sponsored project. As described in [OMB Circular A-133](#), vendors generally: provide the goods and services within normal business operations; provide similar goods or services to many different purchasers; operate in a competitive environment; provide goods or services that are ancillary to the operation of the sponsored project; and are not subject to compliance requirements of the [Federal] program.

For more guidance on distinguishing between a vendor and subrecipient, and compliance requirements refer to [OMB Circular A-133 §.210](#).

Also review:

- [UMS APL VII-A\(2\): University of Maine System Purchasing Procedures](#) (in particular, section VIII: Procurement of Professional Services and Consultants)
- UMaine Purchasing Department:
 - *Professional Services Contract* [Procedures](#) & [Forms](#)
 - Vendor [Terms & Conditions](#)

Computer Services

Include funds to cover all costs associated with using highly complex or specialized facilities operated by the University, such as computing facilities. A justification based on the established computer service rates must be included. Be aware, individual sponsors might have their own definitions or policies for this type of expense, as an example, see NSF's [definition of computer services](#).

Phone, Postage & Photocopying

Project-specific long-distance telephone calls, postage, photocopying, printing, shipping and related expenses may be appropriate to include in a proposal budget. As a general rule, telephone hardware, installation and line connection costs should NOT be directly charged to federally sponsored project accounts. For more information, refer to the memo "[Telephone Related Expenses](#)".

Non-Capital Equipment

Described above with 'Equipment'

Subrecipients

Subrecipients are organizations or institutions, not individuals, to which a portion of the project activities will be delegated. Subrecipients are distinguished from vendors (Professional Services) by having their own key personnel, scope of work, budget and budget justification. A [Subrecipient Commitment Form](#) is required prior to proposal submission. Awards made to subrecipients are formal arrangements and usually carry the same terms and conditions as the prime award.

As described in [OMB Circular A-133](#), a subrecipient generally: determines who is eligible to receive financial assistance, has its performance measured against whether the objectives of the [Federal] program are met; has responsibility for programmatic decision making; has responsibility for adherence to applicable [Federal] program compliance requirements; and uses the [Federal] funds to carry out a program of the organization as compared to providing goods or services for a program of the pass-through entity.

For more guidance on distinguishing between a subrecipient and vendor, refer to [OMB Circular A-133 §.210](#).

Tuition

Tuition is a normal part of training grant budgets, and is also appropriate for graduate students engaged on a sponsored project. [Estimates for tuition costs](#) should be based on an average annual increase of 5%.

Graduate Student Health Insurance

Health Insurance is **required** for all Graduate Students with at least a half-time appointment. One half of the [premium](#) will be charged to the grant providing their salary. Grant administrators and investigators should assume a 10% increase annually for this cost. For more information please refer to the memo "[Health Insurance for Graduate Students](#)".

OTHER BUDGET COMPONENTS

Cost-Sharing

Cost-sharing means that the University contributes a portion of the costs. Principal Investigators are encouraged to limit cost-sharing to either limits imposed by the

sponsor or amounts needed to accomplish their scope of work. All University cost-sharing must be approved within [PARS](#) prior to proposal submission.

While the University may in principle share in any of the costs, in practice the preferred contribution from the University is a portion of the personnel costs: salaries and wages, plus the fringe benefits associated with them. The University also pays the F&A costs associated with the direct costs it contributes. University cost-sharing sometimes takes the form of sharing a portion of the F&A costs associated with sponsor-funded direct costs. If a sponsor, as a matter of formally adopted and written policy applicable to all grantees, does not reimburse the full F&A costs, the portion not recovered will be shown on the UMaine budget template for audit purposes, but may only be included on sponsor budgets when allowable. Moreover, the University has entered into cooperative agreements with the State of Maine and with a number of other sponsors for particular programs and has established, as a part of that agreement, a policy on sharing of F&A costs. If in doubt about cost-sharing of F&A costs for your proposal, consult ORSP.

NOTE: If you are planning on using Graduate Assistant stipends as cost-sharing in a proposal, please review the memo: [Graduate Assistants Working on Sponsored Programs](#).

Budget Justification

Most sponsors will require a detailed narrative description of budgeted items. The level of detail required may vary, but in general all personnel time commitments must be included as well as explanation of each request and contributions in each major budget category described above including fringe benefit and F&A cost requests. The Office of Research and Sponsored Programs requires that a budget justification for ALL proposals be provided to ORSP staff for review and approval and be included in PARS for departmental and college level approval prior to submission of the proposal.

Budget Attachments

If your proposal involves a subaward to another organization, refer to your sponsor guidelines for the required documents to include. Most often, you will be required to attach a letter of commitment describing the subrecipient's scope of work, signed by an authorizing official (not a PI), as well as the subrecipient's approved budget and budget justification. While the [Subrecipient Commitment Form](#) provides ORSP with required information and approvals, it should not be included in the formal proposal submitted to the sponsor.

If your proposal names a person to serve in a consulting role, include a signed letter of commitment which includes information about the individual's expertise, their primary

organizational affiliation, their normal daily compensation rate, and the number of days of expected service.

You should also attach any other documents required by the sponsor, and may want to include quotes for expensive proposed purchases, such as capital equipment.