Budget Development

Definition of “Budget”: a detailed statement outlining estimated project costs to support the sponsored project. A budget should include all the Direct Costs and Facilities and Administrative (F&A) (or overhead) costs required to carry out the project objectives. Specific requirements, including cost principles as defined by the federal government in the Office of Management & Budget (OMB) Circular A-21, must be adhered to at the proposal stage and when the funds are expended. Proposals to non-federal sponsors requesting approval of direct costs which are unallowable for federal reimbursement should clearly include and justify those costs in the budget.

- **Direct Costs** – Expenses that are specifically associated with a particular sponsored project or activity and/or can be directly assigned to that project or activity with a high degree of accuracy for example graduate student stipend and tuition.
Facilities & Administrative (F&A) Costs

F&A costs are University expenses that cannot be specifically identified with a particular project or activity. Also known as “indirect costs” or “overhead,” these costs are for administration, buildings, utilities, and other expenses necessary for operations of the University.

- Sometimes called “indirect costs” or “overhead,” these are the costs of administration, buildings, utilities, and the many other expenses necessary for the research operation of the university.
- One example of an F&A cost is utilities because they benefit many activities in a building.
- Because individual F&A costs cannot be assigned to projects, the university calculates a rate to determine the fair share of F&A costs each project should be charged and negotiates this rate with the government. The rate is then applied to all sponsored research projects—including federal and non-federal sponsors.
- F&A costs are applied on a modified total direct cost (MTDC) base. The non-F&A-bearing costs in the budget must be identified so that project F&A can be accurately calculated.
- The MTDC base excludes the following cost components:
  - Tuition
  - Capital expenditures
  - Equipment
  - Subcontracts in excess of $25,000
- UAH negotiates its F&A rate with the Department of Health and Human Services (DHHS), its cognizant federal audit agency

UAH normally does not waive or reduce the F&A costs of any sponsored research project.

UAH's current F&A Rate Agreement with DHHS is available at this link.