SPONSORED PROGRAMS
BUDGET LINE-ITEM GUIDANCE

Please Note: The information below is intended to provide general guidance to help you plan and develop your budget. Please review this information alongside the specific instructions from the funding agency, as the funder's instructions take precedence over these general guidelines.

This information is current as of January 2018. Please contact the Office of Research & Sponsored Programs if you need any updates or to confirm any information included in this document.

PRINCIPLES RELEVANT FOR ALL GRANT & CONTRACT BUDGETS

UT FISCAL POLICY

Grant and contract budgets should be prepared in accordance with UT Fiscal Policy.

DIRECT COST PRINCIPLES & JUSTIFICATION

Grant budgets must not request direct grant support for expenses that are recovered through UTC's facilities & administrative cost calculation. Doing so would be considered "double-dipping" of expenses and could result in penalties to the institution. It is critical that all costs charged to a grant are…

- ALLOCABLE to the operation of the grant program (not to be used for general departmental purposes)
- ALLOWABLE by UT policy, sponsor policies, and Uniform Guidance (federal government regulations on costs which can be charged to grants and contracts);
- REASONABLE and NECESSARY for the performance of the project; and
- CONSISTENTLY TREATED by UT in similar situations.

Please refer to UT Fiscal Policy FI0206 for detailed information on determining allowable direct costs. Direct costs include all expenses that are incurred solely for work on the grant project. Direct costs can be specifically documented by recordkeeping mechanisms such as invoices and timesheets. Also, see the section below on Facilities and Administrative Costs. Should you still have questions after you have reviewed UT Fiscal Policy and the Facilities and Administrative Expenses information below, please contact the Office of Research and Sponsored Programs.

DIRECT COSTS

> **Costs that can be specifically documented by recordkeeping mechanisms and directly attributed to a specific project**

PERSONNEL SALARIES AND WAGES

This budget category includes the costs of all salaries and wages that will be paid to UTC personnel (current personnel and those to be hired, including students). **Always check the funding agency's guidelines for requirements about appropriate salary charges!** UT Fiscal Policy FI0207 addresses salaries on sponsored projects.

Budget Using the Base Salary for UTC Employees

BASE SALARY: Calculate salaries and wages for grant budgets using each person's institutional base salary and time / effort committed to the project. Your ORSP liaison can provide you with base salary information for current employees. For sponsored project budget calculations, longevity pay is added to base salary of individuals who qualify to receive it. (See examples and additional details below for different categories of personnel.)

NEW HIRES: Contact Laure Pou of Human Resources (ext. 5742) for assistance in determining an appropriate salary for new hires / new grant positions prior to submitting a proposal.

RAISES/SALARY ESCALATION RATES: Depending on the planned start date and duration of your project, you may need to include pay raise estimates to ensure that your budget will have sufficient funds to cover personnel costs. If project activities will take place after the current fiscal or academic year ends, calculate a 3-5% raise per person for each year of the project. (If next year's raise is known at the time you are developing a budget, include the known raise for the next year then budget a 3-5% pay increase for any subsequent years of the project.) While raises have been lower than 3%-5% in recent years, budgeting for that level of increase is prudent so that any unpredicted costs (e.g., promotions, fellowships, etc.) can be covered. **Please note that personnel will be compensated based on institutional base salary regardless of the amount budgeted.**

SALARY CAP / FEDERAL SALARY RATE LIMITATION: Some funders, including PHS agencies (NIH, HRSA, etc.), impose a limit on the amount of an individual's salary that can be reimbursed on certain federal awards. Often referred to as a "salary cap" the limitation is established by Congress on an annual basis. For programs that impose the salary cap, contact an ORSP representative for assistance. Additional details are included in UT Fiscal Policy FI0208.

Budgeting for 9-Month Faculty

Many projects will involve the effort of UTC faculty. Most faculty are on 9-month appointments, and their effort and compensation on a grant program can be calculated using the methods below:

ACADEMIC YEAR COURSE RELEASE: With the approval of the Department Head and Dean, faculty can be released from academic year teaching duties to work on grant-funded activities. PI should seek approval from the Department Head and Dean before the proposal is submitted to the funding agency. In these instances, the grant will pay for that portion of the faculty member's time, creating "salary savings" to the institution. For faculty members teaching four courses per semester (8 courses per year), each course equals 12.5% of their total academic year effort. To budget for academic year course release, multiply 12.5% by the number of courses from which the faculty member will be released during the academic year x the faculty member's base salary.

o EXAMPLE: *Dr. Z is on a 9-month appointment @ a salary of $50,000. Dr. Z will be released from one course each semester to work on grant activities during the academic year. 12.5% x 2 courses =25% x $50,000 = $12,500.*

MONTHLY RATE OF PAY (FOR SUMMER SALARY): Faculty members often use the summer months to conduct research and work on grant activities. To budget for summer effort, divide the 9-month base salary by 9 to calculate the monthly rate of pay, then multiply that figure by the number of summer months (up to 3) that the faculty member will work on the grant project. UT Fiscal policy allows 9-month faculty to earn up to 33 1/3% of their salary during the summer. When all summer pay – including teaching and grant pay – is combined, the total cannot exceed 33 1/3% of the faculty member's academic-year salary. Take a faculty member's summer teaching plans into account when determining how much time to budget for grant activity, to ensure the budget doesn't exceed the 33 1/3% summer pay maximum. Also keep in mind that NSF limits compensation to a maximum of 2 months; various funders may place other types of restrictions on salary requests. Be sure to check the program guidelines carefully for these types of restrictions.

o EXAMPLE: *Dr. Y is on a 9-month appointment @ a salary of $45,000. Dr. Y will spend 2.5 months during the summer conducting grant-funded research. $45,000 / 9 = $5,000 monthly salary x 2.5 months = $12,500.*

DAILY RATE OF PAY: In some cases it may be appropriate to budget for faculty effort by the day. To budget for a daily rate of pay, divide the faculty member's base salary by 168 (the number of duty days in an academic year), then multiply that figure by the number of days of effort for which the faculty member will be compensated.

o EXAMPLE: *Dr. Y is on a 9-month appointment @ a salary of $45,000. Dr. Y will spend 8 days during the summer on the grant project. $45,000 / 168 = $268 daily salary x 8 days = $2,143.*

HOURLY RATE OF PAY: Sometimes it is appropriate to budget for faculty effort by the hour. To budget for an hourly rate, divide the faculty member's base salary by 1,344 (the number of duty hours in an academic year), then multiply that figure by the number of hours of effort for which the faculty member will be compensated.

o EXAMPLE: *Dr. X is on a 9-month appointment @ a salary of $40,000. Dr. X will spend 320 hours during the summer to work on grant activities. $40,000/1,344= $29.76/hour x 320 hours = $9,524.*

LOADED LABOR RATES (HOURLY): Some funding agencies require applicants to express effort as an hourly loaded labor rate. Loaded labor rate calculation typically include salary, fringes, and the associated F&A costs. Be sure to carefully read through the funder guidelines to see what cost elements should be included in the loaded labor rate calculation.

o EXAMPLE: *Dr. B is on a 9-month appointment @ a salary of $60,000 and a fringe rate of 35%. She will spend 80 hours during the summer conducting grant-funded research.*
  Salary = $60,000 / 1,344 hours = $44.64 / hour
  Fringe rate = $44.64 X 35% = $15.62
  Associated F&As = $44.64 + $15.62 X 36% = $21.69
  Loaded labor rate = $81.95 ($44.64 + $15.62 + $21.69)
  To calculate the loaded labor rate for Dr. B, add hourly rate + fringes + associated F&A costs x number of hours: $81.95 x 80 hours = $6,556

SUMMER COURSE: Sometimes it might be appropriate to pay a faculty member to teach a summer course as part of a grant project. To budget for a summer course, multiply the faculty member's base salary x 3/32 (one summer course = 3/32 x academic year salary).

o EXAMPLE: *Dr. W is on a 9-month appointment @ a salary of $62,000. Dr. W will teach a summer course as part of a grant project. 3/32 x $62,000 = $5,813.*

"PERSON MONTHS" FOR ACADEMIC YEAR (9-MONTH APPOINTMENT) FACULTY: Some funding agencies (including the National Institutes of Health) require budgets to reflect effort in terms of "person months" committed to the project. Person months can be calculated in several ways, depending on the planned effort on the grant, the salary request, and the funding agency's instructions for calculating person months. The simplest way to calculate person months is to follow the guidance provided by the National Institutes of Health (see NIH's Person Months FAQs for additional details). Person months are typically divided into categories based on when a faculty member will work on the project (academic year or summer):

- Academic Year (AY) Person Months: When requesting academic year release time for a faculty member with a 9-month appointment, multiply the percentage of release time effort x 9 (the number of months in an academic year appointment).

    o EXAMPLE: *Dr. L will be released from one course each semester (2 courses total), the AY effort is 12.5% per course (a total of 25% effort for the AY). 25% AY effort x 9-month appointment = 2.25 person months.*

- Summer Person Months: When requesting one month of summer pay for a faculty member on an academic-year appointment, figuring person months is easy: the faculty member is committing 1 person month. However, if pay is figured on an hourly or other basis, you'll need to convert the amount paid to a percentage of effort (based on the person's base salary).

    o EXAMPLE: *Dr. L is being compensated $5000 for teaching a summer workshop and his base pay is $50,000. The percent effort is 10% ($50,000 divided by $5,000), therefore the faculty member is committing 0.9 person months (10% effort x 9-month appointment = 0.9 person months).*

Budgeting for 12-month Faculty and Exempt Staff

Projects may involve the effort of 12-month faculty and exempt staff. Typically, 12-month faculty and staff will be released from other duties to work on grant-funded activities. The following calculations provide examples of how to budget for 12-month faculty and exempt staff.

PERCENTAGE OF EFFORT ASSIGNED TO GRANT: With the approval of appropriate administrators, 12-month faculty members and/or exempt staff members can have a portion of their effort reassigned to grant activities. The budget should include the portion of effort that will be assigned to the grant.

o EXAMPLE: *Assistant Director V is an exempt staff member at 100% effort with a base salary of $35,000. Ms. V will be re-assigned to the grant for 50% of her effort. $35,000 x 50% = $17,500.*

MONTHLY RATE OF PAY: It may be necessary to budget for 12-month faculty and exempt staff at a monthly rate of pay. To determine monthly rate of pay, divide the base salary by 12.

o EXAMPLE: *Mr. U is an exempt staff member at 100% effort with a base salary of $39,000. Mr. U will be re-assigned to spend 2 months conducting grant-funded activities. $39,000 / 12 = $3,250 monthly rate of pay x 2 months = $6,500.*

DAILY RATE OF PAY: Sometimes it may be necessary to budget for 12-month faculty and exempt staff at a daily rate of pay. To determine the daily rate of pay, divide the base salary by 224 duty days (duty days for 12-month employees calculated with allowances for annual leave, official holidays, and administrative closings).

o EXAMPLE: *Dr. T is a 12-month faculty member with a base salary of $57,000. She will spend 10 days working on grant activities. $57,000 / 224 duty days = $254 / day x 10 days = $2,545.*

HOURLY RATE OF PAY: Sometimes it may be appropriate to budget for 12-month faculty and exempt staff at an hourly rate of pay. To determine hourly rate of pay, divide the base salary by 1,792 (duty hours for 12-month employees calculated with allowances for annual leave, official holidays, and administrative closings).

o   EXAMPLE: *Ms. S is an exempt staff member at 100% effort with a base salary of $42,000. Ms. S will work on grant activities a total of 125 hours. $42,000 / 1,792 duty hours = $23.44 / hr x 125 hours = $2,930.*

LOADED LABOR RATES (HOURLY):
Some funding agencies require applicants to express effort as an hourly loaded labor rate. Loaded labor rate calculation typically include salary, fringes, and associated F&A costs. Be sure to carefully read through the funder guidelines to see what cost elements should be included in the loaded labor rate calculation.

o   *EXAMPLE: Dr. G is on a 12-month appointment @ a salary of $50,000 and a fringe rate of 42%. She will spend 145 hours conducting grant-funded research.*
   Salary = $50,000 / 1,792 hours = $27.90 / hour
   Fringe rate = $27.90 X 42% = $11.72
   Associated F&As = $27.90 + $11.72 X 37.5% = $14.85
   Loaded labor rate = $53.88 ($27.90 + $11.72 + 14.85)
  To calculate the loaded labor rate for Dr. G, add hourly rate + fringes + associated F&A costs X number of hours:
  $53.88 x 145 hours = $7,813

"PERSON MONTHS" FOR 12-MONTH FACULTY AND EXEMPT STAFF: Some funding agencies (including the National Institutes of Health) require budgets to reflect effort in terms of "person months" committed to the project. Person months can be calculated in several ways, depending on the planned effort on the grant, the salary request, and the funding agency's instructions for calculating person months. The simplest way to calculate person months is to follow the guidance provided by the National Institutes of Health (see https://grants.nih.gov/grants/policy/person_months_faqs.htm#1040). Person-months typically are categorized based on the type of appointment a person has and when the work is done: academic year, calendar year, or summer. Use the *calendar year* category to show person months committed by 12-month faculty and exempt staff (the *academic year* and *summer* categories are used only for 9-month faculty).

CALENDAR YEAR (CY) PERSON MONTHS: To calculate person months for employees on a 12-month appointment, multiply the percentage of effort x 12 (the number of months in a 12-month appointment). For example, someone reassigned 10% time to work on a grant project is committing 1.2 person months (10% effort x 12-month appointment = 1.2 person months).

Budgeting for Non-Exempt Staff

Some projects require the support of non-exempt staff. Non-exempt staff will either be hired specifically to work on grant projects, or currently-employed staff may be released from other duties to work on grant-funded activities. Fiscal policy FI0206 and FI0207 specify that clerical and administrative personnel salary charged to sponsored projects is not intended to be additional pay or overtime pay. The amount or percent of effort identified in the proposal and worked during the period of performance will be paid directly from the sponsored project as part of the employee's base pay at no more than their regular hourly rate.

Since clerical assistance is routinely provided to faculty/staff, salaries for departmental administrative and clerical staff are typically included in UTC's Facilities and Administration Costs, and should not be charged to grant budgets. (For additional information, see UT policy FI0206 or the section on Facilities and Administrative Costs below.) However, direct charging of clerical or administrative salaries may be appropriate in some circumstances:

Federally sponsored projects (including subawards in which federal funds flow down to the university through a non-federal source) – direct charging may be appropriate if all of the following apply:

- **Administrative or clerical services are integral to a project or activity**. Integral is defined as being absolutely necessary for the completion of the project's statement of work. The proposal, budget, and budget justification must describe how these personnel are directly supporting the statement of work, and identify the relationship of the charges to the programmatic goals of the project. It is important to explain how the nature of the work differs from routine clerical services provided in the department. For example, the Uniform Guidance highlights that salary for an administrative assistant completing financial reconciliations should not be divided and charged directly to all sponsored awards under a PI or department. Although financial reconciliations are necessary to the overall execution of the project, this is true of all sponsored and non-sponsored activities and these types of services cannot be considered "integral" to the project's goals and objectives.
- **Individuals involved can be specifically identified with the project or activity.**
- **Such costs are explicitly included in the budget or have the prior written approval of the Federal awarding agency.**
- **The costs are also not recovered as facilities & administrative costs.**

See Uniform Guidance §200.413(c) or contact your ORSP liaison for information and guidance regarding the role of non-exempt staff.

Non-federally sponsored projects – The same general principals used for federal projects apply to grants from foundations, professional organizations, or other non-federal sources. Clerical and administrative salaries are generally viewed as facilities & administrative costs rather than as direct costs. Within limited circumstances, clerical or administrative salaries may be directly charged to a sponsored program if the sponsor approves them and they are considered integral/essential to the project. Administrative or clerical personnel are integral/essential to a project if they directly support the statement of work. The proposal, budget, and budget justification must explain how administrative or clerical personnel directly support the project.

Budgeting for Students

Grants often include undergraduate or graduate students as personnel because they represent a cost-effective way to staff a project. Students often are in a unique position to make contributions to a project and benefit from the experience. There are two primary options to budget for students:

STUDENT WORKERS AT AN HOURLY RATE: Undergraduate and graduate students can be paid with grant funds at an hourly rate. Because students have a broad range of skill levels and can be engaged in a wide variety of duties, there is no set hourly rate for student workers. Generally, undergraduates are paid between $8.00 and $10.00 per hour, and graduate students are generally paid between $10.00 and $18.00 per hour, depending upon their level of responsibility, the skill involved in their assigned duties, and other factors.

o EXAMPLE: Three graduate students will be identified to assist with data collection, entry, and analysis for the XYZ project. Each student will work approximately 100 hours per semester during the Fall and Spring semesters of two-year project period and be compensated at an hourly rate of $12.00/hour. $12.00/hour x 100 hours/semester x 4 semesters x 3 students = $14,400.

GRADUATE STUDENT ASSISTANTSHIPS: Graduate assistantships (GAs) can be included in grant proposals. To budget for an assistantship, include the in-state maintenance costs (tuition) and fees as well as a stipend the student will receive each semester. Budget for the current rate of maintenance and fees + a 3-5% increase (unless the actual increase is known) to ensure that sufficient funds will be available to fund these costs. For a multi-year project, increase maintenance and fees by 3-5% for each year of the project. To build these costs into your budget, you will need to determine whether a graduate assistant is needed for 10 hours per week or 20

hours per week. Before budgeting for a graduate assistant, it is critically important to double-check the funding guidelines and make sure there are no restrictions or prohibitions against including maintenance and fees in the grant. Please note that the examples below may not reflect current maintenance and fee rates; always refer to the UTC Bursar's Office website for updated information.

- 10 HOURS/WEEK ASSISTANTSHIP: To budget for a 10 hour/week assistantship (often called a "part-time" assistantship), include the in-state maintenance and fees for 6 hours of graduate courses. Go to the UTC Bursar's Office to access the current fee schedule. Take the current maintenance and fees amount for 6 hours of in-state graduate credit and add 3-5%. For a multi-year project, include a 3-5% maintenance and fees increase for each year of the project. The minimum stipend for 10hr/wk GAs is $2,250 per semester, although many researchers choose to budget at a more competitive rate in an effort to attract talented students.

    EXAMPLE: A Graduate Assistant will be hired @ 10 hours per week to assist the project director with maintaining participant files, developing and distributing the project newsletter, maintaining the program website, and other duties as assigned. The GA will receive in-state maintenance fees of $3,560 (current maintenance + fees of $3,390 + 5%) per semester x 2 semesters = $7,120 and a stipend of $2,250 per semester x 2 semesters = $4,500.

- 20 HOURS/WEEK ASSISTANTSHIP: To budget for a 20 hour/week assistantship (often called "full assistantship"), include the in-state maintenance and fees for 9 hours of graduate courses. Go to the UTC Bursar's Office to access the current fee schedule. Take the current maintenance and fees amount for 9 hours of in-state graduate credit and add 10%. For a multi-year project, include a 10% maintenance and fees increase for each year of the project. The minimum stipend for 20hr/wk GAs is $4,500 per semester, although many researchers choose to budget at a more competitive rate in an effort to attract talented students.

    o *EXAMPLE: A Graduate Assistant will be hired @ 20 hours per week to assist project staff in developing recruitment and marketing materials, developing surveys and other evaluation documents, developing and maintaining the program website, and other duties as assigned. The GA will receive in-state maintenance fees of $ 5,392 (current maintenance + fees $5,135+ 5%) per semester x 2 semesters = $10,784 and a stipend of $4,500 per semester x 2 semesters = $9,000.*

- COURSE DIFFERENTIALS: For students in programs with course differential charges, include these charges in the tuition calculation for the appropriate number of hours and semesters for their assistantship.

    o *EXAMPLE: A Graduate Assistant will be hired from the Computer Science program, which has a $57 an hour course differential fee. To calculate this for a 10 hour/week assistantship, multiply $57 by 6, the hours of tuition reimbursement that the grant will cover. The GA will receive in-state maintenance fees of $3,560 (current maintenance + fees of $3,390 + 5%) per semester x 2 semesters = $7,120 and a stipend of $2,250 per semester x 2 semesters = $4,500.*

Note: the above calculations include tuition and fees for two semesters. If you anticipate the student will also be working over the summer, be sure to include hourly pay.

BUDGETING FOR PHD STUDENTS: To budget for a graduate assist who is a PhD student, include semesters of tuition and fees, and consider including a larger stipend (Ex. $21,000/year)

BUDGETING FOR STUDENT HEALTH INSURANCE: Some faculty choose to include health insurance for their GAs in their budgets. Some funders, like the National Science Foundation, will allow this, but be sure to check

with the funding agency to ensure the inclusion of health insurance fees is allowable. You can find the current student health insurance costs on [UTC's Student Health Services website](). To budget for student health insurance costs, use the current rate and add a 3%-5% increase for each year of the project. This expense is considered an "Other Direct Cost" and should be included with the GA's salary or the GA's tuition remission. Due to internal factors, student health insurance should be excluded from Facilities & Administrative Cost calculations. Please note that student health insurance may be factored into students' financial aid packages. Based on individual students' financial aid circumstances, they may not be able to accept health insurance reimbursement or may have to give up another form of financial aid in order to accept health insurance reimbursement.

- o EXAMPLE: *A Graduate Assistant working on a 2-year project and will receive health annual insurance coverage. Budget at the current annual rate of $1,752 plus a 3% increase in year 2 ($1,752 +3%) for a total of $3,557 in health insurance fees over the course of the project.*

NOTES: These stipend figures represent the minimum rates paid to UTC Graduate Assistants; you may wish to budget for a higher stipend in order to attract qualified candidates. In such cases, you should include an explanation for the higher-than-normal stipend in the budget narrative. Be sure to check the funding agency guidelines regarding stipend amounts. If you are planning to recruit an international student for a graduate assistantship, you will need to budget for a larger stipend to comply with federal regulations. Consult staff in the International Student Office (ext. 2110) for details.

FRINGE BENEFITS

Whenever grant funds are used to pay salaries and wages, associated fringe benefits must also be charged to the grant.

Budgeting for Fringe Benefits for full-time UTC personnel

- UTC has established an average rate of 48% as the fringe benefit baseline for all new, full-time personnel to be hired.
- Each current full-time employee has a unique fringe benefit rate and percentage. This percentage includes social security, unemployment / worker's compensation, retirement, health insurance, and other benefit costs. Your grant specialist has access to this information for current UTC employees.
- Personnel working 75% effort or greater are considered full-time.
- As a safeguard against unexpected or rapid changes in a person's fringe benefit rate, for current employees calculate fringe benefits at 34% or the actual rate, rounded up to the nearest whole number, whichever is higher. Multiply compensation to be paid by the current employee's unique fringe benefit rate (as provided by the ORSP staff) or by 34%, whichever is higher. For employees who have an actual fringe benefit rate that is significantly lower than 34%, contact an ORSP representative to discuss options.

    - o EXAMPLES:
        - o *Dr. M will be paid $20,000 from the grant for her effort on the project. Dr. M's unique fringe benefit rate is 30% of her salary, so use the 34% rate to calculate her fringe benefits. Budget for associated fringe benefits of $6,800 ($20,000 x 34% = $6,800).*

        - o *Dr. B will be paid $20,000 from the grant for his effort. Dr. B's unique fringe benefit rate is 50% of his salary, so use the 50% rate to calculate his fringe benefits. Budget for associated fringe benefits of $10,000 ($20,000 x 50% = $10,000).*

- Use a 48% fringe benefit rate for "to be hired" positions.

    - o EXAMPLE: *A person will be hired to direct a grant project full-time and will be paid*

$30,000/yr. Budget for associated fringe benefits of $14,400 ($30,000 x 48% = $14,400).

Budgeting for Fringe Benefits for part-time UTC personnel

- UTC has established 21% as the average fringe benefit rate for part-time employees, including term employees. This rate includes Social Security, Worker's Compensation, and Retirement.

- Personnel working less than 75% effort are considered part-time.

- Multiply the compensation to be paid with grant funds by 21%.

  - EXAMPLE: *A part-time UTC employee will be hired to work on a project 100 hours and paid $15.25 per hour with grant funds ($1,525 total). The grant will pay associated fringe benefits of $320 ($1,525 x 21% = $320).*

Budgeting for Fringe Benefits for student employees

- UTC has established 9% as the average fringe benefit rate for student workers. This includes social security and worker's compensation.

- Fringe benefits for all students should be calculated at 9%. For Graduate Assistantships, calculate fringe benefits on the stipend only (not on the tuition remission).

- Multiply the compensation to be paid with grant funds by 9%.

  - EXAMPLES:
    - *A student will be hired to work 200 hours and paid $10/hour with grant funds ($2,000 total). The grant will pay associated fringe benefits of $180 ($2,000 x 9% = $180).*

    - *A Graduate Assistant will be hired for fall semester and be paid a stipend ($3,275) plus maintenance and fees ($4,175) to work 20 hours/week. The grant will pay associated fringe benefits of $295 (stipend of $3,275 x 9% = $295). Maintenance and fees are not subject to fringe benefits.*

NOTE: Fringe benefits should not be calculated for consultants and others providing services on a contractual basis.

SUBAWARDS AND CONSULTANTS / CONTRACTS WITH EXTERNAL PARTIES

Subawards

Subawards pass award funds to a third party to perform a substantive portion of the programmatic effort on the sponsored project. Subawards can go by other names, such as subrecipient agreements, subgrants, or consortium agreements. It is the nature of the work – not the name of the contract – that determines whether another organization is a subawardee. The subawardee carries out a program rather than merely providing a good or service. A subawardee has responsibility for a portion of the end results on UTC's sponsored project, and its performance is measured against the objectives of UTC's sponsored project. Subawards include a principal investigator who has authority to make administrative and programmatic decisions and control the method and results of work. For example, UTC might receive a grant to conduct a series of studies on wildflowers. If UTC contracted with another university to devise and carry out one of the studies, that contract would be a subaward. See Fiscal Policy FI0230 Sponsored Projects – Subaward Origination and Subrecipient Monitoring for additional information.

The subawardee and UTC PI's typically work together to develop the subaward budget, following the sponsor's requirements and the subawardee's institutional policies. The UTC PI is responsible for reviewing the subaward budget to determine whether it is feasible, appropriate, and reasonable for the work to be done. The subaward

total is usually listed as a line item on UTC's budget, with the detailed subaward budget and statement of work included as an attachment or section of the proposal.

SUBRECIPIENT COMMITMENT FORMS AND REQUIRED DOCUMENTS: If your project will include a subawardee, contact an ORSP representative at your earliest convenience. UTC must collect a subrecipient commitment form and several accompanying documents in order to assess any potential risks to the institution. This speeds up the subaward process for funded projects.

FACILITIES & ADMINISTRATIVE COSTS IN FEDERAL SUBAWARDS: Subrecipients of federal funds budget for their federally-negotiated facilities & administrative (F&A) rate; if the subrecipient does not have a federally-negotiated rate, it may use a 10% modified total direct cost rate (MTDC). MTDCs include all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first $25,000 of each subaward, and exclude equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs, and the portion of each subaward in excess of $25,000. See the section below on Facilities & Administrative Costs for more information on this budget category.

SOLE-SOURCE APPROVAL FOR SUBAWARDS: By their nature, all subawards are sole source contracts. A non-compete justification (NCJ) must be entered and approved in IRIS before the subaward can be approved and signed. As with sole-source contracts for consultants, goods, or services, please check with the Procurement and Contract Services Department if you need guidance on completing and routing the NCJ in IRIS. See details about sole-source contracting here: http://www.utc.edu/purchasing/guidelines.php.

EXCLUDED PARTIES LIST SYSTEM: As with Consultants/Contractors, for subawards it is important to check the Excluded Parties List System prior to submitting the grant proposal. Go to https://www.sam.gov and click on "Search Records" button at the top of the screen. Enter the individual's or organization's name and click "search."

Consultants/Contractual Expenses

Whenever grant funds are used to pay a third party (individual or organization) outside of the university for goods or services needed for UTC to conduct the sponsored project, these costs should be included in the grant budget under the Consultants / Contractual category. The following are some key points to keep in mind when preparing budgets that involve consultants or contractual expenses.

COMPENSATION LIMITS: Many factors will influence the amount of compensation to be budgeted for consultants and contractual expenses. Many funding agencies limit compensation; be sure to check the guidelines carefully. In addition, some funding agencies /programs specify restrictions on the amount or percentage of grant funds that can be used to pay contractors / consultants (e.g., they may stipulate that no more than X% of grant funds can be "passed through" to a 3rd party). It is important to be aware of these guidelines when planning a project and assembling a budget. Also note that UT Policy FI0420 requires UTC to enter into a contract if payment totals $10,000 or more (initially or when cumulative costs reach or exceed that amount.

SOLE-SOURCE CONTRACTING: Typically, the university collects bids from potential contractors / consultants and awards contracts through a competitive bidding process. However, in some instances where grant funds will be used to pay for the consultant / contractor services, it may not always be possible to utilize the competitive bidding process (e.g., because the grant program requires that you name the proposed consultant / contractor in the application, because there is only one individual / organization who can perform the specified services, etc.). In cases where a consultant or contractor is named in the proposal, a non-compete justification (NCJ) must be entered and approved in IRIS before the contract can be entered in IRIS, approved and signed. For guidance

or assistance with entering an NCJ or contract into IRIS, contact the [Procurement and Contract Services Department](). See details about sole-source contracting here: http://www.utc.edu/purchasing/guidelines.php.

EXCLUDED PARTIES LIST SYSTEM: If the grant proposal / budget identifies an individual or organization with which UTC will subcontract, it is important to make sure that the individual / organization is not listed on the Excluded Parties List System. It is wise to check the Excluded Parties List System prior to submitting the grant proposal. Go to https://www.sam.gov and click on "Search Records" at the top of the screen. Enter the individual's or organization's name and click "search."

For additional information on budgeting for consultants and contracts in grant proposals, see [UT Fiscal Policy FI0230]() or contact an ORSP representative.

EQUIPMENT

For federal grant programs (and many non-federal programs), equipment is defined as an item of nonexpendable, tangible property that has a useful life of more than one year and an acquisition cost that is equal to or greater than $5,000. (See the [Uniform Guidance]() for details.) All research equipment costing $5,000 or more and all general-purpose equipment (i.e., equipment that can be readily used other than for research) costing $5,000 or more should be itemized in detail in the proposal and in the approved grant or contract. Otherwise, written approval may be required from the sponsor before purchasing such equipment.

If a major equipment purchase will be made with grant funds, it is important to make sure that the purchases are completed in accordance with UT Fiscal Policy and purchasing guidelines. See [UT Fiscal Policy FI0205]() governing sponsored grants & contracts for details. When planning the timeline for implementation of the project, be sure to leave an appropriate amount of time to complete the bidding and purchasing process or the sole-source justification and approval process. Consult UTC's Purchasing Department website (http://www.utc.edu/purchasing/guidelines.php) for details.

SUPPLIES

As a general rule, operating supplies are considered to be a part of the university's facilities and administrative costs. Exceptions can be made should your program require an extensive amount of supplies to implement, operate, or evaluate the project. The types of supplies will vary widely based on the project's nature, scope, duration, and objectives. As you are preparing your program narrative, consider the costs of each activity associated with your project to ensure that your budget is comprehensive and sufficient to operate the project and achieve the objectives you established.

Supplies Commonly Included in Grant Budgets

SUPPLIES FOR PARTICIPANTS: Some projects may include supplies that will be given to participants as part of the project services / activities (e.g., professional development projects may provide resources for participating teachers, youth-serving projects may provide important school supplies such as calculators or planners to participants, etc.). Individually itemize supplies for participants and include information on unit costs as well as the quantity of items to be purchased and describe how each item relates to project activities / objectives.

- EXAMPLES:
  - *To help prepare participants to succeed in advanced-placement mathematics classes and prepare for college, each participant will be provided with a TX365 Calculator. $85/calculator x 50 participants = $4,250*

  - *Each teacher who participates in the training will receive $250 worth of early learning resources for their classrooms. Items will be selected by each participant based on their classroom needs and will be approved by the Project Director. $250 classroom resources x 80 participants = $20,000.*

o *The transition from middle school to high school is challenging for many students who attend XYZ Middle School. The project will involve intensive transition support services to help students achieve this critical milestone. Participating students will be engaged in a summer experience to prepare them for high school. Each student will receive a "High School Survival kit" that will include (1) a backpack that meets school regulations @ $10, (2) a planner to assist with study and organizational skills @ $8, (3) a set of reference books (dictionary, thesaurus, etc.) @ $12, (4) a T-shirt with the program and XYZ High School logos @ $5, and (5) a notebook to be assembled by program staff with key information (e.g., map of school, daily camp schedules, resources for college / career planning, etc. @ $15. Each kit will cost $50 x 125 participants = $6,250.*

NOTE: The costs of goods or services for personal use by UTC employees are strictly unallowable in all cases.

COMMUNICATION – TELEPHONE / FAX: Some projects may involve communication expenses such as the installation of telephone or fax lines, monthly telephone / fax charges for local service, and long-distance charges. Note: If a grant is charged for phone installation and monthly service, then that phone should be used only for grant activities and not for other departmental / office usage.

- INSTALLATION: If a telephone or fax line will be installed for a grant-funded program, include installation fees ($300/line) and monthly charges for local calls ($20/month per line) in your budget.

  o EXAMPLE: *A phone line will have to be installed to enable the program manager to conduct project business. Installation fees of $300 and monthly fees of $20/month have been budgeted. $20 x 12= $240 + $300 = $540.*

- LONG DISTANCE CHARGES: Consider whether the project will require funds for long-distance charges in your grant budget.

  o EXAMPLE: *The grant will serve participants across the state of Tennessee and in north Georgia. Funds for long-distance calls will be necessary in order to coordinate activities with partners, recruit and communicate with participants, and communicate with funding agency personnel. It is anticipated that project staff will make roughly 5 hours of long distance calls per month at a rate of $.20/minute. $.20 x 300 minutes = $60/month x 12 months = $720*

- CELLULAR PHONES AND OTHER WIRELESS COMMUNICATION DEVICES: In rare instances, it may be necessary to budget for cellular phones or other wireless communication devices as part of a grant or contract. See Fiscal Policy # FI0730 governing Cellular Telephones and Other Wireless Communication Devices for details on related policies and procedures.

COMPUTING DEVICES (COMPUTERS / PRINTERS / PERIPHERALS): Often, particularly in situations when additional staff will be hired as part of a grant program, the purchase of computers and/or printers or other peripherals will be required to implement the project. The Uniform Guidance defines computing devices as "machines used to acquire, store, analyze, process, and publish data and other information electronically, including accessories (or "peripherals") for printing, transmitting and receiving, or storing electronic information, as well as removable devices such as USB devices." Computing devices that cost less than $5,000 are to be budgeted as supplies. Per UT fiscal policy #FI0206, computing devices costing between $1,500 and $5,000 should be paid for as sensitive minor equipment. In addition, the Uniform Guidance states, "In the specific case of computing devices, charging as direct costs is allowable for devices that are essential and allocable, but not solely dedicated, to the performance of a Federal award." Thus, general purpose computing devices, for example those used by faculty in carrying out the variety of activities required of them in meeting their responsibilities for teaching, research, and service, are allowable as direct charges if the use of such computers is essential to carry out the activities of a sponsored project. If these items are proposed as direct costs, acceptable justification will be required to be included in the proposal submitted to the sponsor

Identify the computing devices specifically required for the completion of the project in the budget and budget justification, and provide an explanation of the costs. UTC's Information Technology Division (http://www.utc.edu/information-technology/) website has helpful information about purchasing hardware and software.

- EXAMPLE: *The Project Manager and Recruitment Specialist will need a computer and printer to complete project-related responsibilities. We request grant funds to purchase a computer (estimated @ $1,200) for the Project Manager and the Recruitment Specialist. These positions will share a printer (estimated @ $500). $1,200 / computer x 2 computers = $2,400 + $500 printer = $2,900.*

OTHER TECHNOLOGICAL DEVICES: Some projects may require the purchase of other technological devices (e.g., digital cameras, etc.) in order to conduct the project. These items are considered supplies as long as they do not cost more than $5,000. These devices should be itemized in the budget, and the calculation should include a cost estimate per unit and the number of units to be purchased. The budget narrative / justification should describe how each item is related to the project activities /objectives.

- EXAMPLE: *A Digital Video Camera will be purchased to support implementation of the web-streaming component of the curriculum. The camera will enable personnel to develop high-quality videos for DVD and webstreaming. The estimated cost is $550.*

Supplies typically not included in grant budgets/included only under special circumstances

General Office Supplies and **Printing & Duplication** expenses are routinely provided to faculty and staff, and therefore are covered in UTC's Facilities and Administration expenses (see Facilities & Administrative costs, below). These costs should not be included in grant budgets or charged to grant accounts except in circumstances where 1) the costs can be directly attributed to a specific sponsored project and 2) the cost is treated consistently by the institution in similar circumstances.

TRAVEL

Grant projects often include travel for project personnel to attend meetings with funding agency representatives, attend professional conferences and meetings to disseminate information about the project, or for other purposes specific to the project.

UT Travel Policies and Guidelines

When preparing the travel portion of your grant budget, please consult http://treasurer.tennessee.edu/travel/. This site provides information on current university travel regulations including reimbursement rates for in-state and out-of-state travel, travel fiscal policy, information on international travel, travel forms, and mileage reimbursement rates.

LODGING and PER DIEM in the CONTINENTAL UNITED STATES: For travel in the Continental United States, including in-state travel in Tennessee, UT follows the per diem, lodging, and incidental expenses reimbursement rates established by the U.S. General Services Administration for travel in the Continental U.S. (CONUS).

LODGING and PER DIEM OUTSIDE of the CONTINENTAL UNITED STATES: For travel outside the Continental U.S., including Alaska, Hawaii, U.S. possessions, and foreign countries, UT follows the OCONUS rates established by the Department of Defense and the State Department.

Links to CONUS and OCONUS are available on the UT Reimbursement Rates page.

REIMBURSEMENT of OTHER TRAVEL COSTS and CERTAIN TYPES of MEALS: UT has established a schedule for reimbursement rates addressing other travel costs, including automobile mileage, hotel baggage handling,

and reimbursement for certain meals such as partial days, beginning and ending travel days, and meals included in a registration fee. The UT Reimbursement Schedule is posted at
http://treasurer.tennessee.edu/travel/Reimbursement%20Rates.htm

Costs to Consider When Budgeting for Travel

AIRFARE: Estimate airfare costs based on the current rate of fares to your anticipated destination. It is wise to estimate airfare costs by taking the current rate and adding a reasonable increase to cover future rate increases.

GROUND TRANSPORTATION: Budget for ground transportation (taxis, public transportation, airport / hotel shuttle service, rental cars, etc.).

PER DIEM: The costs of meals and incidental expenses are included in the established per diem rates at CONUS and OCONUS, modified as appropriate for certain types of meals, as noted above.

CONFERENCE REGISTRATION FEES: Conferences and professional meetings often include registration fees.

LODGING: Budget for the costs of lodging using CONUS or OCONUS guidelines, as appropriate.

MILEAGE FOR PERSONAL VEHICLE USAGE: Sometimes the operation of a grant program will require that personnel use personal vehicles for grant-related travel (e.g., to recruit participants, conduct site-visits, carry out evaluation strategies, etc.). See Fiscal Policy FI0705 governing travel for details. See the UT Reimbursement Schedule for reimbursement rates.

SPECIFIC ASSISTANCE TO INDIVIDUALS

Some grant projects may involve providing various forms of assistance to individuals who are not grant personnel. For example, some grants involve providing tuition support, books & materials stipends, participation stipends, etc. Carefully review the funder's requirements as you plan and develop your budget. The following types of specific assistance are the most common:

TUITION SUPPORT: Some grants include tuition support for students enrolling in various educational programs. Typically, tuition support will be included on grant programs where the purpose is to recruit students / prepare personnel in a particular discipline. Carefully review the funding organization's guidelines and requirements: in some cases, applicants are required to set aside a certain amount or percentage of the grant request to be used exclusively for tuition support; in other cases, tuition support may be specifically forbidden. To budget for tuition, see the UTC Bursar's Office website for the current tuition & fee rates. Select the rate for the appropriate number of hours and increase it by 3%-5% to cover any possible tuition increases. For a multi-year project, include a 3% – 5% tuition increase for each year of the project. Multiply tuition rates by the number of students to be supported.

- EXAMPLE: *This project will recruit 20 students who will enroll as full-time undergraduate students in the XYZ department. Grant funds are requested to provide scholarship support to these students. $2,578 full-time undergraduate tuition x 20 students x 2 semesters = $103,120.*

PARTICIPATION STIPENDS: Some grants include stipends for various forms of participation. For example, some research projects include stipends for research subjects; some professional development projects provide stipends for participating professionals; student support projects may include book or educational material stipends for participants.

- EXAMPLE: *60 regional teachers will be recruited to participate in the two-week (10 day) summer professional development program. Participating teachers will receive a modest stipend of $20/day for their participation. $20/day x 10 days x 60 participating teachers = $12,000.*

OTHER EXPENSES

It is generally advisable to include as few items as possible in the "Other Costs" category; however, in some cases is may be necessary or even required. The following are the types of items that are most often included in the "Other Costs" category.

TUITION COSTS FOR GRADUATE STUDENTS: Some funders, including the National Science Foundation, expect tuition support for graduate assistants to be listed in the "Other Direct Costs" category of the budget. Only the tuition and maintenance fees (and not the student stipend/wages) should be listed in this category. Tuition support should be excluded from Facilities & Administrative Cost calculations. Be sure to check the funder guidelines for specific guidance for budgeting tuition.

BACKGROUND CHECKS: As part of the University of Tennessee's commitment to safe working conditions and to reduce child abuse, neglect, and harm, it instituted a system-wide policy requiring background checks for all new hires to screen UT employees or those operating under its auspices.

New Employees to be Hired (N/A for student employees)	
Temporary employee (will work on project less than 12 months)	$45
Regular employee (will work on project 12 months or more)	$70
Adults who will have contact with children per policy SA0575*	
Employees** (including student employees); volunteers; and contractors	$35

* *Policy SA0575 Programs for Minors*: Before coming into contact with a minor, all adults who will be involved with instruction, care, supervision, guidance, or control of a minor and/or have routine interaction with a minor must have had a UTC-approved background check within the last 4 years. Some programs (e.g. student teaching) are exempt from background checks or may be granted exceptions; see SA0575 and seek guidance from Safety & Risk Management.

*If a new employee to be hired is subject to SA0575, both background check fees apply, e.g. a new temporary employee to be hired who is subject to SA0575 would be budgeted for $45 (regular background check) + $35 (SA0575 background check) = $80.

COSTS OFTEN BUDGETED AS SUPPLIES: Sometimes funder guidelines specify that certain costs such as communications expenses, refreshment costs (if allowable; these costs are often prohibited), etc. should be included in the "Other Costs" category. Follow the funder's instructions when completing your budget documents.

GIFT CARDS PURCHASED FOR SPONSORED PROGRAMS: UT Fiscal Policy FI0313 governs the purchase, distribution, tracking, and account for gift cards and gift certificates, including those purchased for sponsored program activities. Various sponsors may also impose additional restrictions on the purchase or use of gift cards. You must follow both sponsor and UT restrictions and procedures. UT policy requires that the use of gift cards as incentives or awards for sponsored programs participants must be explicitly described in the grant proposal and included in the approved award budget, or prior approval must be obtained from the sponsor before funds can be used to purchase gift cards. There are also IRB implications associated with the distribution of gift cards as incentives for research participants.

FACILITIES & ADMINISTRATIVE COSTS
(I.E., INDIRECT COSTS OR OVERHEAD)

Costs of necessary administrative and service functions related to the grant project

UT Fiscal policy requires that grants and contracts bear the full cost of rendering the service, which includes the direct costs that can be charged to the grant as well as recovery of the facilities and administrative costs associated with operating the project. Facilities and Administrative costs are broad categories of costs. "Facilities" is defined as depreciation and use allowances, interest on debt associated with certain buildings, equipment and capital improvements, operation and maintenance expenses, and library expenses. "Administration" is defined as general administration and general expenses, departmental administration, sponsored projects administration, student administration and services, etc. Facilities and Administrative Costs must be calculated for all grant and contract projects at UTC's approved, federally-negotiated rate or at an appropriate rate as allowed by the funder. If there is an unusual circumstance where Facilities & Administrative costs are disallowed or allowed at a reduced rate, contact your ORSP liaison to discuss.

Budgeting for Facilities & Administrative Costs at UTC's Federally Negotiated Rate

In most cases, federal granting agencies allow applicants to request the full on-campus Facilities & Administrative Cost rate which is currently 37.5% of MTDC (Modified Total Direct Costs). UTC also has an off-campus rate, which applies less frequently. (If more than half of the project's total activities will take place on campus, the on-campus rate is used; otherwise, the off-campus rate applies.) A copy of UTC's Facilities & Administrative Cost agreement letter can be found on our website. Rates remain in effect for several years, after which UT negotiates with the federal government to establish new rates that reflect UTC's recent facilities and administrative costs.

CHECK WITH THE RESEARCH& SPONSORED PROGRAMS OFFICE FOR CURRENT FACILITIES & ADMINISTRATIVE COSTS RATE!

o **EXAMPLE:** *A grant project will include a total direct cost of $200,000. (Personnel and Fringes: $50,000; travel: $10,000; consultants: $30,000; materials and supplies: $3,000; Equipment: $50,000; and a subaward of $57,000. To calculate the indirect cost base, add all direct costs ($200,000) and subtract equipment costs ($50,000) and subaward costs in excess of $25,000 ($57,000-$25,000) for a total of $118,000. Multiply $118,000 x UTC's MTDC rate of 37.5% = $44,250 total indirect costs. Total project cost = Direct ($200,000) + Indirect ($44,250) for a total project cost of $244,250.*

Budgeting for Facilities & Administrative Costs at a Reduced Rate

Some funding agencies / grant programs stipulate that applicants must use a reduced Facilities & Administrative Cost rate. For example, some sponsors require that applicants use a reduced rate (8% of direct costs) for training grants. In these cases where a reduced rate is required, the funder typically requires that Facilities & Administrative Costs be calculated on the "Modified Total Direct Costs" which include all the direct costs EXCLUDING student tuition & fees, equipment purchases, participant support costs, and subcontracts exceeding $25,000.

o **EXAMPLE:** *A project includes personnel costs of $55,000, fringe benefits of $17,600, travel costs of $5,000, supply costs of $12,000, and equipment costs of $14,000. The funder has limited F&A Costs to 8% of the modified total direct costs. To calculate the total direct costs, add all the direct costs together, excluding costs that are not considered part of the modified direct cost base: $55,000 personnel costs + $17,600 fringe benefit costs + $5,000 travel costs + 12,000 supply costs = $89,600 (NOTE: equipment costs were excluded because they are not considered part of the modified total direct costs). $89,600 modified direct costs x 8% facilities & administrative cost rate allowed by funder = $7,168. Add this to the total direct costs ($103,600 including ALL costs—even those not included in the modified direct cost*

base) to get the total request. $7,168 Facilities & Administrative Cost + $103,600 total direct costs = $110,768 total grant request.