

STANDARD OPERATING PROCEDURE (SOP)

SOP Number: 16
Effective Date: September 14, 2018
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Title:
Budget Development for Sponsored Projects

Sponsored Programs Contact Information

Business Hours: 8:00 a.m. to 4:30 p.m., Monday-Friday (excluding holidays).

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I. Overview

The purpose of this procedure is to establish a uniform procedure for developing a budget and budget narrative for externally-sponsored proposals or research agreements. The Principal Investigator (lead member of the project team) will work with the Office of Sponsored Programs (OSP) to develop and finalize the budget and budget narrative for each sponsored project proposal. OSP will then send all budget documents through the Internal Review process (see **SOP #2: Internal Review and Signature Routing**) to gain necessary institutional approvals before the proposal is submitted to the sponsor. OSP retains the authority to interpret sponsor and federal guidelines and regulations as necessary to achieve a compliant budget.

II. Applicability

This procedure applies to all faculty and staff at UW Oshkosh who are developing a grant proposal for submission to an external funding sponsor. OSP Pre-award staff are responsible for providing assistance and guidance to the PI during budget development and ensuring the budget is compliant with federal regulations, sponsor guidelines, and institutional policies. The Post-Award Grants Accountant is responsible for reviewing drafted budgets to ensure costs are appropriate and that correct calculations and rates are utilized.

III. Procedure:

The purpose of the budget and budget narrative is to outline the anticipated expenses associated with the proposed project or activity. Budgets developed at the University must remain compliant with federal regulations under 2 C.F.R. 200, in addition to any sponsor policies or guidelines for submission and terms of award. Costs in the budget are required to be 1). Reasonable, 2) Allocable to the project, 3). Consistently treated, and 4). Allowable by law.

Proposals should include a detailed budget broken down by cost categories and an associated budget narrative or justification that accompanies the budget. The cost categories used in the budget document will be reflected in the budget narrative. OSP staff should review the sponsor's requirements for the budget and budget narrative, including page limits, reporting budget periods separately or in aggregate, maximum allowable request, types of allowable/unallowable costs, etc.

The National Institutes of Health (NIH) may require only a modular or abbreviated budget instead of a detailed budget. This applies to any NIH proposal that requests less than \$250,000 per year in direct costs. Modular budgets do not typically require a categorical breakdown of direct costs. However, in these situations OSP staff will still request that the PI complete a detailed budget for internal review purposes. OSP Grants Accountants will need a budget category breakdown for proper tracking of expenditures during the performance period, if funded. See **SOP #26: NIH Modular Budgets for guidance**.

Budget Preparation:

1. OSP Pre-Award staff will review the sponsor's budget guidelines and restrictions. These guidelines are typically found in a document published by the sponsor and known as a Funding Opportunity Announcement (FOA), Request for Application (RFA), Notice of Funding Opportunity (NOFO), or Request for Proposal (RFP). It is critical that the Pre-Award Administrator is familiar with sponsor guidelines to ensure proper guidance and feedback can be provided to the PI during the budget development phase.
2. The Pre-Award Administrator must be familiar with these budgetary items, at a minimum:
 - a. Mechanism of support (grant, cooperative agreement, etc.)
 - b. Period of Support
 - c. Funds Available from Sponsor (Total funding and award ceiling per award)
 - d. Cost Sharing or Matching Requirements
 - e. Funding Restrictions or Exclusions (i.e. unallowable costs)
3. The Pre-Award office will develop the budget and budget narrative templates based on sponsor budget requirements. Typically, this is a standard University budget template that has been modified to accommodate sponsor guidelines. Some sponsors will provide a specific budget template for use.
4. The Pre-Award office will share the budget and budget narrative templates with the PI. Included will be a timeline to submission and a submission checklist that guides the PI during the development phase (time permitting). Both parties will work in collaboration to ensure that costs are necessary and reasonable to complete the proposed project. This can be accomplished through meetings, phonecalls, virtual sessions and/or e-mail.
5. The following information is typically included in a federal budget:
 - a. Project Period (start and end dates). May be broken down into separate Budget Periods that are typically each one year in duration.
 - b. Personnel Costs:**
 - i. Effort: Percent (%) of time to be spent on award. Some sponsors ask that effort be reported in "person months." For faculty, this may include effort spent during the academic year in the form of reassigned time, buyout, or overload (requires pre-approval from the Provost) or during the summer months in the form of Compensation for Additional Services (CAS). CAS requests can be up to 2 summer months per year. For external funding, one (1) month CAS is equivalent to 11.11% of base salary (1/9). **UW System Operational Policy TC 3: Compensation** provides further information on CAS requests, maximum CAS, and overload requests (See "Guidance" section below).
 - ii. Institutional Base Salary: The Pre-Award team will verify current base salaries for project personnel under WISER. Effort and resulting salary request amounts will be calculated using each individual's base salary following federal regulations under 2 C.F.R. 200.430-Compensation-personal services.
 - iii. Ensure proper escalation of salary under multi-year awards (increases for merit, pay plan increases). Cost of living adjustments are not allowable under federal awards. Increases should be explained in the Budget Justification document.
 - iv. Effort committed to the project should be associated with a salary request otherwise the sponsor may consider it voluntary committed cost sharing. Unpaid effort should not be included or quantified in the budget documents but may alternately be included in the "Facilities, Equipment & Other Resources" section or the Project Narrative of a

federal proposal as unquantified support which provides evidence of institutional support for the project.

- v. **Administrative and Clerical Effort:** OMB Uniform Guidance section 2 C.F.R. 200.413(c) states that administrative and clerical staff salaries should normally be treated as Facilities and Administration (F&A) or indirect costs. Administrative and clerical staff are typically involved with routine services and should not be budgeted as direct costs, even if there is a direct benefit to the project. If it can be demonstrated that direct charging these costs largely meets Uniform Guidance standards then direct charging may be appropriate if *all four of the following conditions are met*:
1. Administrative and clerical services are integral to the project or activity;
 2. Individuals involved can be specifically identified with project objectives
 3. Such costs are explicitly included in the budget or have the prior written approval of the Federal awarding agency, and;
 4. The costs are also not recovered indirectly

OMB has no established minimum or maximum for administrative or clerical direct-charged salaries, however, it is more difficult to justify a direct charge when the percent effort requested is small. For example, it is more difficult to gain approval to direct charge a 5-10% effort request since that position will be seen as less integral to the project.

- c. **Fringe benefits:** Fringe is applied to any salary or wage requested in the budget. Each job classification (Faculty & Academic Staff, Classified Staff, Student) is assigned a different fringe rate for the Fiscal Year. Fringe rates change on July 1 at the start of each new fiscal year. It is suggested that a 1-2% increase in subsequent years of the budget is included for potential fringe rate increases. Current rates can be found at: <https://uwosh.edu/sponsoredprograms/frequent-data/>
- d. **Equipment:** Equipment is defined as a purchase greater than \$5,000 unit cost with a usable lifespan of greater than one year. If possible, include the name of the vendor who will provide the piece of equipment and/or provide service to the equipment during the performance period. Costs for maintenance contracts should be built into the “Consultant Costs” category below. Contact the [UW Oshkosh Purchasing office](#) if you plan to include Equipment expenses in your budget. Some state contracts are available for certain vendors.
- e. **Travel:** Include travel costs only for Project Personnel in this category and distinguish between Domestic and Foreign travel costs. Travel costs for Consultants or Project Participants should be included in either the “Consultant Costs” or “Participant/Trainee Support Costs” categories, respectively. Travel must be allowable under program guidelines and necessary for completion of the project. Include calculations to show rates for travel costs including mileage (roundtrip), daily per diem rate, lodging, airline tickets, etc. A per diem calculator and System policies can be found in the TravelWise portal at: <https://uw.foxworldtravel.com/>
- f. **Participant/Trainee Support Costs:** Trainee or Participant support costs can be built into the budget if the main project scope centers on training or is of an educational benefit to the participants. In these cases, individuals are considered “participants” if their involvement solely involves their educational benefit. For example, participating in a training program as a student/trainee. Participants are not involved in order to provide project support as an employee. Participant Support Costs should follow [2 CFR 200.75](#) and may include travel stipends, housing/lodging, research stipends, etc. as permitted under

the sponsor's requirements. Participants do not draw salary from the budget and therefore no fringe or indirects are applied to this category. Speakers at a conference are typically not considered Participants and should instead be built into the budget as a service provider (i.e. consultant/vendor) or as Personnel costs if the speaker is a current UW Oshkosh employee.

- g. **Other Direct Costs:** Includes Supplies, Services, Subawards, Consultants, Publication Costs, Alteration/Renovation and Other
 - (a) **Materials & Supplies:** This includes any supplies or consumables under \$5,000 unit purchase price. Computer supplies generally fit under this category. Include quantities, unit pricing, etc. in order to justify the cost
 - (b) **Publication costs:** Include specific journal names and pricing if available
 - (c) **Consultant costs:** Include name of consultant/contractor/vendor, include daily rate, other items such as travel included in price, time committed to project and scope of work or services. Consultants should provide a letter of commitment to the project which will be attached to the application prior to submission. Contact the [UW Oshkosh Purchasing office](#) if you plan to include Consultant expenses in your budget. Consultant costs under \$5,000 are considered "Best Judgement" purchases. Consultant expenses greater than \$5,000 will require a simple bid or sealed bid process before work can commence.
 - (d) **Subawards/Consortia:** Subrecipients significant intellectual contributions to the direction and management of the proposed project and are responsible for programmatic decision-making, management, outcomes, and reporting. Include the following subrecipient documents in the grant proposal: Budget, Budget Narrative, Scope of Work and Letter of Commitment to the project, if applicable. Budgets for the subrecipient will utilize their home institution's rates for fringe and indirect costs. Allow sufficient lead time for the subaward institution to draft their documents in addition to the time needed for UW Oshkosh Pre-Award staff to review their documents.
 - (e) **Alterations & Renovations:** Costs for a requested change, addition or renovation to existing facilities or spaces. Explain pricing, justify need and provide a quote. Significant costs in this category may require prior approval from the sponsoring agency before costs can be included in the budget. Contact OSP staff if this is the case.
 - (f) **Other Direct Costs:** This category may include costs for incentives paid to human subject participants, as an example.

- h. **Cost sharing commitments:** Only include costs under this category if the sponsor considers cost sharing or matching mandatory. Cost sharing guidance can be found under **SOP #6: Cost Sharing on Sponsored Programs.**

- i. **Indirect Costs:** Indirect costs, or F&A, are real costs that are not associated with a specific project. They are costs that are utilized to cover general purpose expenses, such as building maintenance, campus heating and cooling expenses, library fees, and administrative support costs. The University has an active federally-negotiated rate agreement that states the current indirect cost rate and the base on which it is applied.

The on-campus rate for UW Oshkosh is currently 31% of Modified Total Direct Costs (MTDC). The definition for MTDC is provided under [2 CFR 200.68](#) and includes all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first \$25,000 of each subaward. MTDC excludes equipment, capital expenditures,

rental costs, tuition remission, scholarships and fellowships, participant support costs, and subawards in excess of \$25,000.

- (a) Ensure the proper indirect cost rate is used. The current federally-negotiated agreement for UW Oshkosh can be found at: https://uwosh.sharepoint.com/:b:/s/UWOshkoshOfficeofSponsoredPrograms/EV_YmYX11RJAIXKtACpFMsUBKoSOKivs502QP1HH0m61gw?e=1Hzli_a
- (b) Deviations from the On Campus rate will require prior approval by the University (i.e. off-campus rates, sponsor capped rates, disallowed by sponsor)

Budget Review

- (1) The Pre-Award Administrator will review the drafted budget and budget narrative to ensure the following items have been addressed:
 - (a) Salary requests are based on current base salaries for individuals. The committed percent effort or person-months are included in the budget. Anticipated salary increases for merit or pay plans are built in for future budget periods.
 - (b) Rates such as fringe and indirect are correct and applied to the correct base(s)
 - (c) Effort committed in the proposal includes an associated salary request.
 - (d) Any committed cost sharing has received prior approval from the Department Chair and Dean
 - (e) Deviations from the standard, on-campus indirect cost rate have received prior approval.
 - (f) Costs for travel, equipment and supplies are justified and include calculation breakdowns.
 - (g) Subrecipients and consultants are specifically named, justified, and cost breakdowns are included in their individual budgets. A Budget, Budget Narrative, Scope of Work and Letter of Commitment are required for each subaward. A Scope of Work/Services and a quote listing hourly rate, # of days committed and total service cost are included for consultants or contractors.
 - (h) Appropriate escalation rates for salary, fringe, etc. are built in for future years
 - (i) Budget documents follow sponsor guidelines and costs are allowable under federal regulations.
- (2) The Pre-Award Administrator will communicate feedback and requested edits to the PI. The PI may make changes to ensure the budget is compliant with sponsor guidelines, University policies and federal regulations.

Budget Approval

- (1) Pre-Award staff will route the proposal, budget documents, and Internal Review Form (IRF) for internal approvals once documents have been drafted. The PI should include the project narrative or, at minimum, the Scope of Work, with the IRF.
- (2) The Grants Accountant will review all budget documents (including any subrecipient budgets or consultant quotes) and will provide official approval of the budget. The budget is also reviewed by the OSP Director, University Controller, Department Chair and Dean.
- (3) The PI will be notified if there are any issues with the budget during internal review.

IV. Guidance Documents/Policy Links:

- SOP #2: Internal Review and Signature Routing
- SOP #6: Cost Sharing on Sponsored Programs
- [UW System UPS Operational Policy TC 3: Compensation](#)
- [2 C.F.R. 200.68-Modified Total Direct Costs](#)

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- [2 C.F.R. 200.75-Participant support costs](#)
- [2 C.F.R. 200.430-Compensation-personal services](#)
- [2 C.F.R. 200.413\(c\)-Direct Costs](#)
- [2 C.F.R. 200.414-Indirect Costs](#)
- [Fringe Rates, UW Oshkosh](#)

V. Templates/Forms:

- [Internal Review Form](#)
- [Budget Spreadsheet, Federal + Cost Sharing](#)

VI. Definitions

Allowable Costs (2 C.F.R. 200.403): Cost must be necessary and reasonable for the performance of the federal award. Cost must conform to limitations or exclusions set forth in the federal award. Must align with generally-accepted accounting principles and must not be used to meet cost sharing requirements of any other federally-funded program.

Reasonable Costs (2 C.F.R. 200.404): Cost does not exceed a cost that would be incurred by a person under similar circumstances. Must be similar in cost to fair market costs for comparable goods or services

Allocable Costs (2 C.F.R. 200.405): Cost is incurred specifically for the federal award and provides a direct benefit to the funded activities. Cost is necessary for the overall success of the award

Modified Total Direct Costs (2 C.F.R. 200.68): *MTDC* means all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first \$25,000 of each subaward (regardless of the period of performance of the subawards under the award). *MTDC* excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each subaward in excess of \$25,000. Other items may only be excluded when necessary to avoid a serious inequity in the distribution of indirect costs, and with the approval of the cognizant agency for indirect costs.

VII. Contact Information

For questions or comments, please contact OSP@uwosh.edu or 920-424-3215

VIII. Revision History:

Created: September 14, 2018

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