



## Guidance on Preparing Budgets on Sponsored Projects

Colorado State University uses Kuali Research Proposal Development (KR PD) and its associated budget development feature to create proposal budgets based on sponsor guidance and institutional requirements, policies, and rates. The budget is part of the record that is routed for internal university approvals. Guidelines and best practices for budgeting are outlined below.

### **Allowability**

Per Uniform Guidance Cost Principles [2 CFR 200.400](#), all costs included in a budget must be allowable, allocable, reasonable, and can be applied consistently and in accordance with CSU policy and guidance.

**Allowable:** An allowable cost is one that is eligible for reimbursement. Generally, costs are considered allowable when they are necessary, reasonable, and allocable to the project/program; comply with the limitations of the award agreement as well as other applicable laws, and regulations, and are accounted for consistently and in accordance with generally accepted accounting principles.

**Allocable:** An allocable cost can be directly tied to a project activity, purpose, task, or deliverable. If a direct cost benefits two or more projects or activities, it must be distributed based on proportional benefit.

**Reasonable:** A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.

**Consistently Applied:** Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost. Also, like costs at the institution need to be treated similarly.

### **Budgeting Cost Categories**

Items to be budgeted fall into two categories: Direct or Indirect Costs.

**Direct Costs** are costs that can be specifically and easily identified as necessary for a particular project activity, task, supply, or deliverable, and are allowable under the sponsoring organization's guidelines.

**NOTE: Inflation** - It is recommended that escalations be applied to approved or current fiscal year rates/bases in future budget periods based on historical information and current known inflationary situations. See recommendations below.

Typical Direct Costs are listed below:

- Personnel – PI\*, Co-PI\*, Other Key Personnel\*, Research Scientists/Associates, Post Docs, Graduate Research Assistants, Student or Non-Student hourlies, etc. are common categories for personnel budgeted on sponsored projects.
  - o In a detailed budget version, the current fiscal year institutional base salary for each named person will be used as the base for budgeting.
  - o Unless specifically prohibited by written sponsor policy, all salaries should be escalated in future years. KR PD budget will automatically calculate 3% inflation on salary expenses at the July 1 boundary in each future budget period, if the auto calculate feature is utilized.
  - o Inflation can be applied or unapplied to a budget line item manually. See [KR Proposal Budget Training Guide](#).

**\*NOTE:** CSU Policy requires that anyone listed as PI, Co-PI, or Key Personnel will have effort on the project. If the effort is not charged to the sponsor, a 1% minimum voluntary cost-sharing account will be required. [Exceptions](#) are limited to certain types of proposals/awards. Projects with industry sponsors

must include all personnel effort charged to the project; no voluntary cost share (reportable or non-reportable) of personnel time is allowed.

- Fringe Benefits – Fringe Benefits should be calculated at the annually approved percentages in CSU’s negotiated indirect cost rate agreement ([NICRA](#)). Only the current fiscal year’s approved (‘institutional’) rates are entered in KR PD.
  - o There is no inflation automatically applied by KR PD to fringe rates, but the ‘applicable rate’ can be modified in a KR PD budget version to capture expected increases over the project period\*\*. To determine an ‘applicable rate’ that is different from the current approved rate, use the inflation rate for escalation that is included in the yearly Fringe Rates campus letter from the Office of the Executive Director and University Controller.
    - E.g. FY23’s letter says *‘estimated average rate increase is 1% per year, except for Student Hourly, of which the estimated average increase is 0.1%’*.
  - o For budgets with multiple future periods, an average can be calculated using the escalation information, with that average entered as the ‘applicable’ rate in the Rates section, Fringe sub-section of a budget version\*\*.

**\*\*NOTE:** Many sponsors only allow the approved fringe rates to be used on the proposed budget.

- Travel, Materials and Supplies, Equipment, and Other Direct Costs – Each cost should be listed separately on the budget with a justifiable basis for each cost.
  - o Current CSU approved per diem and mileage rates as well as current rates from [gsa.gov](#) should be used when assigning travel costs.
  - o Quotes may be required for equipment.
  - o Other direct costs should be budgeted using current project cost/expense information to inform the requested amount.
  - o If like costs are requested in more than one budget period, best practice is to escalate those costs in future years using a consistent inflation rate, unless the sponsor specifically does not allow it.
  - o If Graduate Research Assistant (GRA) salaries are included in a budget, tuition, and mandatory fees for the GRA should be included in the budget, and pro-rated if the GRA will be less than full-time (50% FTE is considered “full-time” for a GRA) unless specifically prohibited by written sponsor policy.
  - o GRA tuition and mandatory fees should be based on the current published CSU rates and escalated for future years.

KR PD budget will automatically calculate 3% inflation on most non-personnel costs in future years, except for tuition and mandatory fees, which are inflated at 8% each period, if the auto calculate feature is utilized. Inflation can also be applied and unapplied manually for a specific line item. See [KR Proposal Budget Training Guide](#).

**\*\*\*NOTE** on CSU financial accounting for equipment fabrications: Equipment Fabrications costs, are accumulated in a separate Work-in-Progress (WIP) account in CSU’s financial system for each fabrication. Those costs, which can include personnel effort for the hands-on assembly of the equipment and any components that are to be integrated into the final piece of equipment, regardless of cost and useful life, are captured in the WIP account. During the fabrication time, all of the costs accumulated in the WIP account appear on CSU’s financial system as Materials and Supplies. Once the fabrication is complete and the piece of equipment is capitalized, the costs are then transferred from the Materials and Supplies line to the Capital Equipment line.

**Indirect Costs** (also known as Facilities and Administration (F&A)) are real costs that the Institution incurs in support of extramural activities, but which cannot be readily identified with a particular sponsored project or institutional activity. Facilities are defined as depreciation on buildings and equipment, operations, and maintenance. Administration is general administrative personnel costs, i.e. centralized units, accounting, department/unit staff, etc.

Indirect Cost rates are negotiated with the Federal Government. The [NICRA](#) is then in place for 3-5 years. Use of the federally negotiated rate when creating a budget for a Federal Sponsor is mandatory unless the sponsor limits the rate or amount of indirect costs, or a [Request to Waive Indirect \(F&A\) costs](#) have been approved before budgeting.

Indirect costs are calculated by applying the rate to the appropriate Direct cost base. CSU's NICRA uses Modified Total Direct Cost (MTDC)<sup>\*\*\*</sup> as the base. Current negotiated rate(s) are applied to each budget period by default. An 'applicable' rate that is different from the institutional MTDC rate can be entered in a specific budget version as warranted by sponsor restriction or an approved waiver.

If a reduced indirect cost rate is approved Total Direct Costs (TDC) should be used as the base for calculating Indirect Costs unless prohibited by sponsor policy. CSU does not have a negotiated TDC rate, so an 'applicable' rate must be entered in the KR PD budget version Rates section, F&A sub-section to ensure accurate calculation of F&A.

Indirect Costs for [industry-sponsored projects](#) that are not federal flow-through, should be calculated using TDC as the base.

**\*\*\* NOTE:** MTDC - Modified total direct costs, consisting of all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first \$25,000 of each subaward (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, rental costs, tuition remission, scholarships and fellowships, participant support costs, and the portion of each subaward over \$25,000. Other items may only be excluded when necessary to avoid a serious inequity in the distribution of indirect costs, and with the approval of the cognizant agency for indirect costs.