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I. INTRODUCTION

This guide contains basic information for faculty and staff budgeting proposals for extramural support.

SPA provides a Project Budget spreadsheet template (Excel) to assist in building budgets for proposal submissions. The campus community is encouraged to use this tool. Please contact your GCA 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) Uniform Guidance, and University of New Hampshire Policy and Procedures. Keep the likelihood of inflationary increases in mind as you prepare the budget, especially for multi-year projects. Please refer to our rate schedule for further guidance.

II. 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.
- The distribution base used to determine Facilities & Administrative Rates is Modified Total Direct Costs (MTDC) as defined by Uniform Guidance. 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
III. **BUDGETING CATEGORIES**

All anticipated project expenses must be identified in the budget. It is not appropriate to “pad” the budget to allow for unanticipated expenses, nor is it appropriate to budget to realize a “profit.” The costing and pricing process for UNH sponsored programs must adhere to sponsor and overarching Federal regulations, and follow the published [SPA Rate Schedule](#). A budget narrative/justification explaining individual budget elements is an integral component of the proposal. For future-period (year) projections, inflation factors can be used. Reference to the SPA Rate Schedule in the budget narrative/justification is appropriate and lends credence to the practice of accurate proposal costing and pricing. Allowable direct costs include personnel and non-personnel items, usually classified in the following categories:

- **Personnel (Salaries and Wages of UNH employees and UNH students)**
- **Employee fringe benefits**
- **Independent contractors (not UNH employees or students)**
  - Consultants
  - Service providers
- **Equipment**
- **Sponsored program supplies**
- **Travel**
- **Subrecipients/Subcontractors**
- **Other (Items need to be identified separately or by group)**

**PERSONNEL:**

**Senior Personnel**
Senior personnel are individuals who contribute to the scientific development or execution of a project in a substantive measurable way, including the 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, PAT employees, OS employees, graduate students, and undergraduate students.

**GRADUATE STUDENTS:**

- The minimum twelve-month stipend rate for graduate research assistantships, and tuition rates are available on SPA’s rate schedule. The UNH academic department or the Principal Investigator can opt to use a higher stipend rate. If the appointment or the project effort is less than 100%, prorate the stipend.
- Graduate student full time summer rates are based on 2/3 of the prior AY Assistantship stipend rate. If the student will work for less than the full summer, the amount to budget for the proposal should be pro-rated accordingly for the number of weeks to be worked.
- The basic fringe rate is used for graduate student summer salary. (See “Employee Fringe Benefits”, below.)
- For graduate students, the budget must include non-personnel costs for tuition and health insurance. (See “Tuition” below.) Prorate these costs to coincide with project % effort as necessary.
• **ADMINISTRATIVE/CLERICAL:** Salaries of administrative and clerical staff should normally be treated as F&A costs, but may be appropriate as direct costs if certain conditions are met.

Administrative and clerical salaries are addressed in the Uniform Guidance, 2 CFR §200.413 Direct costs:

(c) The salaries of administrative and clerical staff should normally be treated as indirect (F&A) costs. Direct charging of these costs may be appropriate only if all of the following conditions are met:

1. Administrative or clerical services are integral to a project or activity;
2. Individuals involved can be specifically identified with the project or activity;
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 not also recovered as indirect costs.

In order to be able to direct charge administrative and clerical salaries, Federal agencies require that **all four conditions listed above must be met**. The PI is responsible for providing justification that these salaries should be direct charged. The word "integral" is generally interpreted as activities that are necessary or fundamental to the project.

**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 contact the Office of Human Resources. Investigators should, if possible, avoid hiring temporary employees to work on sponsored projects, especially in cases where the project work assigned is expected to continue beyond the end of the temporary employment.
  - 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.

**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.

**A. Employee Fringe Benefits**

Employee fringe benefit rates are negotiated with and approved annually by USNH’s “cognizant” agency, the U.S. Department of Health and Human Services. The rates are based on actual costs and cannot be waived. There are three fringe benefit rate categories:
• Full fringe rate – applies to salaries and wages for permanent, benefited employees except for graduate student, and faculty summer and supplemental salaries
• Partial fringe rate – applies to non-student hourly wages, faculty summer and supplemental salaries, other exceptions to faculty and staff contract pay, and FICA-eligible graduate student pay.
• Post-doc teaching/research associate rate – applies to post-docs receiving salary through UNH.
• College work study students are not considered to be employees, hence fringe benefits are not applicable. See SPA Rate Schedule for rates currently in effect.

Non-Personnel Direct Costs

A. Independent Contractor (a non-UNH individual or firm)

Although UNH does not distinguish between the two primary types of independent contractors (Consultants and Service Providers), some sponsors do require a distinction and different treatment for budgeting and expensing.

i. Consultant

A consultant is an individual (or firm), not considered an employee of UNH, hired for a fee to give professional evaluation, advice, or services purely advisory in nature. The consultant provides these services independently, without supervision by the UNH individual engaging these services. Some sponsors may not allow any compensation for consultants or may impose a cap on the amount of compensation to be paid to a consultant.

ii. Service Provider

A service provider is an individual (or firm), not considered an employee of UNH, providing professional services. The task is performed with clear direction by, and a finished product is “delivered” to the UNH individual engaging the service provider. The following characteristics apply to the service provider:

• Provides similar goods and/or services to many different purchasers
• Operates in a competitive environment
• Provides goods or services that are ancillary to the operation of the proposed project
• Is not subject to the Federal compliance requirements of proposed Federally-funded projects.

B. Equipment

UNH has adopted the Federal government’s definition of equipment as an article of non-expendable, tangible personal property having a useful life of more than one year and an acquisition cost of $5000 or more in accordance with UNH’s Federal Rate Agreement, equipment is exempt from F&A charges.

Equipment is categorized into three types:
i. **Special Purpose Equipment**

Special purpose equipment is equipment used only for research, medical, scientific, or other technical activities. Examples of special purpose equipment include microscopes, x-ray machines, surgical equipment, and spectrometers. Expenditures for special purpose equipment are generally allowable as direct costs provided that the acquisition is:

- necessary for the research or activity supported by the sponsored program,
- Not otherwise reasonably available and accessible,
- Of the type normally charged as a direct cost to a sponsored agreement, and
- Acquired in accordance with UNH policy and practice.

ii. **General Purpose Equipment**

General purpose equipment is equipment not limited to research, medical, scientific, or other technical activities. Examples include office equipment and furnishings, modular offices, telephone networks, information technology equipment and systems, air conditioning equipment, reproduction and printing equipment, and motor vehicles.

iii. **Fabricated Equipment**

Fabricated equipment is equipment which is built or assembled from individual parts or “off the shelf” components by project personnel, a UNH shop, or a commercial fabricator. When a completed item of fabricated equipment has an aggregate cost or $5,000 or more and when that item will be recorded as capital equipment in UNH’s asset management system.

iv. **Computer Software**

Only when the total purchase price of software bundled with a computer purchase on the same purchase order is $5,000 or more, is it considered to be equipment. Otherwise, software is considered a supply, regardless of its purchase price.

C. **Supplies**

Supplies are defined as expendable property with an acquisition cost of less than $5000 per unit and/or a life expectancy of less than one year. In the budgeting process, supply items should be grouped by specific categories of cost, such as laboratory supplies or project supplies.

General office supplies (paper, e.g.) normally are considered as F&A costs. If the proposed project calls for supply items normally considered to be general office supplies, the principal investigator must explain in the proposal narrative and budget justification how the supplies are project-specific and will benefit the project for the specific project period.

D. **Travel**

Travel costs are the expenses for transportation, lodging, and subsistence to be incurred by employees who will
travel on official project business. The budget justification should include the destination, number of people traveling and dates or duration of the stay for all anticipated travel. It is important to clearly state how the travel is directly related to the proposed research. Sponsor guidelines and USNH Travel Policy must be followed.

Note that the Fly America Act requires those performing Federally-funded foreign air travel to travel by U.S. flag air carriers unless the traveler can adequately document that:

- Travel by a foreign air carrier is a matter of necessity, or
- U.S. flag carrier service is unavailable.

Identify in the proposal budget and narrative justification any anticipated foreign travel.

E. Tuition and Health Insurance Fee for Graduate Students

   i. Tuition & Health Insurance Fee

Budgets including graduate student assistantship stipends must also include the cost of tuition and Health Insurance fee for each AY semester for which the student will receive a stipend. The tuition amount may need to be pro-rated in the same proportion as the stipend if the graduate student will work on more than one project, such that each project will receive its proportional benefit. See SPA Rate Sheet. In accordance with UNH’s Federal Rate Agreement, tuition and Heath Insurance fee is exempt from F&A charges.

F. Sub-recipient

OMB Uniform Guidance defines a Subaward as “an award provided by a pass-through entity to a subrecipient to carry out part of a Federal award received by the pass-through entity. It does not include payments to a contractor or payments to an individual that is a beneficiary of a Federal program. A subaward may be provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract”. A sub-recipient normally performs a significant portion of the intellectual portion of the project scope of work.

When a portion of the project is to be performed by a sub-recipient, the sub-recipient’s detailed budget and justification must be included with the UNH proposal. This information needs to be provided from the proposed sub-recipient’s authorized representative (e.g., Sponsored Research Office) in order to ensure that the costs proposed are supported by and represent an official offer of the sub-recipient’s home organization.

Total sub-recipient costs (direct costs and F&A costs) are considered a direct charge to the UNH project. According to UNH’s Federal Rate Agreement, UNH is permitted to charge F&A on total sub-recipient project costs up to the first $25,000 of those costs.

G. Other Costs

Other direct costs could include animal care, long distance telephone charges, lease/rentals, equipment
maintenance and repair; facilities rental; computer services, etc. Direct charging of certain costs such local telephone, postage and data processing, are normally considered part of the F&A rate and must be project-specific, justified in the budget, and restricted to projects for a high demand for these items. Costs for UNH service centers or recharge centers can be included according to the fee schedule established by the center and approved by the Office of the UNH Vice President for Finance and Administration.

IV. BUDGETING FOR COST SHARING

Cost-sharing commitments are discouraged in proposals unless they are required by the sponsor.

Cost sharing budgeting follows the same rules as those for direct costs: reasonable, allocable and allowable. Budgets and/or budget justifications submitted to the sponsor that identify costs that will be paid by the University or a third party are considered cost sharing and requires additional approvals prior to submitting the proposal to the sponsor. For more information about what approvals are needed see the UNH’s Cost Sharing Policy and/or SPA GCA.

V. UNALLOWABLE DIRECT COSTS

The following costs are unallowable under any circumstances as charges to sponsored programs:

- Alcoholic beverages
- Bad debts
- Commencement or convocation costs
- Contingency provisions
- Contributions, donations, remembrances
- Entertainment, including amusement, diversion, and social activities and any costs directly associated with such costs such as tickets to shows or sports events, meals, lodging, rentals, transportation and gratuities
- Student activity costs associated with the cost of publications, clubs, and similar discretionary student activities.

In addition, some sponsors specifically disallow other types of expenses normally allowable. Refer to sponsor guidelines and SPA GCA guidance.

VI. BUDGETING FOR F&A COSTS

F&A costs are calculated for a project by using an appropriate rate for the type of project and the appropriate basis or total of direct costs allowed to be considered in the basis by Federal and/or sponsor regulations. (Rate x Base = Cost.) F&A rates are negotiated for a set number of years with UNH’s “cognizant” agency, currently the U.S. Department of Health and Human Services (DHHS).

1. Rate Categories

There are three major rate categories applicable to sponsored programs:

Sponsored Research - Investigator-driven studies with results that contribute to generalizable knowledge; includes the training of individuals in research techniques.
Instruction - UNH’s teaching and training activities, except for research training (see Sponsored Research, above), whether offered for credit toward a degree or certificate or on a non-credit basis, and whether offered through regular academic departments or separate divisions, such as summer school or extension.

Other Sponsored Activities - Programs and projects other than sponsored research or instruction, such as health service projects, community service programs, and the Upward Bound program that provides academic support services to first generation college students. The proposal budgeter will need to determine the type of project -- sponsored research, instruction, or other activity -- based on the scope of work expressed by the project director in the proposal, and then refer to the section on On-Campus and Off-Campus Rates below.

2. On-Campus and Off-Campus Rates

UNH’s Federal Rate Agreement further delineates rates by on-campus and off-campus for each of sponsored research, instruction, and other sponsored activities.

On-campus” is defined as research that is conducted in space owned by the University and for which the University is bearing the space costs, from University funds. For space used for on-campus research, the University has already included the costs associated with that space in the “facilities” portion of the on-campus F&A rate.

“Off-campus” is defined as research that is conducted in space not owned by the University and not otherwise paid for by the University from University funds. For space used for off-campus research, an external source (typically, a research sponsor) provides funding, either paying directly for space, or reimbursing the University for its costs in renting or leasing the space, or otherwise directly providing space for research at no charge to the University. Accordingly, the Facilities portion of the on-campus F&A rate does not apply to the rental or lease costs of such space. “Rented or Leased Space” is defined as space that is used for research but not owned by the University, the costs of which are paid either from University funds or from funds provided by a research sponsor.

3. Composite F&A Rates Across Fiscal Years

When a proposal period crosses fiscal years with different F&A rates, budgets must reflect the change in rates from one fiscal year to the next. The SPA Proposal Budgeting Tool automatically calculates a composite F&A rate based upon the start date of the project. The proposal budget narrative should explain how the budgeted amount was derived. For example, the narrative could specify that the approved rate of x% should be applied for February through June of the upcoming fiscal year and the hypothetically approved rate of y% should be applied for the following fiscal years.