Q & A

Budgets

Q: How do I estimate salaries and fringe benefits?
Salaries and fringe benefits increase over time. For your convenience, a worksheet is provided with instructions. Fringe benefits may be calculated in three different ways; for the worksheet use Method #2. Whichever method is selected must be used throughout the entire proposed budget. If the amount estimated for salaries and fringe benefits does not prove to convert actual expenses incurred, it will be necessary to rebudget during the project. Note that some sponsors set a maximum annual salary above which they will not reimburse.

Q: What is F & A and how do I calculate it?
F&A costs are actual costs that UNMHSC incurs that are not easily attributable to a specific project. Facility costs include utilities, maintenance, custodial costs, non-capital improvements, interest expense, library costs, building depreciation, and equipment depreciation. Costs that are readily attributable to a specific project are called Direct Costs. See UNM Business Policies and Procedures Manual, Policy #2425 – Recovery of Facilities and Administrative Costs.

To enable UNMHSC to F&A costs, each sponsor is required to reimburse F&A expenses as a percentage of the Direct Cost of a project. A set of F&A rates have been negotiated by UNM with federal and New Mexico state agencies. As the federal government is our most important sponsor, non-governmental sponsors are not offered a lower rate. At UNMHSC, our actual cost of F&A is over 54%.

The F&A Rate Base refers to the costs to which the rate is applied. Federal sponsors will not pay F&A costs on certain items, so the Base – called Modified Direct Total Cost – is the Total Direct Cost minus the cost of excluded items. For all other sponsors, the Base is Total Direct Cost. The amount of F&A cost is calculated as the Base multiplied by the F&A Rate. The Total Cost of a project is calculated as the Direct Cost plus the F&A cost.

Q: What kinds of costs are excluded when calculating Modified Total Direct Costs?
When calculating Modified Total Direct Costs, the cost of patient care, IRB fees, student tuition must be excluded. Equipment or computer hardware that costs over $5,000 must be excluded. In addition, the cost of subawards must be excluded after the first $25,000. That is, only the first $25,000 of a subaward is included in the Base. For reference, the excluded categories of costs are colored yellow on the ABS form.

Q: what if the sponsor will not pay full F&A?
Not-for-profit foundations may have written guidelines that state they will not pay F&A costs or that they will pay only a reduced amount. Some federal agencies have special programs that mandate reduced F&A rates. For example, US Department of Education training grants allow only 8% of the modified total direct costs, and National Science Foundation REU (Research Experiences for Undergraduates) supplements allow only 25% of the student stipend amount. Projects with New Mexico state and local governments have traditionally been at a reduced rate. In order to submit a proposal with less than the full F&A rate, written approval is required. Send a Request for Waiver of F&A for signature to the Vice Chancellor For Research, HSC and include the signed request with your submission to Pre-Award.
Q: Are there limits on the kinds of items for which a federal agency will reimburse?
Federal agencies reimburse “allowable” expenses incurred by the project. To be “allowable”, the cost must be: Reasonable (a prudent person would have purchased this item and paid the price), Allocable (it can be assigned to the project on some reasonable basis), and Consistently Treated (similar costs are handled the same way within the project and across projects). General purpose supplies, equipment, and computers that are not directly allocable to the project are not direct costs and may be allowable as an F&A cost. If allocable, allowable direct costs may include material and supplies, equipment, travel, communications, publications, animal care costs, human subjects costs, shop charges, maintenance/service contracts/photographic services, rental/lease of facilities, and construction/renovation costs. If you have a specific question regarding a particular expense, your Post-award Fiscal Monitor will be happy to assist you.

Q: Can I request funds for administrative or clerical salaries from a federal agency?
Yes, but only in rare cases when the clerical or secretarial services are directly required for the conduct of the project. Under OMB Circular A-21 (Cost Principles for Educational Institutions), “the salaries of administrative and clerical staff are normally be treated as indirect costs.” Direct charging of these costs may be appropriate where a major project or activity explicitly budgets for administrative or clerical services and individuals involved are specifically assigned to the project or activity. Examples of a major activity are those that involve extensive data entry, preparation of manuals or large reports, multiple investigator coordination and/or travel, or geographically inaccessible project locations. Any request for secretarial/clerical salaries made to a federal agency must include a detailed justification.

Q: Can I request food, or alcohol on a proposal to a federal agency?
Yes, but only in rare cases when directly required for the conduct of the project. Alcohol and tobacco expenses may be justified for research about the effects of such substances, but probably not otherwise. Any request for food made to a federal agency must include a detailed justification.

Q: What is cost sharing?
Cost sharing is the portion of the cost of a project that is not funded by the sponsor. Other terms for cost sharing are matching funds, institutional commitment, or in-kind contributions. A cost sharing commitment is often met with employee services valued at regular pay plus fringe benefits, but may also be met with cash (unrestricted accounts), third party contributions, unrecovered F&A costs, services or property valued with applicable cost principles, volunteer services, donated supplies at reasonable and fair market value. In any case, federal accounting requirements state that all such costs must be allowable and documented. Proposals with cost sharing must include a completed Cost Share Commitment form along with the PDS. The form lists the specific sources of funding for the cost sharing and must be signed by the authorized signature for each account being committed.

Q: What is program income?
Program income is income received as a result of conducting the sponsored project. Examples include conference fees, sale of materials such as videos, books, proceedings, and software. Most contract and grant awards have regulations or guidelines related to the treatment of program income. Federal agencies allow recipients to retain and use program income to further the project objectives by either adding to the award, or deducting from the costs charged to the sponsor. Typically program income will be additive until $25,000 is earned then deductive thereafter. There is no obligation to the federal government for program income earned after the end of the project, such as from license fees and royalties.
MEMORANDUM

DATE: July 30, 2013

TO: Faculty, Staff, Chairs, Deans, Directors, and Administrators

FR: Elizabeth Metzger, University Controller
    Ava J. Lovell, Senior Executive Officer - Finance & Administration

RE: New Federally Negotiated F&A Rates

Attached is the new federally negotiated facilities and administrative (F&A) rate agreement dated July 29, 2013, agreed to by UNM and the Department of Health and Human Services. This agreement is effective 7/1/13 through 6/30/17. Details of the new agreement are as follows:

- The rate for **On-campus research** remains at 51% modified total direct costs (MTDC) for the period 7/01/13 – 6/30/16 and increases to 51.5% MTDC for the final year of the agreement 7/01/16-6/30/17.

- The rate for **On-campus instruction** is 52% MTDC and the rate for **On-campus other sponsored activities** (includes public service) is 43.5% MTDC for the life of the agreement.

- The **Off-campus rate** is capped at 26% MTDC for all programs. Off-campus is defined as activities performed in facilities not owned by the institution and to which rent is directly allocated to the project(s) or in facilities made available (at no cost) to the program by a non-university organization. If more than 50% of a project is performed in off-campus facilities, the off-campus rate will apply to the entire project.

- The rate for **On-campus Department of Defense (DoD) contracts** remains the same at 54% MTDC. The rate for **Off-campus DoD contracts** is 29% MTDC.

- The rate for **On-campus agreements with non-federal sponsors** remains the same at 54% MTDC. The rate for **Off-campus agreements with non-federal sponsors** is 29% MTDC.
• The rate for **Intergovernmental Personnel Act (IPA)** assignments is 9.75% MTDC.

• The approved rate for miscellaneous fringe benefits is 3.43% for Leave Payouts, Tuition Waivers and Retiree Benefits. Annual leave payouts at separation of employment will no longer be a direct charge.

The new F&A rate agreement will be implemented as follows:

• Effective immediately, any new proposals, newly proposed increments, supplements or new tasks that will start or extend past July 1, 2013 should use the rates in the new agreement.

• For existing awards, the current F&A rate will continue to be used for the life of the sponsored agreement. “Life” as defined by Federal OMB Circular A-21 (G7a) means the period of years for each competitive segment of a project approved by the funding agency at the time of the award. If negotiated rate agreements do not extend through the life of the sponsored agreement at the time of the initial award, then the negotiated F&A rate for the last year of the rate agreement will be used.

If you have any questions, please contact the Pre-Award Services office for Main Campus and Branches at 277-4186 or the Pre-Award Services office for the Health Sciences Center at 272-6264.
COLLEGES AND UNIVERSITIES RATE AGREEMENT

EIN: 1856000642A1  
ORGANIZATION: 
University of New Mexico 
1 University of New Mexico 
Albuquerque, NM 87131-0001

DATE: 07/29/2013  
FILING REF.: The preceding agreement was dated 07/13/2009

The rates approved in this agreement are for use on grants, contracts and other agreements with the Federal Government, subject to the conditions in Section III.

**SECTION I: INDIRECT COST RATES**

<table>
<thead>
<tr>
<th>RATE TYPES</th>
<th>EFFECTIVE PERIOD</th>
<th>LOCATION</th>
<th>APPLICABLE TO</th>
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<tr>
<td>FIXED</td>
<td>FROM</td>
<td>TO</td>
<td>RATE(%)</td>
</tr>
<tr>
<td>PRED.</td>
<td>07/01/2013</td>
<td>06/30/2016</td>
<td>51.00</td>
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<tr>
<td>PRED.</td>
<td>07/01/2016</td>
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</tr>
<tr>
<td>PRED.</td>
<td>07/01/2013</td>
<td>06/30/2017</td>
<td>52.00</td>
</tr>
<tr>
<td>PRED.</td>
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<td>06/30/2017</td>
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</tr>
<tr>
<td>PRED.</td>
<td>07/01/2013</td>
<td>06/30/2017</td>
<td>26.00</td>
</tr>
<tr>
<td>PRED.</td>
<td>07/01/2013</td>
<td>06/30/2017</td>
<td>54.00</td>
</tr>
<tr>
<td>PRED.</td>
<td>07/01/2013</td>
<td>06/30/2017</td>
<td>29.00</td>
</tr>
<tr>
<td>PRED.</td>
<td>07/01/2013</td>
<td>06/30/2017</td>
<td>9.75</td>
</tr>
<tr>
<td>PROV.</td>
<td>07/01/2017</td>
<td>Until Amended</td>
<td></td>
</tr>
</tbody>
</table>

**BASE**
Modified total direct costs, consisting of all salaries and wages, fringe benefits, materials, supplies, services, travel and subgrants and subcontracts up to the first $25,000 of each subgrant or subcontract (regardless of the period covered by the subgrant or subcontract). Modified total direct costs shall exclude equipment, capital expenditures, charges for patient care, student tuition remission, rental costs of off-site facilities, scholarships, and fellowships as well as the portion of each subgrant and subcontract in excess of $25,000.
ORGANIZATION: University of New Mexico
AGREEMENT DATE: 7/29/2013

SECTION I: FRINGE BENEFIT RATES**

<table>
<thead>
<tr>
<th>TYPE</th>
<th>FROM</th>
<th>TO</th>
<th>RATE(%)</th>
<th>LOCATION</th>
<th>APPLICABLE TO</th>
</tr>
</thead>
<tbody>
<tr>
<td>FIXED</td>
<td>7/1/2013</td>
<td>6/30/2014</td>
<td>3.43</td>
<td></td>
<td>All Employees</td>
</tr>
<tr>
<td>PROV.</td>
<td>7/1/2014</td>
<td>Until amended</td>
<td></td>
<td></td>
<td>Use same rates and conditions as those cited for fiscal year ending June 30, 2014.</td>
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</table>

** DESCRIPTION OF FRINGE BENEFITS RATE BASE:
Salaries and wages.
ORGANIZATION: University of New Mexico
AGREEMENT DATE: 7/29/2013

SECTION II: SPECIAL REMARKS

TREATMENT OF FRINGE BENEFITS:
The fringe benefits are charged using the rate(s) listed in the Fringe Benefits Section of this Agreement. FICA, Worker's Compensation, Retirement, University Discounts, Health and Life Insurance, Unemployment Compensation, and Payroll Taxes are specifically identified to each employee and is charged individually as direct costs. The fringe benefits included in the rate(s) are listed in the Special Remarks Section of this agreement.

TREATMENT OF PAID ABSENCE:
Vacation, holiday, sick leave pay and other paid absences are included in salaries and wages and are claimed on grants, contracts and other agreements as part of the normal cost for salaries and wages. Separate claims are not made for the cost of these paid absences.

OFF-CAMPUS DEFINITION: An off-campus program is one that is conducted (1) in leased facilities where space related costs (e.g., rent, utilities and maintenance) are charged directly to the program, or (2) in facilities made available (at no cost) to the program by a non-University organization. Grants or contracts will not be subject to more than one F&A cost rate. If more than 50% of a project is performed off-campus, the off-campus rate will apply to the entire project.

Equipment Definition -
Equipment means an article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost of $5,000 or more per unit.

Beginning July 1, 2013, leave payout payments made to eligible staff are included in the fringe benefit rate.

FRINGE BENEFITS:

Tuition Remission
Leave Payouts
Retiree Health Benefits
Employee Training and Services
SECTION III: GENERAL

A. LIMITATIONS

The rates in this Agreement are subject to any accuracy or administrative limitations and apply to a given grant, contract or other agreement only to the extent that funds are available. Acceptance of the rates is subject to the following conditions: (1) Only costs incurred by the organization were included in its facilities and administrative cost pools as finally accepted; such costs are legal obligations of the organization and are allowable under the governing cost principles; (2) The same costs that have been treated as facilities and administrative costs are not claimed as direct costs; (3) Similar types of costs have been accorded consistent accounting treatment; and (4) The information provided by the organization which was used to establish the rates is not later found to be materially incomplete or inaccurate by the Federal Government. In such situations the rate(s) would be subject to renegotiation at the discretion of the Federal Government.

B. ACCOUNTING CHANGES

This Agreement is based on the accounting system purported by the organization to be in effect during the Agreement Period. Changes to the method of accounting for costs which affect the amount of reimbursement resulting from the use of this Agreement require prior approval of the authorized representative of the cognizant agency. Such changes include, but are not limited to, changes in the charging of a particular type of cost from facilities and administrative to direct. Failure to obtain approval may result in cost disallowances.

C. FIXED RATES

If a fixed rate is in this Agreement, it is based on an estimate of the costs for the period covered by the rate. When the actual costs for this period are determined, an adjustment will be made to a rate of a future year(s) to compensate for the difference between the costs used to establish the fixed rate and actual costs.

D. USE BY OTHER FEDERAL AGENCIES

The rates in this Agreement were approved in accordance with the authority in Office of Management and Budget Circular A-21, and should be applied to grants, contracts and other agreements covered by this Circular, subject to any limitations in A above. The organization may provide copies of the Agreement to other Federal Agencies to give them early notification of the Agreement.

BY THE INSTITUTION:

University of New Mexico

[Signature]

Ana J. Lovell

Senior Executive Officer

Finance & Administration - MSC

7/31/13

ON BEHALF OF THE FEDERAL GOVERNMENT:

DEPARTMENT OF HEALTH AND HUMAN SERVICES

[Signature]

Arif Karim

Director, Division of Cost Allocation

7/29/2013

[Signature]

Matthew Dito

TelephoneNumber: (214) 767-3261
Memorandum

Date: May 19, 2014

To: HSC Principal Investigators, Chairs, Deans, Directors and Department Administrators

From: Richard S. Larson, MD, PhD
Executive Vice Chancellor, UNM HSC
Vice Chancellor for Research, UNM HSC
Ava Lovell, CPA
HSC Senior Executive Officer for Finance & Administration, UNM HSC

Re: HSC Fringe Benefit Rates on Proposals – FY 2015

The fringe benefit rates and methodologies provided in this memo are to be used on new contract and grant proposal budgets with a begin date on or after of July 1, 2014. These rates replace the prior year rates. Principal investigators may either use prior year actuals (Method 1) or estimated rates (Method 2). To be in compliance with OMB Circular A-21, Cost Accounting Standards, whichever method is used, it must be used consistently throughout the entire proposal. Since we are responsible for the actual costs incurred, the budgeted amounts should reflect as close as possible what actual expenses will be. In the event that the budgeted amount does not cover the actual costs incurred, it will be necessary to re-budget during the period of the contract/grant to pay for actual fringe benefit costs.

Method 1(Actuals):

Estimate cost by person based on past experience (actuals). UNM MyReports Report FNRSRSLBE – Salary Labor Benefits and Encumbrance Report showing fringe benefit rates as a percent of salary must be included as supplementary documentation when the proposal is sent to HSC PreAward. A schedule of all personnel on the grant and their respective fringe rates is to be included in each proposal. Fringe benefits are to be increased by 1.3% per year.

FY15 Example
28.6% FY 14 actual full-time faculty fringe rate is projected at 29.0% for FY 15 and calculated as follows:

.286 * 1.013 = .2897 or 29.0%.
Method 2 (Estimates):

The fringe benefit rates below assume: (a) a 5% group insurance rate increase each year, FY 16 – FY 19, for eligible employees; (b) statutorily required Educational Retirement changes for FY 15 and (c) a .25% Voluntary Employee Benefits Association (VEBA) contribution increase in FY16 for eligible employees.

<table>
<thead>
<tr>
<th>Faculty</th>
<th>FY 15</th>
<th>FY 16</th>
<th>FY 17</th>
<th>FY 18</th>
<th>FY 19*</th>
</tr>
</thead>
<tbody>
<tr>
<td>.50 FTE and above</td>
<td>29.0%</td>
<td>29.3%</td>
<td>29.5%</td>
<td>29.7%</td>
<td>29.9%</td>
</tr>
<tr>
<td>Staff</td>
<td>35.0%</td>
<td>35.6%</td>
<td>36.1%</td>
<td>36.6%</td>
<td>37.2%</td>
</tr>
<tr>
<td>Part-time Faculty and Staff, .25 - .49 FTE</td>
<td>22.0%</td>
<td>22.0%</td>
<td>22.0%</td>
<td>22.0%</td>
<td>22.0%</td>
</tr>
<tr>
<td>Part-time Faculty and Staff, less than .25 FTE</td>
<td>8.1%</td>
<td>8.1%</td>
<td>8.1%</td>
<td>8.1%</td>
<td>8.1%</td>
</tr>
<tr>
<td>Summer salary only</td>
<td>22.0%</td>
<td>22.0%</td>
<td>22.0%</td>
<td>22.0%</td>
<td>22.0%</td>
</tr>
<tr>
<td>Postdoctoral Fellows</td>
<td>25.8%</td>
<td>26.3%</td>
<td>26.8%</td>
<td>27.3%</td>
<td>27.9%</td>
</tr>
<tr>
<td>Housestaff</td>
<td>Obtain rates from the GME Office</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Undergraduate Students</td>
<td>1.0%</td>
<td>1.0%</td>
<td>1.0%</td>
<td>1.0%</td>
<td>1.0%</td>
</tr>
<tr>
<td>Graduate Students</td>
<td>1.0% + Insurance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Temporary Employees (if total work &gt; 520 hours)</td>
<td>22.0%</td>
<td>22.0%</td>
<td>22.0%</td>
<td>22.0%</td>
<td>22.0%</td>
</tr>
</tbody>
</table>

*Tuition for Research Assistants should be a separate line item.

*Proposals exceeding FY19 will continue to use FY19 rates.

Note on Insurance:

For Research Assistants (RA) and Project Assistants (PA) working >.25 FTE and <.75FTE, health insurance should be budgeted as follows for either method (student insurance projected to increase 10% per year):

<table>
<thead>
<tr>
<th></th>
<th>FY15</th>
<th>FY16</th>
<th>FY17</th>
<th>FY18</th>
<th>FY19</th>
</tr>
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<tbody>
<tr>
<td>Fall</td>
<td>$608</td>
<td>$669</td>
<td>$736</td>
<td>$809</td>
<td>$890</td>
</tr>
<tr>
<td>Spring/Summer</td>
<td>$851</td>
<td>$936</td>
<td>$1,030</td>
<td>$1,133</td>
<td>$1,246</td>
</tr>
<tr>
<td>Summer Only</td>
<td>$327</td>
<td>$360</td>
<td>$396</td>
<td>$435</td>
<td>$479</td>
</tr>
</tbody>
</table>

For Research Assistants (RA) and Project Assistants (PA) working ≥ .75FTE, health insurance should be budgeted as follows for either method (employee insurance projected to increase 5% per year):

<table>
<thead>
<tr>
<th></th>
<th>FY15</th>
<th>FY16</th>
<th>FY17</th>
<th>FY18</th>
<th>FY19</th>
</tr>
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<tr>
<td>Fall</td>
<td>$1,710</td>
<td>$1,795</td>
<td>$1,885</td>
<td>$1,980</td>
<td>$2,079</td>
</tr>
<tr>
<td>Spring/Summer</td>
<td>$2,360</td>
<td>$2,478</td>
<td>$2,602</td>
<td>$2,732</td>
<td>$2,869</td>
</tr>
</tbody>
</table>
October 10, 2013

Dear Principal Investigator

Subject: Effort Guidance When Requesting a No Cost Extension

When requesting a no cost extension (NCE) it is assumed unless otherwise stated there will be no decrease to your or other key personnel’s proposed or approved effort on the project.

For most sponsors if the PI / key personnel’s effort (specifically named in the notice of award) will decrease by 25% or more, the change will require approval by the Grants Management Officer/Contracting Officer (not the Program Officer).

To verify if effort changes will require the sponsor’s approval, the following formula should be used:

- Originally proposed effort – new effort) / proposed effort = rate of change
  (20% - 14%) / 20% = 30% (greater than 25% = must request approval)
  (20% - 18%) / 20% = 10% (less than 25% no notification/approval needed)

If the NCE will result in decreased effort requiring sponsor’s approval, a sample letter may be found at http://hsc.unm.edu/financialservices/preaward/forms.shtml “Change in Percent Effort Request Sample.”

Please note that if PI / key personnel’s effort is not officially decreased, and resultant effort certifications are not matching, it will be assumed that the difference will be supplemented as Cost Share from departmental unrestricted funds and an index number from your Chair/Accountant will be necessary.

Please also note that for most active projects there must be at least 1% of the PI’s effort to show appropriate oversight. See “Minimum PI Effort on Awards” at http://hsc.unm.edu/financialservices/preaward/HSC_policy_memos.shtml
This may also be supplemented as Cost Share.

Please ensure there will be adequate funds to cover labor, fringe, supplies and F&A for the no cost extension period.

Sincerely,

Rena Vinyard
Director, Sponsored Projects
Financial Services/PreAward