

University of South Alabama

Office of Sponsored Projects

Basic Budget Terminology

Allowable Direct Costs are determined by U. S. Office of Management and Budget (OMB) 2 CFR 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for federal awards.

Per 2 CFR 200, the tests of allowability of a cost are:

- Costs must be reasonable,
- Costs must be allocable to sponsored agreements under the principles and methods provided herein,
- Costs must be given consistent treatment through application of those generally accepted accounting principles appropriate to the circumstances, and
- Costs must conform to any limitations or exclusions set forth in these principles or in the sponsored agreement as to types or amounts of cost items.

Authorized Organization Representative (AOR)

The administrative official legally authorized to commit the institution to a project if an external agency agrees to support it. The AOR signature is typically the last administrative signature obtained.

Budget

An estimate of the expenditures expected to be incurred in the performance of a proposed statement of work. The budget represents all costs associated with the implementation of a grant project or contracted agreement.

Budget Justification

A narrative, usually two to three pages, explaining the calculations used to determine the total cost for each budget category. It **MUST** match both the budget and the proposal narrative.

Budget Period/Project Period

Interval into which a grant project period is divided for funding and reporting purposes, usually 12 months.

Direct Costs

Direct costs charged to the sponsored project must be allowable, allocable and reasonable. Direct costs can be identified specifically with the activities and services of a specific sponsored project with a high degree of accuracy. Direct costs do not include overhead or other indirect costs.

Examples of direct costs include:

- Salaries, wages and/or fringe benefits for employees performing work for the project
- Costs of materials and supplies used in the performance of work
- Other items of expense incurred for the project provided the costs are consistently treated in like circumstances

Effort

The amount of time, generally expressed as a percentage of the total, that a faculty or staff member spends on a sponsored project. No employee is allowed to spend more than 100% total time on all academic activities, including grant funded projects, teaching, administration, advising and other duties.

Effort Reporting

Accounting procedures, by which effort commitments and salary charges made to sponsored projects are documented, reported on and signed by the individual working on the award, or by an individual possessing firsthand knowledge about personnel working on the award.

Equipment

Articles of non-expendable, tangible personal property with a useful life or more than one year and costing \$5,000 or more for a single unit. Equipment does not consist of a replacement part or component that returns a piece of equipment to its original condition.

Face Page/Budget Forms

Forms used by the funding agency to provide information on the proposal, institution, and budget.

Facilities and Administrative Costs (F&A)

Also referred to as indirect costs, overhead, overhead costs or administrative costs. Reimbursement for actual college expenses that support extramural activities but cannot be directly charged to a specific grant or contract. F&A costs result from shared services such as libraries, plan operations and maintenance, utility costs, general department and sponsored projects administrative expenses and depreciation or use allowances for buildings and equipment. USA's cost rate agreement can be found at: <https://www.southalabama.edu/departments/financialaffairs/grantsandcontracts/rates.html>. When developing a proposal budget, the applicable rate should be applied to the Modified Total Direct Cost (MTCD) and included as a line item. A lower rate may be applied if the sponsor specifically limits the amount of F&A costs an applicant can request.

Fringe Benefits

Fringe benefits (FB) are employee benefit costs such as health/dental insurance, pension plan and workman's compensation expenses paid for by the employer.

Indirect Costs

Another name for Facilities & Administrative Costs (F&A)

In-Kind

In-Kind contributions mean the value of non-cash contributions. In-kind contributions may be in the form of real property, equipment, supplies and other expendable property, and the value of goods and services directly benefiting and specifically identifiable to the project or program.

Matching or Cost Sharing

Matching or cost sharing by the institution may be required by law, regulation, or administrative decision. Costs used to satisfy matching requirements are subject to the same policies governing allowability as other costs under the approved budget.

Modified Total Direct Cost (MTDC, MTCS Base or Base)

MTDC is the Total Directs Costs (TDC) consisting of all direct salaries and wages, applicable fringe benefits, materials, supplies, services, travel and up to the first \$25,000 of each sub-award (regardless of the period of performance of the subawards under the award). Modified total direct costs shall exclude equipment, capital expenditures, charges for patient care, tuition remission, rental costs, scholarships and fellowships, participant support costs and the portion of each subaward in excess of \$25,000. Other items may only be excluded when necessary to avoid a serious inequity in the distribution of indirect costs with the approval of the cognizant agency for indirect costs.

Participant Costs: Costs used to pay program participants small stipends and reimbursement of travel costs or other out-of-pocket costs incurred to support attendance at a workshop, conference, seminar, symposium or other short-term training or information-sharing activity..

Release Time

Percentage of time included in the budget for a faculty member to buy out their time from a portion of their teaching load.