Proposal Submission Process (Module 4.00)

In this Module

- Budget Preparation
- Contract Budgets
- Direct Cost Categories
- Facilities & Administrative Costs
- Cost Sharing
General rules that should be applicable to any good proposal budget preparation.

Proposals that will result in:

- Federally Sponsored Agreements
- Contracts where the Federal Government is the prime sponsor
- Cost reimbursement agreements
- Agreements requiring detailed budgets
Prior to developing the budget for a proposal:

- Review the sponsor guidelines.
- Identify planned purchases by category in the proposal budget.
- Describe the purchases in the budget justification as appropriate.
- Included purchases in the final agreement if the proposal is awarded.
Future Year & Multi-Year Budgets

- For budgets proposed to begin in the future, it is appropriate to calculate a 3% increase to the current salary to compensate for cost-of-living increases. Additional increases of 3% per employment year are also appropriate for the same reason. Currently, NIH only permits a 3% factor for inflation.

- Any increase(s) should be detailed in the budget justification with a statement such as:

  "Each category has been increased by ___% per year to account for anticipated inflationary cost increases."
Other Types of Budgets

Clinical Trial Agreements

- Another type of proposal budgeting arises with proposals where no specified budget is required and/or no financial reporting of expenditure activities are mandated by the sponsor.
- These types of proposals are normally non-federally sponsored. (Agreements funded by private sponsors and Fixed-Price Agreements)

Note: The Budget Development Standards section previously covered in this tutorial is also applicable to the budgeting practices for contract proposals that are non-federally sponsored.
Contract Budgets

Remember to consider the following:

• There are no set guidelines that would be applicable to all budgets in all situations. Generally, budget structures differ among federal, state, local government, non-profit, and private sponsoring agencies.

• There are also differences in budget formats on research agreements, clinical trial agreements, contractual service arrangements, and budgets for training.

• Despite the differences, the major budget categories to work toward will be the same when considering proposals regardless of the type of sponsor or the type of award mechanism.
Remember to Consider the following (continued):

• The greatest amount of variance in budget development will most likely be found in the amount of information required by the sponsor and UCD|AMC for each category of the budget.

• The best source for information on how much detail to include in the proposal budget will be the guidelines supplied by the sponsor. The minimum budget requirements of UCD|AMC must also be followed, even if it means providing a more detailed budget for OGC's internal use (e.g. NIH modular grant applications).

*The same direct cost budget categories covered in the Proposal Budgeting section earlier (section 3.07) should be used when developing a budget for proposals that are normally non-federally sponsored and typically result in contracts such as Clinical Trial Agreements, agreements funded by private sponsors and Fixed-Price Agreements.*
**Contract Budgets**

**Additional considerations to think about:**

- ** Funding Level** - Review budgets offered by sponsors to ensure that the funding level is appropriate for the work that will be performed.

  All activities and resources used or purchased in order to perform a protocol or statement of work should be covered by the funding provided in the agreement.

- **Patient Care** - Agreements where patient care is conducted at one or more UCD|AMC affiliated hospitals must include the appropriate rate per activity charged at the given affiliated hospital (e.g. University of Colorado Hospital reviews and approve clinical budgets via the Hospital Research Review Committee (HRRC)).

  Check with the hospital conducting any patient care to obtain correct budget information related to planned activities.
Clinical Trials are expected to be funded on a cash-basis, which means the project is expected to be in a positive cash position throughout the term of the award. See Fiscal Policy 4-1, Clinical Trials.

- Pay close attention to the payment schedule in a clinical trial. Make sure that payment will be received in a timely manner to allow the project to maintain a positive cash balance and function smoothly.
- Billing Requirements - Generally, on clinical trials the PI is responsible for getting required information to sponsors in order to receive payment.
- Incentive payments to individuals from sponsors are not allowed in accordance with UCD|AMC policy.

F&A will be assessed on all contracts. Consult OGC Webpages for the appropriate F&A rate.

Most sponsored clinical trials are assessed by the off-campus F&A cost rate (26%) because a majority of the activity is generally conducted off-campus, (i.e., at one of the hospitals affiliated with the UCD|AMC).

See Fiscal Policy 4-1, Clinical Trials for more information.
All payments are to be made payable to the University of Colorado Denver and sent to the OGC Lock Box.

- **The lock box address is:**
  University of Colorado Denver  
  Department 238  # [proposal number – PI's initials]  
  Denver CO 80291-0238

*Note:* Additional information will be provided on alternative types of proposal budgeting later in this tutorial.
Primary direct cost budget categories.

• Begin preparing the budget using standard budget categories (unless instructed otherwise).

- Personnel
- Consultants
- Equipment
- Supplies
- Travel
- Patient Care
- Alterations and Renovations
- Other Expenses
- Subrecipients (Consortium/Contractual)
Personnel Category

Includes both salary and the applicable fringe benefit budgeting rates.

Personnel include faculty, staff and students employed by UCD|AMC, such as the PI, research personnel, and technical personnel.

- Each person identified as "personnel" in the budget must be a UCD|AMC employee paid through UCD|AMC payroll.
- Non-UCD|AMC paid employees must be identified in the budget as subrecipients or consultants.
Consultant Costs

Individuals who will add expertise and skill to the project.

Consultants are commonly listed in the budget as being paid on a daily rate plus travel costs. Some sponsors limit the daily rate that may be paid to a consultant.
Equipment Category

An article of non-expendable, tangible equipment:
- Useful life of more than one year
- An acquisition cost of $5,000 or more.

This includes equipment
- Purchased or acquired via transfer
- Donation
- Equipment being constructed where component parts may be less than $5,000 each, but the total cost will be $5,000 or more.
Supplies Category

Otherwise known as consumables

• Supplies for sponsored projects are to be purchased out of the direct costs for the project.

• Supplies related to the general operation of the administrative unit are to be covered as a part of Facility and Administrative Cost Recovery Revenue.

(e.g., paper, pens, printer cartridges, excluding supply items stored and used in a laboratory setting)
Travel Direct Cost Category

Travel includes only travel activities by UCD|AMC personnel necessary to conduct and benefit a project.
Patient Care Costs

Costs of **routine and secondary services** carried out with persons who are participating in a research project.
Alterations and Renovations

Most agencies specifically define allowable costs for space alterations and renovations.

• In some cases, it may be necessary to determine whether or not space will be available at UCD|AMC to accommodate the requested change.

• Contact Institutional Planning for assistance developing appropriate budget amounts.
Items not included in any other category should be listed as other expenses. Check the sponsoring agency's guidelines for any specific items to include here. Listing by major categories is allowable.

Common expenses in this section include, but are not limited to:

- Equipment maintenance
- Equipment rental
- Subject reimbursement
- Trainee costs
Subrecipients Category

**Subrecipient** The legal entity that has agreed to work in collaboration with UCD|AMC if the proposal is awarded.

- Also known as Consortium or Contractual costs.
- Work to be performed will usually be developed into a formal subrecipient agreement for substantive portion of work performed.
- Third party entity – NOT an individual
- Agreement developed upon receipt of an approved award.
- Accountable to the UCD|AMC for the use of the funds provided.
Facilities and Administrative (F&A) Costs

For sponsored project costing purposes, costs that are incurred for common or joint objectives (research, instruction, public service, or patient care) of the institution and, therefore, cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other UCD|AMC activity, such as clerical and administrative personnel.

- Also referred to as indirect costs, overhead costs, or administrative costs.
- Most sponsoring agencies allow reimbursement of F&A costs as a percentage of certain direct costs of the project (this is known as the MTDC the Modified Total Direct Costs).
- UCD|AMC has established a federally negotiated F&A cost rate agreement which sets out the percentage rates to be applied to all proposal budgets unless another mandatory sponsor policy applies.
The cost rate for a project is determined by:

- The location of the project
  - On or off campus location
- The type of activity being proposed.
Some sponsoring agencies specify the F&A percentage rate to be used. **If the percentage rate is not specified by an agency, follow UCD|AMC policy.**

- All federally-funded projects are subject to the UCD|AMC's Negotiated Rate Agreement unless otherwise specified by the federal sponsor.

- For non-profit, charitable associations, foundations and societies that do not have an established policy, the UCD|AMC project must initially be proposed at an F&A cost rate of no less than 10% of the Total Direct Cost (TDC).

All other F&A cost rates are to be applied to a Modified Total Direct Cost (MTDC) base unless indicated otherwise.

For more information on how to determine what F&A rate to use and how to calculate F&A see the [F&A Costs Guide](#).
Cost Sharing

The portion of a sponsored project or program that is not supported financially by the sponsor.

- When the PI, department, and UCD|AMC agree to provide any type of cost share to a sponsor, UCD|AMC is then committed to provide those stated services or assets in the performance of the program or project if awarded.

- Any commitments made in the budget, budget justification, proposal narrative and award documents are all binding on the institution at the time of the award and thus require approval and institutional endorsement.
Cost Sharing

• Usually provided through the contributed effort of PI’s or their staff and paid from the unrestricted fund, auxiliary and self-funded activity fund and/or gift programs.

• The effectiveness and expected benefits of each cost sharing agreement should be weighed considering the administrative and financial requirements and responsibilities inherent for the PI, the administrative unit, and UCD|AMC.

• Cost sharing is not normally appropriate on programs or projects supported by “for-profit” entities.
Types of Cost Share

Three types of cost sharing:

• **Mandatory**
  Required as a condition of the award.

• **Obligatory**
  A “committed” cost share is offered in the proposal by UCD|AMC, but is not a requirement to obtain the award once offered cost share becomes a requirement of the award.

• **Voluntary**
  Provided in excess of mandatory or obligatory cost sharing requirements.
Cost sharing between sponsored projects is not normally allowable.

*For example: federal funds cannot be used for cost share on another project.*
Covering Cost Share Obligations

• Cost sharing may be funded by unrestricted general fund programs, auxiliary and self-funded activity fund programs, or gift fund programs.

• Cost share can only identify or commit funds one time. 
  *i.e. Dollars committed to cost sharing on one project cannot be committed again on another project.*

• Budgets that commit quantifiable cost sharing outside of the PI’s administrative unit personnel must include authorization from the appropriate department chair/designee and dean/designee. If third party cost sharing is proposed, an authorized official of the organization must approve the commitment in writing.

• It is the responsibility of the PI and the originating department to ensure that all cost sharing is identified and documented appropriately in the proposal.

• OGC reports cost share obligations to the sponsor if an award is made to UCD|AMC, as required.
Examples of Cost Share

• Faculty, staff or students salaries and related fringe benefits for those working on the project

• Laboratory supplies used on the project

• Travel benefiting the project
Examples of Unallowable Cost Share:

- Expenditures which are normally charged as F&A, such as administrative salaries or office supplies

- Unallowable direct costs such as alcoholic beverages, entertainment, or any costs disallowed by the sponsor

- Equipment unless required by the sponsor

- Service Center expenses

The same cost principles for direct costs covered earlier in the tutorial apply to the charging of cost share. The expenditure must be appropriate as a direct expense. Requirements for cost sharing are found in OMB Circular A-110, including the allowable methods for documenting such cost sharing.
F&A Used as Cost Sharing

• **With the appropriate approvals**, waivers or reductions of the facilities and administrative (indirect) cost rate may be used as cost sharing.

• These waivers or reductions must have prior approval of the awarding agency and must be formally requested and processed through the UCD|AMC waiver approval process if the rate is different than the normal rate.

See the following for additional information:

– [Fiscal Policy 4-4, Facilities & Administrative Costs and Distribution of Recovery](#)

– [Fiscal Policy 4-8, Cost Sharing](#)
• While racing to get the proposal ready on time, remember that **good planning and good budgets save time later.**

• There are **no set rules that apply to all** of the numerous sponsoring agencies, but the general guidelines presented above apply to any good budget preparation.

• The best method to ensure a properly-prepared budget is to **consult the sponsoring agency's guidelines prior to beginning your budget preparation!**