I. Introduction and Purpose

This policy establishes guidelines for budget preparation on external funding administered by the University Corporation at Monterey Bay (“University Corporation”). It is meant to ensure the University Corporation’s consistency and compliance in the budget development process on sponsored projects. It is intended to reflect the University Corporation’s commitment to the principles, goals, and ideal described in the CSUMB Vision and its core values.

Pursuant to CSU Executive Order 890 and in accordance with federal OMB Circulars A-21 and A-110, this policy aims to establish consistent budget preparation practices. Additionally, clarification is provided for several previously ambiguous budget categories.

II. Terms and Definitions

A. **Buy Out**: Refers to the course release of faculty allowing them to pursue grant activities.

B. **Cost Share**: Refers to the allowable costs of a project not borne by the awarding agency. These contributions may be provided by CSUMB, the University Corporation, other externally funded projects and/or third parties.

C. **Facilities and Administration (“F&A”) Costs**: Costs incurred for common or joint objectives and therefore cannot be readily and specifically identified with a particular sponsored project, an instructional activity or any other institutional activity. F&A costs are synonymous with “indirect costs” or “overhead.”

D. **Sponsored Programs Office (“SPO”) Office**: The office that acts as the primary liaison with public sponsoring agencies, principal investigators and the University Corporation. Pre-award responsibilities of SPO include, but are not limited to, review and approval of all externally funded budgets for both public and private sources.

E. **Modified Total Direct Costs (“MTDC”)**: One method of calculating the F&A costs of a sponsored project in which the F&A rate is applied to salaries and wages, fringe benefits, materials and supplies, services, travel, and subcontracts up to the first $25,000 of each subcontract. The F&A rate is not applied to equipment, capital expenditures, tuition remission, rental costs, scholarships and
fellowships as well as the portion of each subcontract in excess of $25,000 when utilizing the MTDC method.

F. Overload: Refers to CSU additional employment in excess of a full-time workload, or when appropriate, in excess of a full-time (100%) time-base up to a maximum of 25% effort. The CSU overload policy is contained in HR Coded Memo 2002-05 and is incorporated herein by reference.

G. Principal Investigator (“PI”): The individual primarily responsible for development of the concept and execution of the award. Also referred to as the Project Director (“PD”).

III. Budget Preparation and Submission
Grant/contract budgets are the financial expression of a project’s scope of work. The budgets related to externally funded projects shall be a reasonable reflection of the costs necessary to carry out the scope of work successfully. Care shall be taken to incorporate sufficient levels of funding for full cost recovery. Additionally, budgets shall be prepared in the manner requested by the sponsor and in compliance with the cost accounting standards of OMB A-21, the sponsor terms and conditions, and the University Corporation’s budget preparations procedures.

Budgets containing cost sharing shall follow the University Corporation’s Cost Share Policy (561-001-A Cost Share Policy). All cost share shall be itemized and justified in the budget and budget narrative. The source of all cost share shall be identified on the Internal Proposal Routing form for approval.

SPO shall approve all externally funded budgets, including private grants and contracts, prior to submission of proposal.

SPO shall submit budget information to the funding agency. University Advancement (“UA”) may submit budget information to private funding agencies but only with prior budget approval from SPO.

IV. Budget Categories
University Corporation Grants Accounting has established a standard chart of accounts that assist the PD/PI and SPO in developing a grant budget. While most are self-explanatory, several budget categories merit additional discussion.

A. Salaries and Wages: All costs related to salaries and wages shall be in compliance with CSUMB and University Corporation human resources and payroll policies and procedures, as applicable.

1. Faculty: Faculty salaries shall not exceed the hourly, monthly or unit rate based on the individual’s current annual salary as established by Academic Personnel.
531-001-C: EXTERNAL FUNDING BUDGET POLICY

a. **Buy Out:**
   i. Teaching faculty wishing to be released from coursework to pursue grant activities shall follow the established buy-out procedures. The individual’s salary shall be calculated on a unit basis of their current actual annual salary. Teaching faculty may be bought out of coursework only and not committee work or other non-teaching university activities. Replacement value and university release rates are utilized only in exceptional cases and only with the approval of the faculty’s Chair and Dean. Final approval for course buy out shall be the responsibility of the faculty’s Chair and Dean.
   ii. Non-teaching faculty effort may be reimbursed to the University, but there shall be a concomitant reduction in University duties.

b. **Overload and summer effort** by faculty shall be paid through University Corporation payroll. Rates of pay shall be calculated on an hourly rate and cannot exceed the individual’s established pay rate with Academic Personnel. If allowed by the funding agency, overload shall be clearly identified and described in the proposal budget and narrative for approval.

2. **Other Professional Grant Staff:** Professional grant staff shall be paid through the University Corporation on an hourly or monthly rate. The hiring and payment of grant staff shall be in compliance with all University Corporation Human Resources policies and procedures.

3. **University Staff:** OMB A-21 does not allow the general payment of overtime rates. Due to restrictions contained in labor laws and bargaining units, full-time, non-exempt University staff cannot be paid additional compensation for grant work. Their effort on sponsored activity may be reimbursed by the University, but there shall be a concomitant reduction in University duties.

4. **Clerical and Administrative Costs:** OMB A-21 states that the salaries and wages of administrative and clerical staff, and non-salary items such as postage for routine correspondence, local telephone calls (including equipment), and routine office supplies should normally be treated as F&A costs and are only appropriate if the purpose of such is for the sole direct benefit of the project. These costs qualify as direct costs when the nature of the performed work constitutes a major program or activity and the costs are specifically identified and justified in the proposal’s budget or budget justification section. The costs shall be easily identified to the project with a high degree of accuracy.

**B. Fringe Benefits:** Standard CSUMB and University Corporation rates shall be used depending on the type of salary requested.

**C. Travel:** Procedures, including rates, shall follow the University Corporation travel policy (361-001-C: Travel Policy).
D. *Supplies and services:* This category often includes general office supplies, telephone, postage, etc., which may be considered administrative costs. OMB A-21 states that the salaries and wages of administrative and clerical staff, and non-salary items such as postage for routine correspondence, local telephone calls (including equipment), and routine office supplies should normally be treated as F&A costs and are only appropriate if the purpose of such is for the sole direct benefit of the project. These costs qualify as direct costs when the nature of the performed work constitutes a major program or activity and the costs are specifically identified and justified in the proposal’s budget or budget justification section. The costs shall be easily identified to the project with a high degree of accuracy.

E. *Facilities and Administrative Costs (also Indirect Costs):* All budgets shall include the applicable and allowed F&A rates. On federal grants, the current federally negotiated indirect cost rate as negotiated with the University Corporation’s cognizant agency, the U.S. Department of Health and Human Services, shall be applied. State and local government grants and contracts shall apply a rate of 20% Modified Total Direct Costs (MTDC). The F&A allowed under private grants shall be determined by the private University Corporation and should be specified in their guidelines. If the sponsor restricts the F&A rate, this rate shall be accepted if it is a part of the sponsor’s RFP, written guidelines or policies. Non-federal organizations whose guidelines will not permit F&A costs will be reviewed to determine if some F&A items might be included as direct costs. Exceptions to the F&A rates listed herein must be discussed with SPO. Approval of any deviation to the standard F&A rates shall be the responsibility of the Provost/Vice President for Academic Affairs.

V. **Budget Approval**
All budgets prepared for external funding shall be approved by the PD/PI, applicable Chairs and Deans (or Associate Vice President, if applicable), the Vice President for University Advancement (for private grants and contracts), the Director of Sponsored Programs Office, the Provost and the Chief Financial Officer. Signatures shall be obtained via the Internal Proposal Routing form, with a draft narrative and budget attached, prior to the submission of the proposal.

VI. **Oversight and Responsibilities**

A. *Project Director/Principal Investigator:* Shall be responsible for

1. Determining the costs associated with the proposed project to ensure full cost recovery,
2. Communicating with the applicable SPO staff regarding proposal and budget preparation, and
B. **Sponsored Programs Office:** Shall be responsible for

1. Assisting the PD/PI in developing a budget that is workable for both the project and subsequent grant administration upon funding.
2. Approving all sponsored projects budgets, including private grants and contracts, prior to proposal submission, and
3. Submitting budget information to the funding agency.

VII. **Adoption and Review**

A. The University Corporation’s Board of Directors has adopted this External Funding Budget Policy, dated June 2004. The University Corporation’s Board of Directors has adopted this External Funding Budget Policy-B, dated June 2010.

B. The policy shall be evaluated ten years from its adoption date to determine its effectiveness and appropriateness. The policy may be evaluated before that time as necessary to reflect substantial organizational, financial, or physical change(s) at the University Corporation or any change required by law or by other governing policy.

Any proposed amendments or variations of this policy would require a majority approval by the Corporation Board of Directors.

VIII. **Related Documents**

A. CSU Executive Order No. 890, *Administration of Grants and Contracts in Support of Sponsored Programs*
B. OMB Circular A-21, *Cost Principles for Educational Institutions*
C. OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations*
D. 561-001-A Cost Share Policy
E. Related Document 3