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A Note Concerning Budgeting

Salaries and Benefits of Grant-funded Personnel

One of the critical elements of any research grant proposal is the budget. To construct the budget, the PI first determines how he or she will organize and manage project activities to achieve the proposed goals, and then estimates the direct costs of these activities. These direct costs are collected into budget categories (e.g., personnel salaries and fringe benefits, supplies, travel, equipment, contractual services, communications) and summed, the university's approved F&A cost recovery rate is applied¹, and the total cost of the project is determined. If the grant proposal is selected for funding, then the budget becomes the financial blueprint for carrying out the proposed activities. Consequently, the PI must ensure that the budget is complete and accurate; that is, it must include all of the anticipated costs and those costs must be based upon best available price information for each component. Projects that will be conducted over several years require that the PI estimate for each budget component not only the current year costs, but also the projected costs for each subsequent year. The purpose of this note is to clarify the UMass Boston procedures concerning current and multi-year budgeting for one category of direct costs that often creates confusion for the PI; namely, the salary and benefits costs of grant-funded personnel.

The PI must first identify all the personnel who will participate in project activities and be paid by the sponsor, in whole or in part, during the life of the project. This list will include senior personnel (i.e., PI and Co-PIs), research associates (i.e., postgraduate researchers), project assistants (i.e., technical staff), graduate research assistants, and undergraduate students. The PI then determines the percentage of time that each individual will spend on the project as well as the type of appointment under which each individual was hired (i.e., calendar year, academic year, summer). To determine the personnel costs to be included in the budget, the relevant federal regulations² must be applied. In particular, the personnel costs:

- Must be for **actual work performed** on the sponsored program from which the funds are paid and must be paid for work performed **during the project period** stipulated in the proposal;
- Must be based on the individual's **institutional base salary (IBS)**, which constitutes the individual's regular compensation for the continuous project period;

¹ See *A Note Concerning the Recovery of Facilities and Administrative Costs of Sponsored Programs* available from the OVPR Web site.

² Section J.10.d. of the U.S. Office of Management and Budget Circular A-21: *Cost Principles for Educational Institutions*.

- Must not exceed the **proportionate share** of the IBS for the actual work performed during the project period; and
- Must be **verifiable** from the financial accounting system of the institution.

UMass policy defines an individual's IBS, in accordance with federal regulations, as follows:

The total base compensation an individual receives annually from a UMass campus, whether the individual's time is spent on research, teaching, or other activities. IBS includes: compensation for instruction, public service, research, and other activities. IBS excludes: fringe benefit payments; reimbursed expenses; temporary, supplemental compensation for incidental work; income earned outside of duties to the institution; and any portion of compensation deemed to be at-risk.

ORSP staff members are required to check all IBS values in proposal budgets against PeopleSoft data and to make corrections as necessary. The percentage of effort for each individual is multiplied by his or her IBS to determine the cost of his or her participation on the project for the project period, and this cost is entered on the salaries and wages line of the budget worksheet³. For example, if a researcher who has a nine-month faculty appointment and an IBS of \$100,000 will spend 25% of her time on the project during the academic year, then the cost to the sponsor to be included in the budget is \$25,000. To determine the associated benefits, the salary cost is multiplied by an appropriate rate⁴ and that cost is entered on the corresponding benefit line of the budget worksheet.

When calculating salaries to be included in budgets for future fiscal years of multi-year grant proposals, the PI should include an annual percentage salary increment for each individual, which is currently set at 3% to coincide with federal guidelines. It is important to note that this is only a projected salary figure for budget development purposes. The salary of all grant-funded employees is determined annually in accordance with UMass policies and procedures for the particular category of employee. The budget narrative should explain the types of anticipated salary increases, the rate of increase, and the period to which the increases apply.

If the position description for a grant-funded employee has been reviewed by HR and if HR has indicated that a new grade and salary has been approved, then the new salary can be used in a proposal budget for the appropriate period even if it has not yet been loaded into the PeopleSoft accounting system. ORSP will need a statement in writing from HR for the file in the case of an audit. If for some reason the new salary is not implemented but the award is accepted and set up with the anticipated salary, or if the sponsored program ends before the new salary is implemented, then the PI will need to rebudget and may need to return money to the sponsor.

If the employee is listed in the proposal budget as "To Be Hired," then the salary to be used in the salary and benefits calculation will be the midpoint of the hiring range for the position. The professional staff of

³ The budget worksheet is typically provided by the sponsor as part of the Request for Applications (RFA) of the Request for Proposals (RFP). Budget templates are also available from ORSP. The professional staff of ORSP can assist the PI to locate and use the appropriate budget worksheet.

⁴ Fringe benefit costs are determined annually for all Massachusetts employees and the state controller notifies the university of the approved rate. ORSP publishes this rate, as well as required payroll-related charges, on its Web pages and provides worksheets to assist the PI to calculate and enter the fringe benefit costs.

ORSP will assist the PI to obtain a position classification from HR, which determines the salary range for the position. If the proposal is funded and the actual costs of salary and benefits for the individual who is hired exceed the budgeted amounts, then the PI will need to cover the overage by moving grant funds from another budget line to the salary line. Such changes should be made in consultation with the funder and the ORSP professional staff.

Any questions concerning budgeting salaries and benefits of grant-funded personnel should be directed to the professional staff of ORSP.

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