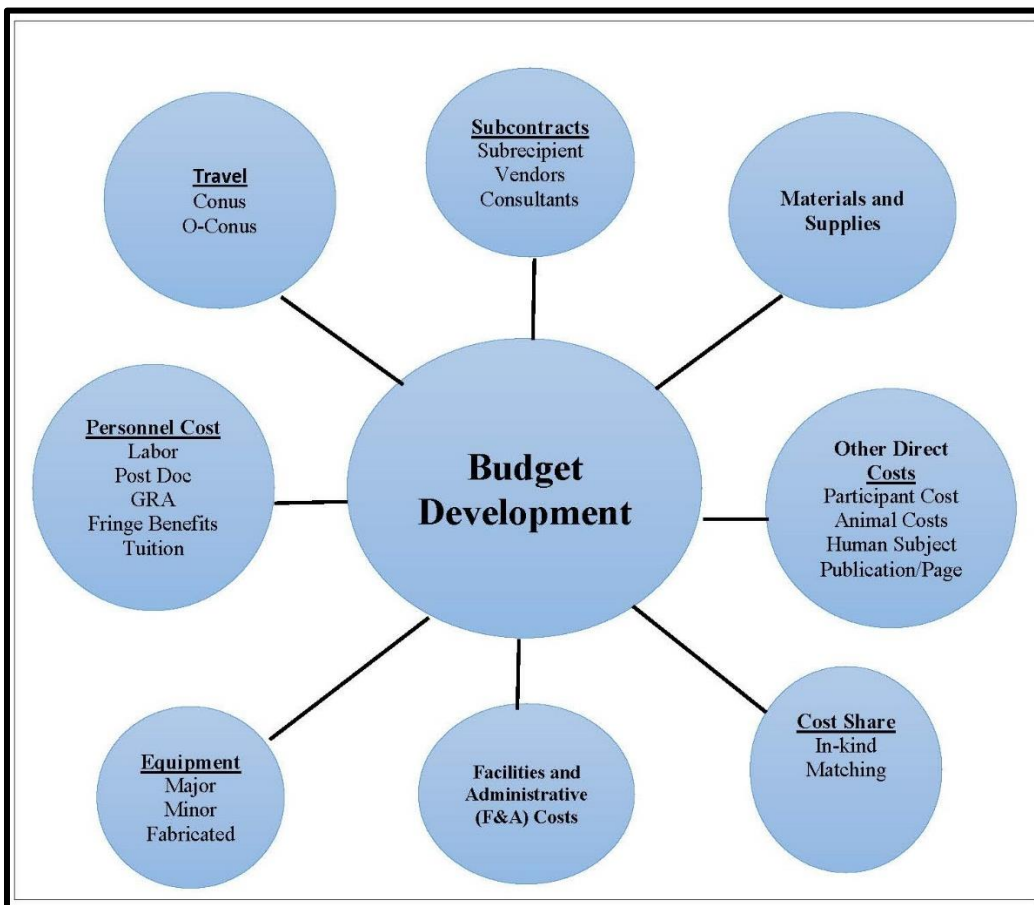


Budget Development

Definition of “Budget”: a detailed statement outlining estimated project costs to support the sponsored project. A budget should include all the Direct Costs and Facilities and Administrative (F&A) (or overhead) costs required to carry out the project objectives. Specific requirements, including cost principles as defined by the federal government in the *Office of Management & Budget (OMB) 2 CFR 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, must be adhered to at the proposal stage and when the funds are expended. Proposals to non-federal sponsors requesting approval of direct costs which are unallowable for federal reimbursement should clearly include and justify those costs in the budget.

- **Direct Costs** – Expenses that are specifically associated with a particular sponsored project or activity and/or can be directly assigned to that project or activity with a high degree of accuracy for example graduate student stipend and tuition.



Note: 2 CFR 200 (*Uniform Guidance*) indicates that the salaries of administrative and clerical staff should normally be treated as F&A, if the administrative expense **does not** meet the criteria for direct charging as follows:

- Direct Charging of these costs may be appropriate where a **major project or activity** explicitly budgets for administrative or clerical services and individuals involved can be specifically identified with the project or activity
- **“Major project”** is defined as a project that requires an extensive amount of administrative or clerical support, which is significantly greater than the routine level of such services provided by the departments
- Four criteria must be met for direct charging administrative expenses to a sponsored project:
 - Incurred for the performance of a major project or activity
 - Specifically identified and directly benefitting the project
 - Budgeted and approved by the sponsor
 - Supported by a budget justification (preferably at the proposal stage)

Facilities & Administrative (F&A) Costs

F&A costs are University expenses that cannot be specifically identified with a particular project or activity. Also known as “indirect costs” or “overhead,” these costs are for administration, buildings, utilities, and other expenses necessary for operations of the University.

- Sometimes called “indirect costs” or “overhead,” these are the costs of administration, buildings, utilities, and the many other expenses necessary for the research operation of the university.
- One example of an F&A cost is utilities because they benefit many activities in a building.
- Because individual F&A costs cannot be assigned to projects, the university calculates a rate to determine the fair share of F&A costs each project should be charged and negotiates this rate with the government. The rate is then applied to all sponsored research projects—including federal and non-federal sponsors.
- F&A costs are applied on a modified total direct cost (MTDC) base. The non-F&A-bearing costs in the budget must be identified so that project F&A can be accurately calculated.
- The MTDC base excludes the following cost components:
 - Tuition
 - Capital expenditures
 - Equipment
 - Subgrants (subrecipient) in excess of \$25,000
- UAH negotiates its F&A rate with the Department of Health and Human Services (DHHS), its cognizant federal audit agency

UAH normally does not waive or reduce the F&A costs of any sponsored research project.

UAH's current F&A Rate Agreement with DHHS is available at this [link](#).