

Developing Budgets for Sponsored Programs

A Guidebook
for
Principal Investigators and Project Directors

2004

Sponsored by
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Section I - Introduction

This guidebook provides information to assist you in developing budgets for your grant and contract proposals that sufficiently support your projects, that are accurate and implementable under all the rules and regulations that we have to follow, and that will be appealing to potential funders. Humboldt State University Sponsored Programs Foundation (HSUSPF) maintains this guidebook. Staff at HSUSPF are happy to assist you with any aspects of budget development and implementation. Any question regarding budgets or any aspect of this guidebook should be directed to staff at HSUSPF (campus phone -4189)

A. Pre-Award Budget Considerations

As a prospective principal investigator (PI) or project director (also called PI in this document), your primary concern about developing your budget is probably twofold. You want to develop a budget that will sufficiently support your project while impressing the reviewers of the reasonableness and cost efficiency of your proposal. Although these two goals may appear contradictory, they are not. Potential funders will review your budget with one simple question in mind. Can the author(s) accomplish what they propose with the resources they outline in their budget? As long as you do not exceed the funder's limits on maximum award size, and as long as you do not include costs in your budget that are not allowed by the funder, your proposal and its budget will be given serious consideration. Most funders will negotiate the final budget for their awards. You should be prepared for the question, "If we give you \$10,000 less, what will you cut and what will you accomplish with the remainder?"

Never underestimate the importance of the **Budget Narrative**. The budget narrative is the description most funding sources request as an explanation of your budget. This is where you get the opportunity to explain and justify your budget, and to provide details that are important to anyone considering your budget but that will not fit into the format of a budget table. Depending on the format required by the prospective funder, the budget narrative may be the only space you have to explain your match. When a peer reviewer has read your budget narrative, he/she should have no unresolved questions regarding the relationship between things in your budget and the objectives of the project.

Four Simple Rules for Building a Credible Budget:

- Be clear and complete -- Answer every question that your budget raises.
- Be accurate -- Use the correct rates and check your math.
- Know the budget limitations of the funder -- don't exceed the maximum and don't ask them to fund things they exclude.
- Maintain a realistic and clear relationship between your budget and your objectives.

Table 1
Typical Budget Format

Category	Line Item	Funding Request	Matching - University	Matching - XYZ	Total
I. Personnel	Salary A (1 mo @ \$2000)	\$ 2,000			\$ 2,000
	Salary B (1 mo @ \$2000)			\$ 2,000	\$ 2,000
	Wages C (120 hr @ \$10)	\$ 1,200			\$ 1,200
	Wages D (80 hr @ \$12)			\$ 960	\$ 960
	Benefits A (15%)	\$ 300			\$ 300
	Benefits B (25%)			\$ 500	\$ 500
	Benefits C (2.5%)	\$ 30			\$ 30
	Benefits D (12%)			\$ 60	\$ 60
	Subtotal	\$ 3,530		\$ 3,520	\$ 7,050
II. OE	Supplies			\$ 2,000	\$,2000
	Travel	\$ 6,000			\$ 6,000
	Equipment (Nerconator)		\$ 6,000		\$ 6,000
	Stipends (6 students @ \$1000 each)	\$,6000			\$ 6,000
	Communications (telephone and internet)		\$ 2,500		\$ 2,500
	Printing (Fliers 600 Fliers @ \$.50 each)	\$ 300			\$ 300
	Rents		\$ 3,000		\$ 3,000
	Other (Media)	\$ 300	\$ 450		\$ 750
		Subtotal	\$ 12,600	\$ 11,950	\$ 2,000
III. Total Direct Costs		\$ 16, 130	\$ 11,950	\$ 5,520	\$33,600
IV. IC (45.5% SWB)		\$ 1,606	\$ 0	\$ 1,602	\$ 3,208
TOTAL		\$ 17,736	\$ 11,950	\$ 7,122	\$ 36,808

Sample Budget Narrative to go with the budget in Table 1:

Personnel: There will be four persons working on this project for the month of July 2004: two faculty and two student assistants. The student assistants are former participants in previous years of this program. They will serve as peer mentors for the interns and as research assistants to the faculty. Matching funds have been committed from XYZ Foundation to compensate one of the faculty members and one of the students. This proposal requests support for the second faculty member and the second student assistant. Both faculty are senior researchers on the project and the student assistants are essential to the collection of a sufficiently large body of data.

Operating Expenses: More than half of the operating expenses are already committed from XYZ Foundation, or from University sources. We request \$1000 stipends for six students to support their internships to participate in field data collection and analysis and to develop their own related projects. The University will provide laboratory space (\$130/day for 23 days - shows as "rents" in the budget). The University's Media Services will forego \$450 of their usual \$750 charges related to the student research conference. The University will provide telephones and Internet access at no charge to the 10 people involved in the project (2 faculty, 2 student assistants, and 6 interns). We are requesting \$300 to provide for printing 600 Fliers to advertise the student research competition. The University is purchasing a Nerconator to be used exclusively for this research project. The Nerconator will be used by both the student assistants and the interns. The \$6000 requested for travel is estimated to cover the costs of attending the statewide student research competition for the two faculty and 8 students (mileage for a bus (\$.41 per mile for 1537 miles), lodging for 3 nights for 10 participants @ \$79 each, meeting registration (which includes meals for 3 days for each participant) of \$300 each for 10 participants).

B. Post-Award Budget Considerations

Each project proposal should specify the period of performance for the grant or contract. The period of performance specifies the beginning and ending dates. It determines when expenditures may begin, when reports and products must be delivered, and when the cut off dates for expenditures occur. In managing your grants and contracts, you must be aware of these time constraints and work within them. Otherwise, resources committed to your projects may be lost. Some projects may have multiyear budgets. You must be aware of how the funding agent requires the different years to be managed. Some funders will allow unspent funds to be carried over from one year to the next, while others do not. Timeliness of expenditures is required, even for matching funds. Only expenditures that occur during the project period of performance may be charged to or counted as match toward the project.

Most grants and contracts require the HSUSPF to "front" money for expenditures to facilitate project work. HSUSPF invoices the funder for expenditures it has already funded, and the funder reimburses HSUSPF for the documented amount. This allows your grant or contract work to proceed uninterrupted by any fiscal delays.

Section II -- Cost Categories and Line Items

A. Introduction

Budgets are subdivided into cost categories and line items to better communicate the intended purpose of the funds and to control expenditures such that we can assure that funds are spent for their intended purposes.

A typical budget format presents a budget broken down by **direct costs** (those that are directly assessable to the project) and **indirect costs** (those that are not easily assessed directly to any particular line items of the project and are therefore reported as a negotiated rate). Indirect costs are also known as overhead or F&A (Facilities and Administration). Direct costs are subdivided into two main categories: Personnel and Operating Expenses. Indirect costs are not subdivided in any way. Both Personnel and Operating Expenses are usually subdivided into line items. The sample budget presented in Section I illustrates a typical format for representing a budget that has a number of different line items in each category, indirect costs, and matching. Most funding sources require or allow the requestor to provide a budget narrative to explain and justify each item and to clarify its relationship to the objectives of the proposed project. Footnotes to the budget table can also be useful and informative.

B. Personnel (Salaries, Wages and Benefits)

When University employees (faculty, staff and administrators) work on funded projects administered by the HSU Sponsored Programs Foundation, there are various forms of compensation that depend mostly on when the employee does the work supported by the funded project. These include reimbursed time, overload, summer salary, and faculty additional compensation (intersession/winter holiday, and fall and spring breaks). Definitions of and guidelines for each type of payment follow.

1. Reimbursed Time

Faculty who plan to request assigned or released time in order to work on funded projects should contact their deans and department chairs before submitting proposals to discuss the time frame and the amount of released time requested. When faculty members are on released time, they continue to be paid by the University for their full appointments. The buy-out funds are reimbursed to the college by the Foundation project to which the faculty member is assigned.

University Clerical and Administrative Staff (non-faculty state employees) are released in rare cases from a portion of their regular staff duties to work on a funded project. The buy-out of staff time takes place in the same manner as faculty buy-out except that current campus staff pay rates are used. Approval comes from the supervisor/administrative home of the staff member. In general, staff and administrative buy-outs are not allowed on projects unless the award qualifies as a “major project.” ([Exhibit C of OMB Circular A-21](#))

General rules governing Reimbursed-Time Faculty and Staff Buy-Outs:

- When federal funds are involved, faculty and staff buy-out pay must be calculated at or below University (state) pay rates. If a lesser replacement rate is used, the dean of the college or supervisor/administrative home must approve the rate.
- The salaries of administrative and clerical staff should normally be treated as F&A (indirect costs) according to [OMB A-21](#). Therefore, clerical and administrative salaries are not allowed unless the project is considered a major project. In that case, 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. ([Exhibit C - OMB Circular A-21](#))
- **NOTE:** Project personnel other than administrative or clerical, such as project assistants, student assistants, technical support and other classifications, can be used in support of all projects.

2. Faculty Academic Year Overload

Faculty members performing work over and above their assigned University appointments during the academic year are paid overload as Foundation employees on Foundation payroll. Foundation timesheets are completed and submitted for overload pay semi-monthly.

General rules governing Faculty AY Overload Pay:

- As a condition of the faculty contract, the Chancellor's Office limits faculty from working more than 125% time on all activities, (e.g., University appointment, grants and contracts, or other campus-funded work) during the academic year. Faculty may work up to 25% overload during the 17 weeks in each semester. Twenty-five percent of 40 hours is 10 hours per week or a total of 170 hours per semester, a good guide for the faculty during the academic year.
- Faculty are responsible for monitoring their time commitments for all activities paid by any campus source (University or Foundation) to assure compliance with the 125% rule. The campus is also responsible for not paying faculty for more than 125% time.
- The 125% rule references the time commitment, not the amount faculty can be paid. Faculty may earn in excess of their faculty pay rate assuming the funding source does not object. However, when federal funds are involved, pay rates may only be equal to or lower than the University (state) pay; faculty cannot be paid a higher rate of pay than earned through their state salaries when working on federally funded projects.
- Because all faculty are exempt employees, they do not earn overtime. In order to conform to their State exempt status, their project compensation must be stated as a daily rate or as a percentage of time. (Hourly rates may be used for

calculation and timesheet purposes but should not be shown on the budget because it places employees into the non-exempt category and overtime rules must then be applied.)

- **Faculty on Sabbatical** cannot earn additional compensation unless approved in writing by the University President.
- **Faculty on the Faculty Early Retirement Program (FERP)** can work on funded projects over and above their academic year twelve-unit commitment.
- Salaries for **Retired Faculty** working on funded projects should be based on position title at retirement, using the current rate of pay for that position.

3. University Staff and Twelve-Month Faculty Overload

University staff and twelve-month faculty working on funded projects over and above their regular full-time (100%) assignments are paid overload as Foundation employees on Foundation payroll. Foundation timesheets are completed and submitted for overload pay semi-monthly.

Two categories of staff qualify for overload pay:

- Exempt staff and faculty: University staff and faculty in exempt positions can work up to 125%. NOTE: Since exempt employees are paid a salary, and to conform to their State exempt status, their pay rates should be calculated and presented on budgets as daily rates or percentage of time.
- Non-exempt staff: University staff in non-exempt positions can work up to 125% but must be paid at an overtime rate (time and a half) for any hours in excess of 8 hours per day or 40 hours per week. NOTE: If a non-exempt staff member working in a full-time (100%) University appointment is paid additional hours on Foundation payroll for work on funded projects, be advised that the resulting rate of pay could be unreasonable for the position. For example, if the normal pay rate is \$10 per hour, the rate will go to \$15 per hour if the person works beyond his or her full-time hours.

General rules governing University Staff and Twelve-Month Faculty Overload:

- Campus personnel are subject to the CSU Chancellor's Office rule that disallows campus employment in excess of 125% of time. Therefore, University staff are limited from working more than 125% time on all activities (e.g., University appointment, grants and contracts, or other campus-funded work) during the calendar year since they are usually twelve-month employees. Overload in these cases covers the calendar year including intersession, summer and breaks for full-time staff positions.
- The 125% rule allows University staff and twelve-month faculty in full-time (100%) positions to work up to 25% additional time on funded projects. Twenty-five percent of 40 hours is 10 hours per week, a good guide for those in twelve-month positions working overload.

- The 125% rule references the time commitment, not the amount staff and faculty can be paid. Staff and faculty may earn in excess of their University (state) pay rate assuming the funding source does not object. However, when federal funds are involved, pay must be calculated at the same rate as University (state) pay; staff and faculty cannot be paid at a rate higher than their state salaries.
- The salaries of administrative and clerical staff should normally be treated as F&A costs according to [OMB Circular A-21](#). Therefore, clerical and administrative salaries are not allowed unless the project is considered a major project. In that case, 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. (A major project is defined in [Exhibit “C,” of OMB Circular A-21.](#))
- NOTE: Project assistants, student assistants, technical support and other classifications can be used in support of all Federal projects. If you have questions or concerns about this issue, please consult the HSUSPF.

4. Faculty Additional Compensation (Summer, Intersession/Winter Holiday, and Fall and Spring Breaks)

Faculty members may be paid for work performed on Foundation projects over and above their academic year assignment/pay. Faculty will be paid as Foundation employees, on Foundation payroll for summer, intersession and breaks when working on funded projects. Foundation timesheets are completed and submitted semi-monthly.

General rules governing Additional Compensation:

- Summer, intersession/winter holiday, and fall and spring breaks are not included in the total compensation for a regular term. They are considered as a separate time period.
- During summer, faculty can work up to 125% of their time including such activities as teaching summer school and working on grants and contracts. However, funding agencies and auditors may not view anything over 100% time favorably. Therefore, the Foundation does not encourage commitment beyond 100% except in rare cases. If federal funds are involved, during these time periods, no time over 100% can be included.
- There are approximately 12 weeks available during the summer. During intersession and winter holiday there are up to four weeks, and for fall and spring breaks there is one week per break that is not counted as part of the time commitment for the fall and spring semesters. Faculty can work up to 50 hours per week during these times assuming the funding agency allows it and it makes programmatic sense.
- Because summer, intersession and breaks are not included in the monitoring for regular terms for academic year faculty, they should be listed separately for

budgeting purposes, not as overload, unless the campus employee has a twelve-month appointment.

- For all non-federal projects, salary may be charged at higher rates than the pay rate for the state appointment, if they are reasonable and the funding agency approves.

5. HSU Sponsored Programs Foundation Employees

The previous section on University faculty, staff and administrators working on funded projects covered the general rules for those employees paid through the HSU Sponsored Programs Foundation for overload or faculty additional compensation. Additional information below is applicable to all HSUSPF hires/employees including those mentioned above.

General information on HSU Sponsored Programs Foundation employment:

- As an auxiliary organization of Humboldt State University, the HSU Sponsored Programs Foundation must comply with university policy, federal regulations, and all regulations and laws governing non-profit organizations. In addition, the HSU Foundation, as a non-profit organization and a private employer, falls under federal and state wage and hour laws. These laws require the HSU Sponsored Programs Foundation to pay all employees twice monthly if work is performed. Completed timesheets must be submitted immediately following the pay-period work was performed. If these procedures are not followed, upon audit, the HSU Sponsored Programs Foundation could be subject to various fines and penalties.
- When preparing budgets, use the following information to make sure you are using the proper classifications and pay rates for each employee or situation with which you are dealing. If you have questions regarding labor law issues, work with the appropriate HSUSPF staff or the HSU Human Resources Office as needed to accurately prepare the budget calculations.

Recruitment and hiring of HSUSPF employees:

- Fully benefited project positions to which a person is not named in the proposal are subject to HSUSPF personnel practices and policies for advertising and hiring. See the HSUSPF staff for guidance and assistance.
- Budgeting for recruitment expenses and timelines for hiring should be considered. However, these expenses cannot be incurred until a fully executed agreement or award document is received from the funding agency. In the case of federal funding, [OMB A-110](#) allows federal agencies to approve expenditures 90 days prior to the project start date, but only with written approval from the funding agency. Work with your Foundation contact if necessary, to secure such approvals.

Rates of pay:

- Pay rates for personnel working on funded projects must be reasonable for the work of the position, which generally means in line with local community and/or campus pay rates for similar positions. The education or work experience of the individual selected for the position must also be considered.
- Where project funds allow, pay raises should be provided on multi-year projects or projects continuing beyond the initial one-year period. The raise for each individual is based upon factors such as a merit increase and a planned cost of living increase. The guideline for increased pay is to stay within general community and campus pay rates for similar positions.
- All Foundation employees must be paid at least the minimum wage for the State of California. The current effective minimum wage is posted online: <http://www.dol.gov/esa/minwage/america.htm#California>
- The salaries of administrative and clerical staff should normally be treated as F&A/Indirect costs according to [OMB A-21](#). Therefore, clerical and administrative salaries are not allowed unless the project is considered a major project. In that case, 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. (A “major” project is defined in [Exhibit “C,” of OMB Circular A-21](#))
- **NOTE:** Project assistants, student assistants, technical support and other classifications can be used in support of all projects. If you have questions or concerns about this issue, please consult the HSUSPF.

Exempt Employees:

Exempt employees fall into one of the following three categories:

- Executive or Managerial:
 - a) Have duties and responsibilities that involve managing the business as a whole or an on-going department of the business (e.g. project director, project manager, and any faculty member).
 - b) Customarily and regularly direct the work of two or more employees.
 - c) Have the authority to hire or fire other employees or to make recommendations that carry weight about hiring/firing/promotion decisions.
 - d) Customarily and regularly exercise discretionary powers.
 - e) Spend at least 50% of work time engaged in exempt duties including work that is “directly and closely related” to exempt work.
- Administrative Employees:
 - a) Perform office or non-manual work directly related to management policies or general business operations of organization or customers, or perform functions in the administration of a school system or

educational institution in work directly related to academic instruction or training.

- b) Customarily and regularly exercise discretion and independent judgment.
 - c) Regularly and directly assist an exempt executive or administrative employee; or perform under only general supervision work along specialized or technical lines requiring special training, experience or knowledge; or execute special assignments and tasks under only general supervision.
- Professional Exemption:
 - a) Be licensed or certified by the State of California and be primarily engaged in one of the following recognized professions: law, medicine, dentistry, optometry, architecture; engineering, teaching or accounting or be primarily engaged in an “earned or artistic profession.”
 - b) Customarily and regularly exercise discretion and independent judgment.

General rules governing Exempt Employees:

- Employees must be paid on a salary basis, meaning they must be paid the same predetermined amount every pay period.
- The minimum monthly amount must be \$2,166.66; \$26,000 annually.
- There can be no reduction of salary or variances in quality or quantity. Salary must be smooth and consistent.

Non-Exempt Employees:

General rules governing Non-Exempt Employees:

- Employees who do not meet the tests of exemption are non-exempt.
- Employees paid an hourly rate are automatically non-exempt, regardless of their responsibilities. The only exception is multiple projects being worked on by the exempt employee.
- Employees not making at least \$2,166.66 per month or \$26,000 annually, full-time equivalent, are non-exempt.
- Non-exempt employees are paid time and one-half for any hours worked over 8 in one day or 40 in one week and double time for hours worked over 12 in a day. This includes hours combined from work on different projects or when a University (State) employee works a combined total over eight hours in a day or 40 hours in a week on state and Foundation payroll.

Mandated Employment Taxes and Benefits:

- All Foundation employees are subject to the mandated federal and state payroll taxes including SUI (State Unemployment Insurance) and ETT (Educational Training Tax), Social Security/Medicare, and worker's compensation.

Fully-Benefited Employees:

Fully-benefited employees regularly work (or are expected to work) a minimum of 75% time base hours within a six-month period. This assumes they are on-going employees – not intermittent employees who accumulate that many hours. General rules governing

Fully-Benefited Employees:

- In most cases, employees expected to work more than six months are eligible for the full benefits packages and full benefits should be budgeted.
- Regularly-scheduled employees who work ten-month years must be budgeted for 12 months of group insurances and fixed contributions listed below.

- Employer Fringe Benefits

The project account's line items which comprise the Fringe Benefits category are: Federal Insurance Contributions Act/Social Security (FICA) and Medicare; Worker's Compensation (WC); State Unemployment Insurance (SUI); and Employment Training Tax (ETT). These four employer fringe benefit expenses are charged as direct costs of each account and together constitute approximately fifteen percent (15%) of the gross salaries and wages. A fifth fringe benefit line can be applicable to longer-term employees working three-quarter time or more. That line is for group insurances (health, dental, vision and life) and is charged as a direct cost to projects, though employees contribute to the premium expense via payroll withholding. The amount of premium varies according to employee age, number of individuals covered and insurance plans selected (currently in 2004 it is 5%). The sixth fringe benefit line is employer paid retirement for fully benefited employees that have worked twelve consecutive months at .75 or higher time base. Those employees working between .5 time base and .75 time base for 24 consecutive months are also eligible for the employer paid retirement benefit.

Non-Benefited Employees:

Non-benefited employees are all employees other than student assistants who are regularly scheduled to work less than 1,040 hours in a twelve-month period.

General rules governing Non-Benefited Employees:

- Generally non-benefited positions are budgeted at an hourly rate.
- All faculty from any CSU campus and staff being paid overload are considered non-benefited employees. However, funding for payroll taxes must be budgeted for all faculty and staff paid overload. (See last bullet below.)
- A general word of caution: If it is known that a current employee is working in a non-benefited category, but the intent is to add additional hours by stringing

together non-benefited assignments, the employee is technically eligible for benefits when he or she regularly goes over 1,560 hours. This is a problematic area of budgeting because the projects are still non-benefited. Many factors need to be taken into consideration including the various start and stop times of the projects. Please seek assistance from the Foundation staff.

- Anyone working as an hourly employee is considered non-exempt and must be paid overtime for hours exceeding 8 hours per day or 40 hours per week. Benefits for overtime are calculated at the time and a half rate.
- Payroll taxes must include SUI & ETT at 2.8%, Social Security/Medicare at 7.65% and Worker's Compensation. Worker's Compensation rates vary by position. For current rates contact the Foundation or Human Resources Office. We are currently using the total rate of 15% to build budgets in grant proposals.

6. Student Assistants

General rules governing the Student Assistant Classification:

- To be eligible for a student assistant classification, individuals must be enrolled in 6 units for undergraduates or 4.5 units of 200 level and above for graduate students at Humboldt State University.
- Student work schedules should not interfere with their educational program. Typically, this would not be more than 20 hours a week. During periods of non-enrollment (any whole week when classes are not in session), student assistants may work a maximum of 40 hours per week.
- A student ineligible for the student assistant classification may still be employed through the Foundation to work on a funded project but will be classified as a non-benefited employee. However, the employee would not be exempt from Social Security/Medicare. (See section on non-benefited employees to determine appropriate costs including benefits/payroll taxes.)
- Paid student internships are exempt from the 20 hours per week limit. As long as students are enrolled in internship units, they may work up to 40 hours per week.

General rules governing Work-Study Students:

- Students with work-study awards are eligible for Federal and State Work-Study Programs. Work-Study students are limited to 20 hours of work per week and qualify for the Social Security/Medicare exemption.
- There are two categories of work-study students: Federal and State

To budget for State Work-Study students, include one half of the students pay along with 100% of the benefits/payroll taxes. The Foundation will invoice the Financial Aid Office for 70% of the student's earnings (excluding the benefits/payroll taxes). This amount will be reimbursed to the Foundation project, leaving 30% of the wages plus 100% of the benefits/payroll taxes (SUI, ETT, and workers' compensation) as actual expenses to the project.

Work-Study students are exempt from the 7.65% for Social Security/Medicare. Work-Study students may work over and above their Work-Study award, up to the maximum of 20 hours per week. In these cases, 100% of their wages and benefits above their Work-Study reimbursement must be budgeted.

Federal Work-Study: Project Directors should contact their departments to see if Federal Work Study funds are available. Students receiving federal Work-Study are paid through the University (State) payroll, not through the Foundation. However, the project must pay 25% of the student's wages; the other 75% will be covered by the Federal Work Study program.

General rules governing budgeting for student assistants:

- Students are paid on an hourly, not a salary, basis.
- The Campus Student Rate Schedule from the Human Resources Department can be used as a guide for classifications and a range of hourly rates for students employed on Foundation payroll. However, all Student Assistants employed by the Foundation must be paid at minimum wage of \$6.75 per hour or above depending on the tasks involved. See the web page for Human Resources for student employment classifications: <http://www.humboldt.edu/~hsuhr/class.shtml> The pay rates for students (Student Assistants and Graduate Assistants) are included in the CSU Salary Schedule: <http://www.calstate.edu/hrpims/Salary/SalarySchd20030926.pdf>. Look under E99 Excluded Classes, 1870 Student Assistant, and 2355 or 2325, Graduate Assistant to find the minimum and maximum pay rates allowable for the system. However, the University Executive Committee sets the maximum rate a student may earn at Humboldt State University. Currently in 2004 the range of pay for student assistants is minimum wage (\$6.75/hr) up to \$10.50.
- Students are non-exempt employees and are subject to overtime if they work over 8 hours in a day or 40 hours in a week. Students should generally not be worked overtime.
- Only HSU students enrolled in a minimum of 4.5 units as graduate students or a minimum of six units as undergraduates are exempt from Social Security/Medicare. During the summer Social Security/Medicare must be withheld at 7.65%. SUI & ETT and worker's compensation must always be included in the budget.
- Non-HSU students are not exempt from Social Security/Medicare. Therefore, 7.65% for Social Security/Medicare withholding must be included in addition to SUI & ETT and worker's compensation when budgeting for non-HSU student benefits.

7. Fringe Benefits

Fringe benefits, including payroll taxes, are paid at varying rates for all employees working on funded projects. Payroll tax rates vary by position and change periodically. The current rates (2004) are below.

Type of employee	Benefit category	Rates
State faculty and staff reimbursed time	State benefit package	25% - 35% from actual rate
Foundation .75 to 1.0 time base. Six months or more.	SUI & ETT Social Security /Medicare Workers compensation A fifth fringe benefit line can be applicable to longer-term employees working three-quarter time or more. That line is for group insurances (health, dental, vision and life) and is charged as a direct cost to projects, though employees contribute to the premium expense via payroll withholding. The amount of premium varies according to employee age, number of individuals covered and insurance plans selected.	2.8% 7.65% Rates vary, currently approximately 3.5% Varies
Foundation .75 to 1.0 time base continuously at least one year and .5 to .75 time base continuously at least two years.	Retirement	4%
Foundation part-time (overload, intersession, breaks & summer salary)	SUI & ETT FICA/Medicare Workers compensation	2.8% 7.65% Rates vary
Fully-enrolled Humboldt students Undergraduates are enrolled in at least 6 units; graduate students are enrolled in at least 4.5 units	SUI & ETT Workers compensation	2.8% Rates vary
Partially-enrolled Humboldt students and all students from other colleges and universities Undergraduates are partially enrolled at less than 6 units; graduates are partially enrolled at less than 4.5 units	SUI & ETT Social Security/Medicare Workers compensation	2.8% 7.65% Rates vary

8. Other Kinds of Budgetary Relationships with People: Consultants, Subcontractors, Subrecipients, Stipends and Honoraria

Grant budgets may include other types of budgetary relationships with professionals and their businesses, or with students or participants involved in the sponsored project that are not employer/employee relationships. These items are budgeted under Operating Expenses and are not subject to payroll rules, benefits rates, employment taxes, or other rules governing payroll. These types of relationships are not, however, permitted to substitute for appropriate employer/employee relationships. These types of relationships are covered in the next section “General Operating Expenses.”

C. General Operating Expenses

General Operating Expenses include all the non-personnel line items of your budget and can be broken down into the following:

General rules governing General Operating Expenses:

- Three competitive bids are required on all purchases totaling over \$1,000 (excluding tax and shipping) from a single vendor.
- Vendors may have agreements such as lease or term agreements/contracts that need to be signed by an authorized signatory of the HSU Foundation. However, in most cases when securing vendor services it is not necessary to have a formal agreement; invoices and purchase orders are sufficient.
- Tangible properties such as power machinery, and scientific and computer equipment costing more than \$500 and up to \$5,000 should be listed separately in the space provided on the template under the operating expenses section in order for the Foundation to code and track them for inventory purposes. Such items costing less than \$500 should be included in the supply line item. No sale or transfer of items should take place without Foundation approval.
- General-purpose office furnishings such as desks, chairs, file cabinets and copy machines costing less than \$5000 are not allowable expenses, except where the items are specifically identified and approved in advance by the funding agency. These items should be listed separately under tangible property/general office furnishings on the template.
- Cell phone charges that are project-specific can be listed under General Operating Expenses in one of the following ways. (1) If a private cell phone is used for project business, reimbursement for the actual costs of project-specific calls is allowed, but service charges are not. (2) If a cell phone is used only for project business, all costs, including services charges, are billable to the project.
- **NOTE:** Refer to [Section J of OMB Circular A-21](#) for a list of allowable and unallowable costs.

1. Supplies

This category includes such items as supplies, materials, postage, telephone, and printing which will be secured from a vendor rather than an independent contractor or subcontractor. Generally, a vendor is a dealer, distributor, merchant or other seller providing goods or services required to conduct a project. The goods and services may be for the Foundation's or University's own use (e.g., maintenance service agreements, facility use) or for the use of beneficiaries of the project (e.g., copying services). Usually vendor services or goods are obtained with a purchase order, although some vendors provide their own agreements (e.g., a facility lease agreement), and at times the prime award to the Foundation may require an agreement for use with vendors.

2. Equipment

The definition of "equipment" may vary by funder. Equipment generally means tangible, nonexpendable property, charged directly to the funded project, having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit.

General rules governing Equipment Expenses:

- When budgeting for equipment, list each item separately on the template. Any tax, shipping and set-up fees should be included in the equipment cost.
- Equipment purchased by a funded project becomes the property of the Foundation and will be tagged and tracked as part of Foundation inventory unless otherwise specified by the funder. No sale or transfer of items should take place without Foundation approval.
- When equipment is purchased with federal funds, the ownership will revert back to the funding agency at the end of the project unless the agency releases ownership to the Foundation. Therefore, these items should be coded and tracked separately from other equipment items.
- General-purpose office equipment is not an allowable expense, except where approved in advance by the funding agency. "General purpose" refers to equipment, the use of which is not limited to research, medical, scientific or other technical activities. Examples include office equipment and furnishings, air conditioning equipment, reproduction and printing equipment, automatic data processing equipment, and motor vehicles.
- Software costing over \$5,000 is considered equipment for inventory purposes and should be listed in the equipment category.
- Only equipment purchased specifically for and used exclusively on a funded project can be used as match for the project.

3. Travel

- Some state agreements require the Foundation to use Department of Personnel Administration Travel Rates.
- When calculating travel costs for a specific project, itemize per diem, hotel rates, airfare, mileage, rental car, conference registration and other costs.
- NOTE: When calculating travel costs, refer to the [HSU Campus Travel Manual](http://www.humboldt.edu/~fiscal/trav.shtml) for current rates and travel forms or on the website: www.humboldt.edu/~fiscal/trav.shtml.

4. Consultants, Subcontractors, Subrecipients

These terms refer to individuals or businesses with expertise required to provide services that directly meet project objectives. Specific definitions follow.

- **Consultants/Independent Contractors:** Often called subcontractors or subrecipients, consultants and independent contractors provide a service(s) where the performance is measured against meeting objectives of the prime award. Generally, the HSU Foundation should use a consultant/independent contractor agreement for services provided by a company or individual up to \$10,000. To determine if an individual meets the qualifications of an independent contractor, refer to University Management Letter #00-02 (September 2000), the Special Consultant and Independent Contractor Hiring Guide. NOTE: If federal funds are included, see section below on subrecipient.
- **Subcontractors:** Often called consultants or independent contractors, subcontractors perform service(s) specified and measured by objectives of the prime award. Generally, the HSU Foundation uses a formal subcontract for services provided by a company or individual in excess of \$10,000. NOTE: If federal funds are included, see section below on sub-recipient.
- **Subrecipients:** This is a federal term referred to in the OMB circulars that govern HSU and the Foundation in the management of funded projects. A subrecipient is the legal entity to which a subaward is made and is accountable to the recipient (Prime) for the use of the funds provided. Generally, a formal sub-agreement is required when any federal funds are involved; the \$10,000 threshold does not apply to federal awards. When writing federal subcontracts, it is necessary to pass down the appropriate federal clauses as listed in the prime agreement. Therefore, in most cases the HSU Foundation's standard subcontract must be modified to meet federal requirements.

General rules governing Consultants, Subcontractors and Subrecipients:

- Individuals or companies having the expertise to provide the necessary services to the project should be named in the budget. This allows approval by the funding agency at the time of award and eliminates bidding requirements.

- If a line item for consultant or subcontract services is written in without naming an individual or company, a competitive bid process must be completed for services over \$1,000 and submitted to the Foundation before anyone is hired. The Foundation has sole authority to sign legally binding agreements for the Foundation.
- If federal funds are involved, the daily rate for a consultant must be reasonable given all the circumstances. At times, federal agencies or programs will specify maximum daily rates. Currently NSF and NIH limit daily rates to no more than \$482 per day. The daily rate is exclusive of other costs such as travel, per diem, supplies, and indirect costs.
- Projects with federal funding will likely require full subcontracts including the appropriate federal clauses. Keep in mind that we cannot subcontract with individuals or firms who are debarred from doing business with the federal government. If you have questions about federal subcontracts, contact the HSU Foundation or the Office for Contracts, Procurement, & Risk Management .
- No CSU system faculty or staff or anyone on University or Foundation payroll qualify as consultants/independent contractors, subcontractors or subrecipients, and none should be paid as such. In rare cases, if a faculty or staff member of the university or Foundation has an established consulting business, with its own tax ID number, it may be possible to subcontract to the company, but not to the individual. The HSU Foundation must approve such situations on a case-by-case basis.
- Consultant or subcontractor fees should be based on a daily rate. An hourly rate should not be used as consultants are not employees and are paid for completing an overall job.
- To break out subcontractor costs when preparing the budget, all costs including travel, supplies and materials for consultants and/or subcontractors and subrecipients should be placed in the subcontractor category, not in the travel or supplies/materials categories.
- List the rate of pay by the number of days.
(Example: \$400 per day x 5 days = \$2,000)
- Consultants/Independent Contractors: A potentially confusing issue involves distinctions between employees and consultants or independent contractors. The position of both the state and the federal government is that most situations, where pay for services of an individual occurs, constitute an employer-employee relationship. There are substantial penalties for failing to pay an employee through the payroll process. If an individual is an employee of the University of the Foundation, any additional work performed for a Foundation account is, by definition, done as an employee and is subject to payroll processes, including fringe benefit expenses and withholding. Similarly, pay to a student for services is also payroll. Pay to any individual who is working under the project's direction

and control constitutes payroll. Pay to any individual who supervises the work of other employees constitutes payroll.

- A consultant or independent contractor relationship occurs when the transaction involves a business performing a service for the project. Typically such a business will have an invoicing procedure, and the business' invoice is the supporting documentation which is then attached to a Check Request. If the business does not use invoices, the HSUF Special Lecturer/Consultant Certification should be used. That form is also used when paying and honorarium to an expert who is external to our university. Consultants / independent contractors may never be paid by personal check or cash.

5. Stipends and Honoraria

A stipend is generally paid to a student or attendee of a class for participation only, not for a service rendered. (An amount paid for services rendered is a "wage" under the IRS regulations and must be paid as salaries and wages.) Stipends fall under the IRS definition of "scholarships or fellowships."

General rules governing Stipends:

- Stipends must be for instructional program participation; therefore, the amounts to be given as stipends are not wages. However, the IRS considers a stipend taxable income and states that such income can be offset with allowable education expenses. The Foundation is not required to issue a 1099 to the recipient of a stipend.
- A stipend must be reasonable and is normally listed in the budget to allow approval by the funding agency.
- List the number of stipends to be paid and the amount per stipend. (Example: 20 participants x \$100 each = \$2,000)
- Stipends and Scholarships -- While the category of scholarship expense is well understood to mean that the student receives financial support merely for attending an academic program, the category of stipend expense often causes confusion. A stipend is another form of scholarship. Stipends are not paid because of a service that has been performed; rather, they are paid to students to encourage their participation in a particular course of study.
- Stipends are paid on a monthly basis, after the fact. A Level of Effort Certification form must be used provided that the word worked is eliminated and the word studied is put in its place. It is a condition of all federal stipend programs that the student remain enrolled and in good standing in order to continue receiving the stipend. Stipends should not be confused with honoraria; the latter is a consultancy payment.
- An honorarium can be given in the form of a HSUF check or a tangible gift. It must never be paid by personal check or cash

6. Miscellaneous and Contingency Costs

This category includes costs that don't fit under other categories such as publication page charges, or space rental and refreshments required to host a workshop.

D. Indirect Costs (Facilities and Administrative Costs (F&A))

Facilities and Administrative (F&A) costs (sometimes referred to as “overhead” or “indirect costs”) are incurred for common or joint objectives and, therefore, are those that cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity.

F&A costs reimburse the institution for expenses incurred in supporting projects funded by grants and contracts from outside agencies. These costs include general and departmental support and the use of university services such as libraries, laboratories, classroom facilities, computer centers, utilities, and student as well as other essential administrative services including accounting, personnel, payroll, accounts payable, accounts receivable, specialized insurance coverage, compliance and regulatory monitoring, independent audits and legal services.

General rules governing Facilities and Administrative Costs:

- The University and Foundation policy is to use the maximum rate allowed by the funding agency. To use a reduced rate or to waive indirect, PIs must receive approval from the Foundation. Only a Foundation Director can negotiate F&A rates with the funding agency.
- On federal projects, F&A costs can never be collected at higher than the federal rate.
- Humboldt State University's federal negotiated F&A rate is calculated at 45.5% of salaries, wages and benefits (SWB) only.

To calculate F&A/Indirect Costs:

- If the rate is a percentage of total direct costs (TDC), multiply the total project direct costs by the indirect cost rate. (Example: \$10,000 x 20% TDC = \$2,000)
- Use this method to back indirect out of a total budget figure: (Example: \$12,000, total budget amount divided by 1.20% = \$ 10,000 direct costs and \$2,000 indirect costs).
- For a federal grant or contract that has 45.5% SWB IC, multiply only the salaries, wages and benefits by 45.5%.
- Current Indirect Cost Rates (F&A rates): The appropriate indirect cost rate for all grants and contracts is assumed to be equal to the federally negotiated rate (2004 = 45.5% SWB). Any other rate must be justified as a part of the institutional routing process. Justification may include reliance on the following precedents:

Federal:	45.5% of salaries, wages and benefits
Federal Department of Education:	8% of Total Modified Direct Costs
State Agencies:	15% - 25% Total Direct Costs - Varies by Funding Program
All others:	20% of Total Direct Costs

E. Cost Share / Match

Cost-share and matching funds are resources contributed to a sponsored project over and above the support provided by the external sponsor of that project. Mandatory cost share/match is required of the Foundation by the sponsor as a condition of the award, to match the sponsor's support. Funds required might be an arbitrary portion, a fixed amount, or resources from non-University and Foundation sources pledged in partial support of a project. Voluntary cost share is the portion of the sponsored project contributed to the project by the University and/or Foundation on its own initiative.

General rules governing Cost Share/Match:

- All cost-sharing, including voluntary, must be tracked and accounted for in the Foundation's accounting records. Not doing so leaves the Foundation and University open for audit disallowances. Institutions are only allowed to offer goods and services as cost share when they are able to verify the value from their records.
- OMB Circular A-110 is the primary source for determining the allowability of cost sharing. Subpart C, Section .23 of that circular provides definitions and guidelines for the computation of cost share and match.

(FROM OMB Circular A-110)

.23 Cost sharing or matching.

(a) All contributions, including cash and third party in-kind, shall be accepted as part of the recipient's cost sharing or matching when such contributions meet all of the following criteria.

- (1) Are verifiable from the recipient's records.*
- (2) Are not included as contributions for any other federally-assisted project or program.*
- (3) Are necessary and reasonable for proper and efficient accomplishment of project or program objectives.*
- (4) Are allowable under the applicable cost principles.*
- (5) Are not paid by the Federal Government under another award, except where authorized by Federal statute to be used for cost sharing or matching.*
- (6) Are provided for in the approved budget when required by the Federal awarding agency.*
- (7) Conform to other provisions of this Circular, as applicable.*

(b) Unrecovered indirect costs may be included as part of cost sharing or matching only with the prior approval of the Federal awarding agency.

(c) Values for recipient contributions of services and property shall be established in accordance with the applicable cost principles. If a Federal awarding agency authorizes recipients to donate buildings or land for construction/facilities acquisition projects or long-term use, the value of the donated property for cost sharing or matching shall be the lesser of (1) or (2).

(1) The certified value of the remaining life of the property recorded in the recipient's accounting records at the time of donation.

(2) The current fair market value. However, when there is sufficient justification, the Federal awarding agency may approve the use of the current fair market value of the donated property, even if it exceeds the certified value at the time of donation to the project.

(d) Volunteer services furnished by professional and technical personnel, consultants, and other skilled and unskilled labor may be counted as cost sharing or matching if the service is an integral and necessary part of an approved project or program. Rates for volunteer services shall be consistent with those paid for similar work in the recipient's organization. In those instances in which the required skills are not found in the recipient organization, rates shall be consistent with those paid for similar work in the labor market in which the recipient competes for the kind of services involved. In either case, paid fringe benefits that are reasonable, allowable, and allocable may be included in the valuation.

(e) When an employer other than the recipient furnishes the services of an employee, these services shall be valued at the employee's regular rate of pay (plus an amount of fringe benefits that are reasonable, allowable, and allocable, but exclusive of overhead costs), provided these services are in the same skill for which the employee is normally paid.

(f) Donated supplies may include such items as expendable equipment, office supplies, laboratory supplies or workshop and classroom supplies. Value assessed to donated supplies included in the cost sharing or matching share shall be reasonable and shall not exceed the fair market value of the property at the time of the donation.

(g) The method used for determining cost sharing or matching for donated equipment, buildings and land for which title passes to the recipient may differ according to the purpose of the award, if (1) or (2) apply.

(1) If the purpose of the award is to assist the recipient in the acquisition of equipment, buildings or land, the total value of the donated property may be claimed as cost sharing or matching.

(2) If the purpose of the award is to support activities that require the use of equipment, buildings or land, normally only depreciation or use charges for equipment and buildings may be made. However, the full value of equipment or other capital assets and fair rental charges for land may be allowed, provided that the Federal awarding agency has approved the charges.

(h) The value of donated property shall be determined in accordance with the usual accounting policies of the recipient, with the following qualifications.

(1) The value of donated land and buildings shall not exceed its fair market value at the time of donation to the recipient as established by an independent appraiser (e.g., certified real property appraiser or General Services Administration representative) and certified by a responsible official of the recipient.

(2) The value of donated equipment shall not exceed the fair market value of equipment of the same age and condition at the time of donation.

(3) The value of donated space shall not exceed the fair rental value of comparable space as established by an independent appraisal of comparable space and facilities in a privately-owned building in the same locality.

(4) The value of loaned equipment shall not exceed its fair rental value.

(5) The following requirements pertain to the recipient's supporting records for in-kind contributions from third parties.

(i) Volunteer services shall be documented and, to the extent feasible, supported by the same methods used by the recipient for its own employees.

(ii) The basis for determining the valuation for personal service, material, equipment, buildings and land shall be documented.

- Project directors are responsible for seeing that appropriate and adequate cost share/match documentation is secured for the funding agency. These documents must show how the value(s) placed on the cost share or match amounts reported to the funding agency were derived and must be retained in the Foundation project files for audit purposes.
- When considering promising voluntary match or cost share, please keep in mind that all cost share or match must be documented within the records of the Foundation. If cost-share is mentioned in the budget narrative, but not in the budget, it still must be documented. Therefore, all cost-share listed in the proposal narrative is also required to be listed and labeled cost-share in the budget.
- Unrecovered F&A costs may be included as part of cost sharing commitment only with the prior approval of the awarding agency. Prior approval must be documented in the proposal budget.
- Federal funds cannot be used as required cost-share on federally-funded projects.
- Appropriate cost-share/match budget items include salaries and wages, fringe benefits, travel, and equipment purchased specifically for and used only on the proposed project.
- Keep in mind that if you are showing supplies as match, you will need to document their value. Purchase orders, invoices, receipts, and some kind of proof of use on the project are appropriate forms of documentation that the PI must supply to the Foundation.
- When Faculty or Staff are released from their regular compensated academic duties to contribute time to a funded project as cost share, they must document

their activity by way of personnel activity effort reports. The effort report must account for 100% of the employee's time showing the percentages of time devoted to regular work and to the funded project. The "Level of Effort" form is available at: <http://www.humboldt.edu/~hsuf/forms.html>

Section III -- Glossary

125% Rule:

State Employees are limited in the amount of overload time for which they may be compensated. Twelve-month employees may not be compensated for more than 125% of full time for 12 months. Employees whose time base is less than 12 months follow a similar rule such that during any time period, whether regular 10-month academic year employment (or any other appointment base) or during other times such as summer, intersession, winter holiday or fall or spring breaks, the employee may not be compensated for more than 125% of full time. This rule is based on time, not on dollars of compensation. If permitted by the funder, employees may receive compensation at a rate higher than their state rate, and therefore earn more than 125% of their usual salaries.

501 (c) (3):

Federal non-profit tax exempt corporation

Additional Compensation for Faculty - Summer, Intersession, Winter Break, Fall Break (Thanksgiving), and Spring Break:

Time worked during these periods is considered additional compensation and does not count toward the 125% limit for a 10 month or a 12 month appointment. (See **125% rule.**)

Allocable costs:

A cost is “allocable” to a particular cost objective (i.e., a specific function, project, sponsored agreement) if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received or other equitable relationships. Examples of allocable direct costs include supplies purchased to directly carry out the purpose of the project. (Flowers purchased for a staff member or for the project office are not allocable costs.)

- Major considerations in determining the ability to allocate a cost are:
 - (a) whether it is incurred solely to advance the work under the sponsored agreement
 - (b) whether it benefits both the sponsored agreement and other work of the institution, in proportions that can be approximated through use of reasonable methods
 - (c) whether it is necessary to the overall operation of the institution and, in light of the principles provided in OMB Circular A-21, is deemed to be assignable in part to sponsored projects. Where the purchase of equipment or other capital items is specifically authorized under a sponsored agreement, the amounts thus authorized for such purchases are assignable to the sponsored agreement regardless of the use that may subsequently be made of the equipment or other capital items involved.
- An allocable cost can be a direct cost or an F&A (indirect) cost.

Allowable and Unallowable Costs:

Allowable and unallowable costs are defined in [OMB Circular A-21](#), Section J. The Office of Sponsored Programs will use federal rules and definitions regarding allowable and unallowable costs unless otherwise advised in writing by the funder.

Assigned Time or Released Time:

These terms, used interchangeably, refer to when a faculty or staff member is released from his/her regular University duties (such as teaching or committee work) to work on other assigned tasks (e.g., grants and contracts or other assignments as approved by dean or department or supervisor/administrative home).

AY:

Academic Year

Budget Modification:

An authorized reduction in one line item of a budget to cover an increase in another line item. Authorization may be required in some cases by the funder. The rule commonly used for federal grants and contracts is that budget modifications of 10% or more of the original amount in any line of the budget must be approved by the funding agency.

Buy-out:

See “Reimbursed Time”

Cash Match:

Cash match consists of funds recorded on the Foundation books in support of a grant or contract awarded to the Foundation. These funds are usually committed in a formal engagement agreement or cash agreement to the Foundation and require the signature of the contributor of the funds. These funds are treated as any other funded award received by the Foundation.

CFDA:

Catalog of Federal Domestic Assistance. This is a database that accesses all federal grant and contract funding programs. It is available online at <http://www.cfda.gov/public/faprs.htm>.

Consultants (Independent Contractors, Subcontractors):

Consultants/independent contractors, often called subcontractors or subrecipients, provide service(s) where the performance is measured by meeting objectives of the prime award. (For specific definitions of these terms, see pages 25-26.)

Cost Share (Matching Funds):

Cost-share and matching funds are resources that are contributed to a sponsored project over and above the support provided by the external sponsor of that project. Mandatory cost-sharing or match requires the University or Foundation or another funding agency to contribute a portion of the project costs as specified by the terms of the award. Voluntary

cost sharing is a portion of the sponsored project contributed by the University or Foundation on its own initiative.

Direct Costs:

Direct costs are those allocable and allowable costs that can be identified specifically within the performance of the scope of work or are necessary for the completion of the specific project. They are easily assigned to a specific research project and paid directly from that project.

DUNS Number:

Data Universal Numbering System Number (Available from the Foundation Office)

EIN:

Employer Identification Number (Available from the Foundation Office)

eRA:

Electronic Research Administration

ETT:

Educational Training Tax

Equipment:

Equipment is tangible, non-expendable property, charged directly to the funded project having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit, with the exception of scientific and computer equipment which is treated as equipment regardless of cost. Only items that fit this description should be listed under this category. Small items under \$5,000, such as video cameras, shovels or tools, should be listed under supplies. General-purpose equipment is not an allowable cost, except where the items are specifically identified and approved in advance by the funding agency. General-purpose equipment means equipment the use of which is not limited to research, medical, scientific or other technical activities. Examples include office equipment and furnishings, air conditioning equipment, reproduction and printing equipment, motor vehicle, and automatic data processing equipment.

F&A:

Facilities and Administration (IC)

Facilities and Administrative Costs (Indirect costs):

Facilities and Administrative (F&A) costs are incurred for common or joint objectives and, therefore, are those that cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity. Also known as Indirect Costs or Overhead.

FICA:

Federal Insurance Contributions Act / Social Security

FY:

Fiscal Year

Honoraria:

Honoraria are payments used to reward a guest speaker or a lecturer. They are "thank you" gestures of good will and appreciation. In OMB Circular A-21, honoraria fall under "advertising and public relations," costs that are unallowable under federal cost accounting standards. Occasionally, however, an honorarium is allowed in the form of a gift, if it is purchased with non-public funds and approved in writing from the funding agency, or if it is paid from a discretionary fund.

HSUAF:

Humboldt State University Advancement Foundation (Begins July 1, 2004)

HSUF:

Humboldt State University Foundation (ends June 30, 2004)

HSUSPF:

Humboldt State University Sponsored Programs Foundation (Begins July 1, 2004)

IC:

Indirect Costs

Indirect Costs (also known as "Facilities & Administrative Costs"):

Facilities and administrative (F&A) costs 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 are those involving resources used mutually by different individuals and groups, making it difficult to assess precisely which users should pay what share.

In-Kind Match:

In-kind match is the value of services, equipment or products contributed by the campus or another funding agency to a sponsored project to provide partial support for that project. Such funds are over and above the support provided by the external sponsor of the project.

Major Projects:

Major projects are defined as those requiring an amount of administrative or clerical support significantly greater than the routine level provided by academic departments. Direct charging of administrative or clerical 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. (OMB Circular A-21 - Exhibit C)

Miscellaneous and Contingency Costs:

This category includes costs that don't fit under other categories, such as publication page charges and expenses such as space rental and refreshments for hosting a workshop.

MTDC:

Modified Total Direct Costs

NEH:

National Endowment for the Humanities

NIH:

National Institutes for Health (NIMH (Mental, NIA Aging, NIAAA Alcoholism and Alcohol Abuse...))

NSF:

National Science Foundation

OMB:

Office of Management and Budget (Federal). The office that established the rules that govern the budgets, awards, and fiscal policies for federal grants and contracts.

Operating Expenses (General Operating Expenses):

General operating expenses cover such items as supplies, materials, postage, telephone, and printing as well as equipment items costing less than \$5,000, which are secured from a vendor rather than an independent contractor or subcontractor. (See exception under Equipment regarding computers and scientific equipment.)

Overhead:

Indirect Costs (IC) or Facilities and Administration (F&A)

Overload:

When faculty or staff members perform work over and above their assigned University appointments during the academic year for faculty or the calendar year for staff, it is termed overload. Such overload has a 125% cap. The cap is based on 125% of full time. Faculty or staff paid for overload are set up on Foundation payroll.

PI:

Principal Investigator or Project Director

Reasonable Costs:

A cost may be considered reasonable if the nature of the goods or services acquired or applied, and the amount involved, reflect the actions a prudent person would have taken under the circumstances prevailing at the time the decision to incur the cost was made.

Major considerations in determining the reasonableness of a cost are:

- (a) whether the cost is of a type generally recognized as necessary for the operation of the institution or the performance of the sponsored agreement
- (b) the restraints or requirements imposed by such factors as arm's-length bargaining, federal and state laws and regulations, and sponsored agreement terms and conditions

- (c) whether the individuals concerned acted with due prudence in the circumstances, considering their responsibilities to the institution, its employees, its students, the Federal Government, and the public at large
- (d) the extent to which the actions taken with respect to the incurrence of the cost are consistent with established institutional policies and practices applicable to the work of the institution generally, including sponsored agreements.

Reimbursed Time:

When faculty or staff have been provided with assigned or released time and a funding agency reimburses the college or department to provide such time, it is termed reimbursed time or “buy-out.” The faculty or staff member continues to be paid by the University for his or her full appointment. The reimbursement takes place through an invoice and payment process between the University and funding agency via the Foundation.

Released Time or Assigned Time:

These terms, used interchangeably, refer to when a faculty or staff member is released from his/her regular University duties (such as teaching or committee work) to work on other assigned tasks (e.g., grants and contracts or other assignments as approved by dean or department or supervisor/administrative home).

RFP:

Request for Proposals. Also RFA (Request for Applications)

SDI:

State Disability Insurance

SS:

Social Security

Stipends:

Stipends are generally paid to students or attendees of a class for participation only, not for a service rendered. An amount paid for services rendered is a “wage” under the IRS regulations and must be paid as salaries and wages.

Subrecipients:

“Subrecipient” is a Federal term referred to in the OMB Circulars. It is equivalent to the more common term “subcontractor.”

SUI:

State Unemployment Insurance

SWB:

Salaries, Wages and Benefits

TDC:

Total Direct Costs

Travel:

Travel includes transportation expenses as well as housing and per diem. To calculate travel costs, refer to the HSU Office of Fiscal Affairs' Campus Travel Manual www.humboldt.edu/~fiscal/trav.shtml for current rates.

Vendor:

Generally, a vendor is a dealer, distributor, merchant or other seller providing goods or support services required to conduct a project. The goods and services may be for the Foundation's or University's own use (e.g., a maintenance service agreement or facility use) or for the use of beneficiaries of the project (e.g., copying services). Usually vendor services or goods are obtained with a purchase order, although some vendors provide their own agreements (e.g., a facility lease agreement), and at times the prime award to the Foundation may require an agreement for use with vendors. (**NOTE:** Only HSUF personnel can sign agreements with vendors for goods and services purchased through the Foundation on grants, contracts and academic agency accounts.)

UI:

Unemployment Insurance

WC:

Worker's Compensation

WTUs:

Weighted Teaching Units - The units by which faculty workload is measured. A full time load for one semester is 15 WTUs. A full time load for the year is 30 WTUs.

Section IV -- Formulas

A. Buy-Out

Faculty Academic Year Buy-out:

- Identify the start and end dates of the project, making sure to cover the appropriate semester or academic year.
- Each Faculty member involved in a grant proposal seeking buy-out from the grant needs to contact the Payroll Office to determine their rate of salary for the project period. There may be more than one rate if the project crosses fiscal years or if faculty have mid-year compensation adjustments resulting from collective bargaining. Each faculty member needs to provide this information to the PI because Payroll will not give this information to anyone but the individual.
- Determine the percentage of time for the buy-out. Based on one semester with a full-time load equivalent of 15 units (12 units of teaching and three units of collateral duties) divide the number of units dedicated to the project by 15 to get the %, and round to the nearest whole percent.
- When creating multiple year budgets, add a reasonable amount to account for cost of living increases, step increases and merit increases. For example, add 8% to the current AY faculty salary figure, 6% for Year 2, 8% for Year 3, 6% for Year 4, etc.
- Calculate the buy-out by multiplying the AY salary by the percentage of time ($\$50,000 \times 20\%$ (3 units per semester) = \$10,000 for AY)
- When calculating just one semester, divide the AY calculation by 2 ($\$10,000$ divided by 2 = \$5,000 for one semester at 20%)
- Fringe benefit rates for reimbursed-time change year-to-year. The current rate we are using for budgets is 32%.

Faculty 12-Month Buy-out:

- Identify the start and end dates of the project to determine how many months the buy-out will cover.
- When creating multiple year budgets, add a reasonable amount to account for cost of living increases, step increases and merit increases. For example, add 8% to the current AY faculty salary figure, 6% for Year 2, 8% for Year 3, 6% for Year 4, etc.
- Determine the percent of time the individual will spend on the project.

- Multiply the 12-month salary by the percentage of time (\$100,000 x 20% = \$20,000).
- For fewer than 12 months, multiply the monthly salary by the number of months and then by the percentage of time.
- Fringe benefit rates for reimbursed-time change year-to-year. The current rate used for projecting budgets is 32%.

University Administrator or Staff Buy-out:

- Identify the start and end dates of the project to determine how many months the buy-out will cover.
- For multi-year projects, use the current staff 12-month salary and add 6% per year to allow for raises and cost-of-living increases.
- Determine the percent of time the individual will spend on the project.
- Multiply the twelve-month salary by the percentage of time (\$50,000 multiplied by 20% = \$10,000).
- For fewer than 12 months, multiply the monthly salary by the number of months and then by the percentage of time.
- Fringe benefit rates for reimbursed-time change year-to-year. The current rate used to project budgets is 32%.

B. Overload

Academic Year Faculty:

- Daily rate: Divide the faculty member's academic year salary or salary base being used for non-federal projects by 170, the number of days covered by the faculty contract. (Example: \$54,400 divided by 170 = \$340/day)
- Full-time faculty members on overload can only work an additional 25% of time. This equates to a total of 170 hours per semester or 340 hours per AY. Since the average day is calculated on 8 hours, the total number of days that can be claimed is 21.25 per semester and 42.50 for the academic year.
- When preparing budgets determine the number of days required to complete the tasks described in the scope of work. List the number of days (up to 21.25 per semester or 42.50 for AY) and multiply it by the daily rate.
- When paying a faculty for workload calculated and displayed as a daily rate, the timesheet will reflect number of days worked. These may be displayed as quarter, half, three-quarter or full days.

- Percentage of Time: Determine the percentage of time required to complete the tasks described in the scope of work per semester or AY and calculate the dollars based on the percentage of the AY salary or the salary base being used for non-federal projects. Remember that faculty members can work no more than 25% time, a total of 21.25 days or 170 hours during the semester and 42.50 days or 340 hours during the AY if on full-time appointments. (Example: \$45,000 AY divided by 2 = \$22,500 x 25% = \$5,625 per semester or \$11,250 per AY)
- When overload has been calculated and displayed in the budget as a percentage of time, faculty must be paid for work completed based on the percentage of time calculation. This payment can be made in one lump sum at the end of the project or in equal semi-monthly payments during the project period.
- Fringe benefits/payroll taxes must include SUI (State Unemployment Insurance) and ETT (Educational Training Tax) at 2.8%, SS (Social Security/Medicare) at 7.65%, and WC (Worker's Compensation). Worker's Compensation rates vary by position. For current rates contact the HSU Foundation. The current total rate for fringe benefits and payroll taxes used to estimate budgets is 15%.

Overload for Exempt University Staff and Twelve-Month Faculty:

- Full-time 12-month Staff/Faculty work:
173.33 hours per month or 2080 hours per year
21.67 days per month or 260 days per year
- Full-time 12-month Staff/Faculty can work up to 25% additional time beyond full-time:
43.33 hours per month or 520 hours per year
5.42 days per month or 65 days per year
- To calculate the daily rate for 12-month, full-time employees, divide their monthly rate of pay by 21.67 (number of work days in a month). (Example: \$3500 divided by 21.67 = \$161.51 per day)
- Due to the 125% rule, full-time staff and faculty members on overload are limited to working a total of 520 hours per year (25% of 2080) or 43.33 hours per month (25% of 173.33). Since the average day is calculated on 8 hours, the total number of days that can be claimed is 5.42 per month or 65 per year (25% of 260 days). Remember with exempt employees pay must be calculated on a per day or percentage basis, not an hourly basis. However, timesheets must be submitted on an hourly basis.

- When preparing budgets, determine the number of days required to complete the tasks described in the scope of work. On the budget template, state the number of days (up to 5.42 days per month or 65 days per year) and the daily rate.
- Fringe benefits/payroll taxes must include SUI (State Unemployment Insurance) and ETT (Educational Training Tax) at 2.8%, SS (Social Security/Medicare) at 7.65%, and WC (Worker's Compensation). Worker's Compensation rates vary by position. For current rates contact the HSU Foundation. The current total rate for fringe benefits and payroll taxes used to estimate budgets is 15%.

Overload (Overtime) for Non-Exempt University Staff:

- Determine the number of hours required for the non-exempt employee to complete the task described in the scope of work.
- On the budget template, state the number of hours (up to 43.33 hours per month or 520 hours per year) and the hourly rate. (Remember: overtime at time and a half must be paid to non-exempt employees working over 8 hours in a day or 40 hours in a week. Double time must be paid to non-exempt employees for work performed on the 7th consecutive day.)
- Fringe benefits/payroll taxes must include SUI (State Unemployment Insurance) and ETT (Educational Training Tax) at 2.8%, SS (Social Security/Medicare) at 7.65%, and WC (Worker's Compensation). Worker's Compensation rates vary by position. For current rates contact the HSU Foundation. The current total rate for fringe benefits and payroll taxes used to estimate budgets is 15%.

C. Additional Compensation

Faculty, Academic Year, Daily Rate for Summer, Intersession and Breaks, Daily Rate:

- Daily rate: Divide the faculty member's AY salary or the salary base being used for non-federal projects by 170 which represents the number of days covered by the faculty contract. (Example: \$54,400 divided by 170 = \$340/day)
- Determine the number of days required to complete the tasks described in the scope of work. List the number of days to be worked and multiply it by the daily rate.
- NOTE: When paying a faculty member for additional compensation calculated and displayed as a daily rate, the timesheet may reflect the

hours worked but accounting will be done in terms of fractions of a day, the lowest fraction allowed is one quarter (quarter day: 2 hours, half day: 4 hours, and full day: 8 hours).

- Fringe benefits/payroll taxes must include SUI (State Unemployment Insurance) and ETT (Educational Training Tax) at 2.8%, SS (Social Security/Medicare) at 7.65%, and WC (Worker's Compensation). Worker's Compensation rates vary by position. For current rates contact the HSU Foundation. The current total rate for fringe benefits and payroll taxes used to estimate budgets is 15%.

Faculty, Academic Year, Daily Rate for Summer, Intersession and Breaks, Percentage Rate:

- NSF Percentage of Time: Determine the percentage of time required to complete the tasks described in the scope of work based on the percentage of faculty member's AY salary or the salary base being used for non-federal projects. (Example: \$45,000 AY divided by 9 months = \$5000 for 100% time for one summer month.)
- Percentage of Time: Determine the percentage of time required to complete the tasks described in the scope of work based on the percentage of faculty member's AY salary or the salary base being used for non-federal projects. (Example: \$45,000 AY divided by 7.85 months = \$5,732.48 for 100% time for one summer month.) For any payments for less than one month, calculate at the daily rate.
- NOTE: Some funding agencies (non-federal funds) will allow costs in excess of the AY rate described here. In those instances, you may use a higher monthly rate multiplied by the percentage of time.
- When paying a faculty member for summer salary calculated and displayed in the budget as a percentage of time, the faculty member must be paid for work completed based on the percentage of time calculation. This payment can be made in one lump sum at the end of the project or in equal semi-monthly payments during the project period.
- Fringe benefits/payroll taxes must include SUI (State Unemployment Insurance) and ETT (Educational Training Tax) at 2.8%, SS (Social Security/Medicare) at 7.65%, and WC (Worker's Compensation). Worker's Compensation rates vary by position. For current rates contact the HSU Foundation. The current total rate for fringe benefits and payroll taxes used to estimate budgets is 15%.

D. HSUF Employees

HSUF Fully-Benefited Employee Salary and Benefit Calculations:

- For exempt/salary employees multiply the projected monthly gross income or salary by the actual number of months expected to work.
- For non-exempt/hourly employees multiply the hourly rate by 2080 hours for full time for one year; pro-rated if less than full time and / or if less than 12 months.
- Benefits are calculated on a percentage of salary plus a fixed amount per month for the Section 125 Cafeteria Plan. Use rates listed below:
 - ✓ *State Unemployment Insurance (SUI & ETT) = 2.8%
 - ✓ Social Security & Medicare = 7.65%
 - ✓ *Worker's Compensation varies by position and from year to year! At present it is approximately 3.5%.
 - ✓ Project share of health/life/vision insurances depends on age plus number of dependents.
 - ✓ Retirement (dependent on years of employment with Foundation) = 4%
 - ✓ *NOTE: These rates are subject to change. If budgeting more than one year in the future, these rates should be inflated moderately to account for possible future increases.
- If the work being performed for a specific position is unusual and potentially high- risk work, such as operating equipment or machinery or other jobs involving risk of injury, please contact the Foundation to determine the appropriate worker's compensation rate.

HSUF Non-Benefited Employees:

- Determine the hourly rate and multiply the rate by the number of anticipated hours to be worked.
- Employer Fringe Benefits -- The project account's line items which comprise the Fringe Benefits category are minimally four in number: Federal Insurance Contributions Act/Social Security (FICA) and Medicare, Workers' Compensation (WC), State Unemployment Insurance (SUI) and Employment Training Tax (ETT). These four employer fringe benefit expenses are charged as direct costs of each account and together constitute approximately fifteen percent (15%) of the gross salaries and wages.
- If the work being performed for a specific position is unusual and potentially high-risk work, such as operating equipment/machinery or other jobs involving risk of injury, please contact the Foundation staff to determine the appropriate worker's compensation rate.

Student Pay:

- Determine the student's hourly rate of pay using the information on the following two web sites:
- See the web page for Human Resources for student employment classifications: <http://www.humboldt.edu/~hsuhr/class.shtml>. The pay rates for students (Student Assistants and Graduate Assistants) are included in the CSU Salary Schedule: <http://www.calstate.edu/hrpims/Salary/SalarySchd20030926.pdf>. Look under E99 Excluded Classes, 1870 Student Assistant, and 2355 or 2325, Graduate Assistant to find the minimum and maximum pay rates allowable for the system. However, the University Executive Committee sets the maximum rate a student may earn at Humboldt State University. Currently in 2004 the range of pay for student assistants is minimum wage (\$6.75/hr) up to \$10.50.
- Display the hourly rate multiplied by the number of hours to be worked.
- For the fringe benefit rate or mandatory taxes, use the following information and multiply the gross projected earning by the percentages. If the student is enrolled at Humboldt State University at or above 4.5 units for graduate students or 6 units for undergraduate students, the Social Security and Medicare rate is zero rather than the rate listed below.
 - ✓ SUI and ETT at 2.8%
 - ✓ Workers Compensation (currently approximately at 3%)
 - ✓ Social Security and Medicare at 7.65% if not enrolled for enough units.

E. Facilities Rates (May be used as Direct Costs or as In-Kind Match)

If a grant or contract has the full federally negotiated rate of Indirect Cost (45.5%), use of facilities is generally assumed to be covered by that overhead. If the rate of IC paid by a grant or contract is less than 45.5%, the costs of facilities may be shown as the difference between the project IC rate and the 45.5% for the purpose of documenting match. For example, if the project is funded by the federal Department of Education with an IC rate of 8% TDC, the difference between 45.5% of SWB and 8% TDC may be shown as match. If the IC rate is less than 45.5% SWB, the funder may allow facilities costs to be charged directly to the grant or contract at reasonable rates. The rates established for the campus are:

- Office Space \$1.15 per square foot per month
- Classrooms \$42.80 for the first hour, \$3.60 for each additional hour, \$68 for an 8 hour total. Administrative fee of \$29.65 for the first hour, Custodial fee of \$8.80 for the first hour, Building Maintenance of \$.70 for the first hour, Utilities of \$2.20 each hour, and Equipment Replacement of \$1.45 each hour

- Auditorium \$44.35 for the first hour, \$5.20 for each additional hour, \$80.75 for an 8 hour total. Administrative fee of \$29.65 for the first hour, Custodial fee of \$8.80 for the first hour, Building Maintenance of \$.70 for the first hour, Utilities of \$3.30 each hour, and Equipment Replacement of \$1.90 each hour
- Laboratories \$67 for the first hour, \$9 for each additional hour, or \$130 per day (8 hours). Administrative fee of \$29.65 for the first hour, Custodial fee of \$8.80 for the first hour, Building Maintenance of \$.70 for the first hour, Utilities of \$2.20 each hour, and Equipment Replacement of \$1.45 each hour.

The Office for Contracts, Procurement and Risk Management maintains these rates. Rates for the use of other facilities are available upon request from them at extension 3512.