The purpose of this document is to establish guidelines necessary to comply with the Office of Management and Budget’s (OMB) Circular A-21 on Cost Principles for Educational Institutions and with the Cost Accounting Standards included in the circular. These regulations define which costs are allowable, for reimbursement purposes, on Federally funded grants, contracts, and other agreements (collectively referred to as restricted funds or sponsored agreements). These guidelines are applicable to all sponsored agreements of NMIMT.

This document is continually being updated; we would appreciate any information and/or insight that would help us develop stronger policies for NMIMT’s research community.
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1. Introduction

The purpose of this document is to establish guidelines necessary to comply with the Office of Management and Budget’s (OMB) Circular A-21 on Cost Principles for Educational Institutions and with the Cost Accounting Standards included in the circular. These regulations define which costs are allowable, for reimbursement purposes, on federally funded grants, contracts, and other agreements (collectively referred to as restricted funds or sponsored agreements). These guidelines are applicable to all sponsored agreements of NMIMT.

Cost Accounting Standard 9905.502 and OMB Circular A-21 require that "All costs incurred for the same purpose, in like circumstances," must be treated consistently as either direct costs (DC) or as indirect costs (IDC or F&A) (Section C.11.a.). Accounting for expenditures in a consistent manner ensures that the same types of costs are not charged to sponsored agreements both as direct and F&A; thus, the sponsor is not paying twice for the same type of costs in like circumstances.

OMB Circular A-21 Section J. General Provisions for Selected Items of Cost states that "In case of a discrepancy between the provisions of a specific sponsored agreement and the provisions [discussed under Section J.], the agreement should govern" (emphasis added).

New Mexico Tech requires that a proposal routing sheet be attached to the final technical and cost proposal and routed for approval prior to its submission to the prospective funding agency. The proposal routing sheet is an internal document but may also be submitted to the funding agency if requested. The proposal routing sheet can be found on the NMT Research & Economic web page under "General Research Forms."

A budget narrative or justification should be prepared to explain how the budgeted costs relate to the project. The narrative should provide sufficient detail to allow the sponsor to determine whether the proposed costs are reasonable and appropriate. Key elements to include in the narrative are:

- A detailed justification of the expense or service
- How the expense relates to and benefits the project
- The anticipated cost
- The time period in which it will be utilized
- Other information that will aid the sponsor in evaluating the proposed item
This document begins with definitions and then discusses the application of direct costs and indirect costs to sponsored agreements with New Mexico Tech.

The following document is not meant to be an all-inclusive list of costs one would normally direct charge to an agreement. Rather, it is offered as a guideline to be used when pricing and charging sponsored agreements at New Mexico Tech. Note that cost proposals represent best guesses. Research by definition implies that unknown factors will arise and costs will be incurred that were not originally proposed. In those situations, the PI should consult with his/her contract administrator and determine if a formal budget revision is required by the funding agency.
II. Definitions

A. Direct Costs

OMB Circular A-21 states that "Direct costs are those costs that can be identified specifically with a particular sponsored project, an instructional activity, or any other institutional activity or that can be directly assigned to such activities relatively easily and with a high degree of accuracy" (Section D.1).

Section D.2 states that "Identification with the sponsored work rather than the nature of the goods and services involved is the determining factor in distinguishing direct from F&A [indirect] costs of sponsored agreements."

Therefore, a cost is considered direct when a specific grant or contract gains explicit benefit from the cost for a specific programmatic purpose.

OMB Circular A-21 provides two methods for allocating an allowable direct cost to two or more grants. First, "If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost should be allocated to the projects based on the proportional benefit." Second, "If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then . . . the costs may be allocated or transferred to benefited projects on any reasonable basis. . . ." (Section C.4.d.3).

B. Indirect Costs (referred to as F&A costs)

OMB Circular A-21 states that "F&A costs are those that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a sponsored agreement, an instructional activity, or any other institutional activity" (Section E.1). Indirect costs are infrastructure costs of NMIMT that support all programs of the university, e.g., instruction, research, and other sponsored programs.

Educational institutions classify such costs under the following indirect categories: depreciation and use allowances, general administration and general expenses, sponsored projects administration, operation and maintenance expenses, library expenses, departmental administration expenses, and student administration and services.

C. Major Project or Activity

As defined in OMB Circular A-21, a major project or activity is one "that requires an extensive amount of administrative or clerical support, which is significantly greater than the routine level of such services provided by academic departments" (Section F.6.b.2). Major projects and activities are those that are administratively intensive and not necessarily defined by the amount of funding.
Costs incurred in order to satisfy explicit programmatic requirements of the sponsored project should be charged directly to the agreement if they can be specifically identified to and benefit the project, are included and justified in the budget, and are not specifically disapproved by the sponsor.

**A. Salaries and Wages**

The salaries and wages section of the agreement should include a list of names and titles of personnel with an estimate of the number of months and percentage of time each will devote to the sponsored activity, the salary rate, and the total amount of salaries to be paid to each from the sponsored agreement.

**NOTE:** NMIMT does not, as a rule, allow non-NMIMT individuals to serve as Principal Investigator (PI) or Co-Principal Investigator (Co-PI) on a project. However, if the individual is at Tech with an appointment of some sort, such as a visiting faculty, then it is permissible to allow visiting professors to serve as Co-PI on research projects provided there is a full time NMIMT faculty serving as PI or Co-PI on the project. Exceptions to this rule shall be made with Vice Presidential approval.

Proposed salaries can be verified through the Payroll Office, EMRTC labor rate schedule, Graduate Office, or through the list of faculty salaries developed by Academic Affairs. If you are proposing graduate student support, refer to NMIMT’s stipend guidelines for the appropriate provision.

Note the following disclaimer should appear on proposals when hours are proposed by a group and/or individuals not subject to time cards: "*Hours proposed are for estimation purposes only. NMIMT maintains level of effort records in compliance with federal requirements as approved by NMIMT’s federal audit agency.*" In addition, it is best to fully disclose the fact that New Mexico Tech is subject to costing principles in OMB Circular A-21, and as such we are allowed to implement a methodology referred to as "*After-the-fact Activity Records*" (Section J.10.c.2), meaning agreements are charged according to effort performed and substantiated on biannual personnel activity reports.

Provisions for anticipated salary increases should be included in the budget if the program spans more than one year. Annual salary increases are set by the Legislature of the State of New Mexico.
Students are classified as non-exempt employees and as such are subject to the Fair Labor Standards Act. Refer to the Department of State Labor Fact Sheet #22 which states, “... Work not requested but suffered or permitted to be performed is work time that must be paid for by the employer...”. Consequently, hours worked are compensable.

A full time student employment contract is defined as working up to 40 hours per two-week pay period. Students may not work more than 40 hours per two-week pay period while classes are in session. During semester breaks, they may work up to 40 hours per week if authorized by the employing department and the Financial Aid Office. For contract/grant purposes, the PI must obtain prior permission from the Business Office to propose hours for a student that are different from regular working hours defined in the employee handbook as Monday–Friday 8:00 AM to 5:00 PM.

Federal work-study wages should not be charged to a federal agreement because the match must come from non-federal sources (OMB A-110, Subpart C.23). NMIMT work-study may be used if a student qualifies as a recipient.

a. **Criteria for Charging Administrative Expenses Directly to a Sponsored Project**

According to OMB Circular A-21, "The salaries of administrative and clerical staff should normally be treated as F&A costs" (Section F.6.b.(2)). However, "Direct charging of these costs may be appropriate where a major project or activity explicitly budgets for administrative or clerical services and individuals involved can be specifically identified with the project or activity. 'Major project' is defined as a project that requires an extensive amount of administrative or clerical support, which is significantly greater than the routine level of such services provided by academic departments" (Section F.6.b.(2)). OMB Circular A-21 Exhibit C lists examples of when it is appropriate to direct charge administrative or clerical staff salaries. The list includes individual projects requiring project specific database management, individualized graphics, or manuscript preparation.
When the following criteria are met, administrative-type expenses may be charged directly to major federal-sponsored projects:

- The administrative expense is for the performance of one or more of the activities or projects listed in the examples of major projects under OMB Circular A-21, Exhibit C. In order for the administrative activity(ies) to qualify for direct charging to federal-sponsored projects, they must be significantly greater than the routine level of such services provided by academic departments.
- The administrative expenses can be specifically identified with a particular sponsored project or activity or can be directly assigned to the project or activity relatively easily with a high degree of accuracy, and they provide direct benefit to the project.
- The administrative expenses are explicitly listed in the approved proposed budget and are not specifically disapproved in the award notice. When such costs are explicitly listed and justified in the sponsor-accepted budget, grant/contract administrators, auditors, and sponsoring agencies can easily understand the nature of the costs and their allowance under the regulations.
- The budget includes explicit justifications. The primary purpose of a justification is to provide support for the funds requested to ensure adequate funding. The following are key elements that are to be included in budget justifications:
  - Project-specific details to highlight the activities that make the project administratively intensive and thus a major project
  - How expense relates to and benefits the project
  - The anticipated cost
  - The time period in which it will be utilized
  - Any other information that will aid the sponsor in evaluating and funding the proposed item of cost

b. **Earned Value Management Reporting Requirements**

Include a provision for a project cost accountant when the earned value management (EVM) report is a condition of an award agreement. If possible, negotiate this type of reporting requirement out of an award.
EVMs are administratively intensive because in essence Tech is being asked to provide/track cost accounting information from a fund accounting system. The requirement is normally stated in the request for proposal or could be included as a condition of the award. If the requirement wasn’t included in the solicitation and the resulting cost proposal but is a condition of award, then this constitutes an out-of-scope change and negotiations should include a request for additional funding to cover personnel to address a very unique reporting requirement.

**B. Extra Compensation**

Federal rules and regulations, including *OMB Circular A-21* and the National Institutes of Health (NIH) *Grants Policy Statement*, do not allow for an individual’s institutional base salary to be increased as a result of obtaining grant funding. These federal rules and regulations also restrict the payment of overload, bonus, or other payments outside the individual’s institutional base salary. Research, public service, and instruction are all considered part of a faculty member’s regular duties. Further, faculty and exempt staff employees are salaried employees and not subject to the *Fair Labor Standards Act*; therefore, exempt employees are expected to work as many hours as necessary to accomplish their job functions. This means that requests for supplemental compensation should be rare. The following *OMB Circular A-21* principles must be applied when salary is to be paid from a sponsored project.* Refer to the University’s general policy regarding the allowance of supplemental compensation.

Charges for work performed on sponsored agreements by faculty members must be based on the individual faculty member’s regular compensation during the period of performance. Charges must be made at the allowable **base** rate; the faculty member cannot receive additional compensation for his or her participation in a sponsored project over and above the appropriate portion of the **base salary** allocated to the project.
The only exception to allow for compensation above the base salary during the academic year is a very specific exception for consultation across departmental lines. The general rules for faculty compensation during the academic year and the specific requirement for the exception to those rules are found in *OMB Circular A-21*, Section J.10.d. and are as follows (emphasis added):

Salary rates for faculty members.

(1) Salary rates for academic year. Charges for work performed on sponsored agreements by faculty members during the academic year will be based on the individual faculty member’s regular compensation for the continuous period which, under the policy of the institution concerned, constitutes the basis of his salary. Charges for work performed on sponsored agreements during all or any portion of such period are allowable at the base salary rate. In no event will charges to sponsored agreements, irrespective of the basis of computation, exceed the proportionate share of the base salary for that period. This principle applies to all members of the faculty at an institution. Since intra-university consulting is assumed to be undertaken as a university obligation requiring no compensation in addition to full-time base salary, the principle also applies to faculty members who function as consultants or otherwise contribute to a sponsored agreement conducted by another faculty member of the same institution. However, in unusual cases where consultation is across departmental lines or involves a separate or remote operation, and the work performed by the consultant is in addition to his regular departmental load, any charges for such work representing extra compensation above the base salary are allowable provided that such consulting arrangements are specifically provided for in the agreement or approved in writing by the sponsoring agency.

* These rules are not applicable to summer salary for nine-month faculty. See *OMB Circular A-21*: “Charges for work performed by faculty members on sponsored agreements during the summer months or other periods not included in the base salary period will be determined for each faculty member at a rate not in excess of the base salary divided by the period to which the base salary relates” (Section J.10.d(2)(a)). Therefore, summer salary for nine-month faculty may be charged at 3/9 to federal funding sources (note the exception of the National Science Foundation (NSF) which allows only 2/9). Refer to University Policy regarding additional faculty compensation.

C. Fringe Benefits

Fringe benefits for NMIMT employees include FICA, participating insurance (medical, life, dental, and accidental death), retirement benefits, unemployment compensation, and workman’s compensation.
Actual fringe benefits vary with salary level and elected employee benefit options; therefore, it is not possible to accurately calculate the fringe benefit rate in advance for personnel to be employed. Fringe benefit rates used for proposal purposes represent an average at a given point in time and are considered sufficient for estimation purposes. For reimbursement purposes, actual fringe benefits are identified and charged to the benefiting account(s).

Accounting for accrued leave, such as annual leave, sick leave, and holiday pay, is currently on a cash basis for the main campus; various research centers, such as EMRTC, PRRC, etc. are on an accrual basis. This is reflected in the rate structure of each group.

Rates are calculated on a periodic basis and are based on a review of current state and federal regulations outside the institute’s control. Please refer to the Fringe Benefits document for current rates.

D. Supplies and Expenses

Supplies and expenses include chemicals, reference materials, lab fuels, computer software, lab supplies, field supplies, expendable equipment, toner cartridges, diskettes, tapes for tape drive backup (if the sponsored agreement involves extensive data accumulation and analysis), sample analysis, copying (e.g., reference materials or copies required for distribution of technical manuscripts), and postage charges necessary to communicate research results to the sponsor, colleagues, and collaborators.

In regard to office supplies, sponsors assume that NMIMT will provide some base level of support for the routine tasks associated with sponsored agreements. However, if normal administrative costs (e.g., office supplies, postage, local telephone costs, etc.) are planned and consumed during the performance of a project’s technical scope of work, then they would be appropriately charged as direct costs to that project. In order to avoid any confusion, provision for these items should be included in the budget along with justification for the special circumstances that require the direct charging of these types of expenses.
E. Communication Costs

Communication costs such as cell phones, pagers, internet access, local calls, telephone equipment purchases and/or installation and repairs, and data communications are considered routine and normal business costs and as such should be recovered through the F&A process. This treatment of such costs allows for consistent recovery through the F&A rate mechanism and allows Tech to satisfy federal requirements that costs incurred for the same purpose in like circumstances are treated consistently as either a direct or an F&A cost.

Long distance calls incurred through the ISD telecommunications system are allowable direct charges provided the calls can be directly assigned to a specific project and properly supported.

Consistent with University policy, employees may receive, in the case of cell phone usage, a mobile telephone allowance for the business portion of a personal cell or personal digital assistant device. The allowance can be charged to departmental FUND (where approved by the department’s chair), University discretionary FUND or the PI’s discretionary FUND.

The direct charging of communication costs to a sponsored agreement can only occur under exceptional circumstances. For example, network charges where a dedicated line is required for large data transmissions. Or in cases of a cell phone allowance, direct charging may be justifiable when the expense is related specifically to the technical substance of a project or there is an unusually high level of expense because of the nature of the activity. However, to be allowable (for agency reimbursement purposes) communication costs must have been specifically budgeted and included in the project proposal approved by the awarding agency.

F. Travel

Travel provision must conform to both agency regulations and university policies. Include only travel that is directly related/beneficial to the research and not travel to explore future funding opportunities. Travel costs include transportation to the destination, lodging and expenses for meals, local transportation, mileage, etc.

Describe the relationship of the travel to the project and provide details such as method of transportation, destination(s), mileage, airfare, number of trips to each destination, name of conference(s), if known, and number of individuals traveling on the project. Sufficient detail allows the sponsor to determine whether the proposed costs are reasonable and appropriate.

If allowed by the granting agency and your proposed and approved budget, Tech will allow you to base your request for reimbursement (lodging, meals, incidentals and mileage) on the Federal per diem and mileage rates. Otherwise, costs are reimbursed in accordance with NMIMT’s travel policy.
Note travel incurred in connection to a research project cannot be charged to the project unless one of the three conditions has been satisfied: 1) project personnel’s effort is also being charged directly to the research project or 2) project personnel’s effort is being paid thru an official cost share arrangement on the award or for faculty or staff, voluntary uncommitted cost share is recorded 3) the PI has proposed and the funding agency accepted participant support costs. Participants cannot be employed on the project. NMIMT employees are not participants. Refer to Item #S Participant Support Costs for a complete discussion.

In order to distinguish travel for project personnel employed on the project versus participant/trainee travel costs a provision for each type should be included in the cost proposal and the benefit to the project outlined in the budget narrative or justification. Suggested statements

$xxx is allocated for travel to the field, meetings etc for project personnel.

$xxx is allocated for participant/trainee costs from NMIMT and/or other institutions to meet the demands of the project.

**G. Equipment**

*OMB Circular A-21* defines equipment as any article of permanent, "tangible property having a useful life of more than" two years and having an acquisition cost of more than $5,000 (the threshold changes periodically; check with the Property Office for changes) (Section J. 18. (2)).

Proposed equipment costs should be as specific as possible, i.e., should include the type, model number, and manufacturer. If equipment needs are not definite, probable choices may be listed with an estimation of costs.

Special purpose equipment—meaning equipment that is "used only for research, . . . scientific, or other technical activities" (Section J. 18. (3))—is not the same as general purpose equipment, "which is not limited only to research, . . . scientific, or other technical activities. Examples include office equipment and furnishings, . . . air conditioning equipment, . . . motor vehicles" and automatic data processing equipment "(Section J. 18. (2)). *OMB Circular A-21* Section J. 18. includes a complete listing of equipment.

Special purpose equipment purchases are always allowable as direct charges with the approval of the sponsoring agency. General purpose equipment purchases, however, are not allowable unless approved in advance by the sponsoring agency.

Computers (inventoriable and non-inventoriable) used to accomplish the technical scope, may be charged directly to sponsored awards provided they can be specifically identified to and benefit the project, are included and justified in the budget, and are not specifically disapproved by the sponsor. Computers (inventoriable and non-inventoriable) used for administrative work would need to meet the tests of allowability to be directly charged to a sponsored award.
Do not use federal funds to upgrade or modify equipment purchased with state funds because there could be a conflict over title upon completion of the project. In addition, do not use multiple funding sources for equipment purchases in order to avoid potential title conflicts. Check with the financial administrator of your account(s) to determine if a conflict will arise.

Finally, if you are anticipating a federal cost reimbursement contract and wish for NMIMT to retain title to the equipment after completion of the award, specifically request retention under FAR 52-245-1 Alt II. Prior approval must be requested and granted before acquisition of property in order for it to be retained.

H. Fabricated Equipment Costs

OMB Circular A-21 excludes capital items and capital components from the overhead (OH) calculation. In order to facilitate the review/approval of the cost proposal, the principal investigator (PI) may segregate these types of expenditures into a separate column within the budget worksheet. Keep in mind that the equipment components are exempt from the overhead rate in accordance with OMB Circular A-21 and should be charged to Banner account code 730107 (Equipment Fabrication/legacy object code 69Y) when the sole purpose of the contractual agreement is to fabricate and deliver an item. For other agreements where fabrication costs are incurred but the sole purpose of the agreement is not the delivery of an item, costs should be charged to Banner account code 730106 (Equipment Const. Comps./legacy object code 710) for capital components. Note that both of these codes are OH exempt. Upon award, a separate task may be established in order to segregate and capture these costs for identification purposes.

Finally, upon completing the equipment fabrication, the PI must notify the Property office in order for Property to tag the unit for tracking and reporting requirements—unless the item is to be immediately delivered to the funding agency, in which case there are no tracking/reporting requirements (Banner account code 730107/legacy object code "69Y").

I. Building Construction Costs

Periodically, NMIMT receives funds from an agency to construct a building for a particular project or program. If work is to be performed by an outside vendor, then the appropriate Banner account code is 730202 (legacy object code 751) for building construction costs, account code 730204 (legacy object code 752) for built-in equipment, and account codes 30106/730101 (legacy codes 710/720) for movable equipment. Infrastructure expenses, such as utility lines, etc., should be charged to Banner account code 730206 (legacy code 754). These codes are reserved for capital items and are overhead exempt.

In situations whereby Tech employees are performing the building construction, labor costs should have regular payroll object codes and the costs should be burdened accordingly. Built-in equipment should be charged to code 730204 (legacy 752) and movable equipment charged to code 730106 or 730101 (legacy object codes 710 or 720). Infrastructure expenses, such as utility lines, etc., should be charged to account code 730206 (legacy code 754).
J. Subrecipients and Consultants

Working independently, the subrecipient (also referred to as subcontractor) performs a portion of the work scope of the project and acts as the PI in directing this portion of the project. The work under the subcontract is done at a location other than the awarding institution. Normally a deliverable is required. The subcontractor typically owns any intellectual property created on its portion of the project. Refer to NMIMT’s Subrecipient Policy for guidelines. A subcontract instrument is issued and indirect cost rate is applied on the first $25,000 (regardless of the period covered by the subcontract).

Banner account codes for subcontractors are 710412–710421. The PI should assign a unique account code for each unique subcontract within a grant regardless of the Fund in order for the system to automatically calculate F&A on the first $25,000 of each subagreement.

A consultant provides needed expertise but does not independently pursue a line of inquiry on the project. A consultant works under the direction of the PI, and the consultant’s work may take place at the awarding institution. A professional services agreement (PSA) is issued through the purchasing system, and overhead is applied on the entire amount of the award. The consultant has no intellectual property rights.

The PI should request a signed proposal for the proposed work from any potential subrecipient(s). Each proposal should include the following: the proposed approach for completing the requirement, the level of effort, a budget, a definition of time commitments, deliverables, and technical information.

If it is necessary to consider a sole source, the PI should provide a justification in the budget that will be presented to the prospective funding agency for approval. Otherwise, the PI must solicit bids from several organizations.

Prior written approval from the funding agency may be required before issuing a subcontract.

To determine a subrecipient relationship, institutions often use the following guideline:

"Whether an individual at the subrecipient entity could be the co-author of scientific manuscripts that describe the research results or whether the subrecipient entity has the right to file for intellectual property protection of inventions or software“ (NACUBO 12/2001).

K. Student Aid

According to OMB Circular A-21, "Costs of scholarships, fellowships, and other programs of student aid are allowable only when the purpose of the sponsored agreement is to provide training to selected participants and the charge is approved by the sponsoring agency" (Section J.45). To receive payment, a Domestic Educational Assistance Funds (DEAF) form must be completed, signed by the Federal Compliance Officer, and forwarded to Student Accounts Receivable.
L. Meetings and Conferences

OMB Circular A-21 states that "Costs of meetings and conferences, when the primary purpose is the dissemination of technical information, are allowable. This includes costs of meals, transportation, rental of facilities, speakers’ fees, and other items incidental to such meetings or conferences” (Section J.32). However, in order to substantiate the allowance of the cost, the PI must attest to the purpose of the meeting through the use of the Professional Activity Cost Form. Note that these expenses are different from entertainment-type expenses and consequently require the completion of a different form.

M. Rental Costs

The rental costs of off-campus space is exempt from overhead calculation in accordance with OMB A-21, Section G.2, F&A distribution basis.

N. Facility Support

Facility support rate charges are unique to EMRTC and represent the recovery mechanism for EMRTC’s testing range. The rate is audited by the Defense Contract Auditing Agency (DCAA) and negotiated with the Office of Naval Research (ONR) on an annual basis. It is calculated in the following manner: the negotiated rate is multiplied by the modified total direct costs (MTDC) of the project. Overhead is then applied to both the facility support cost and MTDC.

O. Work Visas

NMIMT established guidelines whereby each respective university division or department that needs to petition the Immigration and Naturalization Service (INS) through the Human Resources Office in order to hire eligible foreign national employees will be solely responsible for the costs incurred.

Contractual funds can be used to pay for visa application services if the prospective immigrant hire is needed specifically to fulfill a contractual role and meets the criteria outlined in the following paragraph. Otherwise, special funding for paying for visa application services may be obtained from other sources, provided the requesting department properly justifies its request and obtains permission from the President.

In order to charge visa application services directly to a benefiting sponsored agreement, the following criteria must be satisfied: the individual must be hired solely for the benefit of a particular sponsored agreement; full disclosure must be made in the cost proposal via a provision for the expenditure, along with a written justification; and the funding agency must not take exception to the expenditure in any manner.
**P. Cross-Campus Consulting**

Periodically, a university division or department needs to collaborate with a separate department and/or research center, and two different rate structures for the groups are involved. For example, EMRTC may request the services of the Metallurgy Department. In this case, Metallurgy should prepare a cost proposal that reflects the rate structure for the academic group. EMRTC would then include a provision for Metallurgy’s effort in their cost proposal to the agency.

Upon award, two separate accounts should be established, one for EMRTC’s effort and one for Metallurgy’s effort; each account reflects the appropriate rate structure for each group. The accounts should then be invoiced together if they are under the same contract/purchase order.

**Q. Fixed Fee**

Fixed fee (FF) is normally charged by groups that do not receive operating or capital appropriations from the State of NM, e.g., EMRTC, PTRC, IERA, MRO and iCASA. Fixed fee is normally charged to the Department of Defense and private agreements but may be charged to any agreement where a degree of risk is involved and agreed upon by the contracting officer. Reasonableness or allowance of the fee can be determined by the negotiating parties using guidelines in the *Defense Federal Acquisition Regulation Supplement (DFARS)* 215.404-4 through DFARS 215.404-72 (“Modified weighted guidelines method for nonprofit organizations other than Federally Funded Research & Development Centers (FFRDCs)”).

The purpose of modified weighted guidelines is to provide a uniform and consistent manner for rewarding risk, motivating efficient and quality performance, and stimulating capital investment in the defense industrial base. *(DFARS 215-404-4).*

Modified weighted guidelines focus on three factors: performance risk, contract-type risk, and facilities capital employed. Values are then assigned to each factor and multiplied by the base, which results in a return objective for that factor. Each factor has a normal value and a designated range of values depending on items such as complexity, maturity of program, administrative/management effort, etc. (Refer to [example](#) for calculation purposes).

**R. Participant Support Costs**

Participant support costs are those costs paid to (or on behalf of) participants or trainees (not employees) for participation in meetings, conferences, symposia and workshops, or other training activities when there is a category for participant support costs in the award. Registration fees, travel allowances, manuals and supplies, tuition and stipends may be regarded as participant support costs in this case.

Participant support costs do not include:

- Payments made to research subjects as an incentive for recruitment and participation in a research project.
- Honoraria paid to a guest speaker or lecturer.
• Costs that cannot be specifically identified to participants.

Who is a participant?

Program Participants are individuals who are the recipients of service or training provided at a workshop, conference, seminar, symposia or other short-term instructional or information sharing activity funded by an external grant or award.

Participants perform no work or services for the project or program other than for their own benefit. A participant is not involved in providing any deliverable to the university or a third party, or would not be terminated or replaced for failure to perform.

Participants do not include NMIMT employees but may include students, national scholars and scientists, private sector representatives, teachers and others who attend and participate in a formal conference, workshop, or training activity. Project staff on a research project do not qualify as participants.

For example, a person classified as an intern would be paid as an employee and not as a program participant, because the intern, while receiving certain training, is also providing services to NMIMT, the grant sponsor, or a third party.

The term “participant/trainee support costs” is identified specifically on National Science Foundation (NSF) awards but may be awarded by other sponsors but not necessarily referred to as “participant support costs”.

The PI should review agency proposal requirements to determine if the sponsor prohibits the university from applying F&A costs to these charges. Note – this varies by program and/or agency so verify the applicability of F&A on participant/trainee costs. This practice ensures appropriate treatment and coding in the pre award and post award stage of the project.

Written sponsor approval may be required for any rebudgeting into or out of the participant support cost budget category. Refer to terms of award.

Participant support costs must be segregated in NMIMT’s financial system. Use the following overhead exempt account codes established for participant support costs in BANNER system or establish a separate FUND within the grant in order to keep participant support costs separate, restrict budget changes and avoid charging indirect costs:

• 730030 -Participant Support Costs/Stipends
• 730031-Participant Support Costs/Subsistence
730032-Participant Support Costs/Travel  
730033-Participant Support Costs/Other

S. Payment Mechanism for Participant Support Costs

The following steps should be followed to pay a participant:

1) Department completes a Domestic Educational Assistance Funds (DEAF) Form in order to post the payout to the student’s account at the start of the program. General Accounting assigns a detail code as required.

2) For participants that are not U.S. citizens, the student account is reviewed by the Federal Tax Compliance Manager. If there is a requirement to withhold federal income tax, Student Accounts receives the memo from the Federal Tax Compliance Manager and posts the tax withholding to the student account. This can be completed any time after they are admitted. The participant may have to forward copies of immigration documents to the Federal Tax Compliance Manager to support the tax analysis. Note full payout is taxable income for those who are non-resident aliens for tax purposes.

4) If on-campus housing is provided, the charges are booked to their account.

5) Student visits the Cashier Office and withdraws the balance of their account.

Monitor expenditures for appropriateness throughout the life of the award. Consult with contract administrator assigned to your department for further clarification or assistance.
IV. Indirect Costs

The indirect (F&A) cost rate is the mechanism used to allocate a portion of Tech's infrastructure to research funding agencies. Operating expenditures are collected in seven indirect cost pools and include costs for operations and maintenance (e.g., heating, cooling, electricity, janitorial services, etc.); general administrative expenses of departments such as Purchasing, Accounting, Payroll, etc.; department administration; sponsored research administration; library; equipment; and building usage. These costs are included in the overhead rate. (Refer to ONR overhead rate agreement for current rates and to Overhead Rate Development for a complete description on how the rate is calculated).

According to OMB Circular A-21, the F&A cost rate is applied “on the basis of modified total direct costs, consisting of all salaries and wages, fringe benefits, materials and 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). Equipment, capital expenditures, . . . rental costs, scholarships, and fellowships as well as the portion of each subgrant and subcontract in excess of $25,000 shall be excluded from modified total direct costs” (Section G.2).

NMIMT establishes rates for organized research and other sponsored activities. Organized research refers to all research and development activities of an institution that are separately budgeted and accounted for. It includes research activities supported by federal or nonfederal sponsors or funded internally. Research is the systematic study directed toward fuller knowledge of the subject involved and includes rigorous inquiry, experiments, or investigation. Research can also be described as the pursuit of new knowledge, understanding existing knowledge, or testing/proving existing knowledge.

Other sponsored activities refer to activities that involve performance of work other than research. Examples include non-research training agreements, sponsored instruction, course development, community service programs, and testing agreements.
V. References

Office of Management and Budget Circular A-21, "Principles for Determining Costs Applicable to Grants, Contracts and Other Agreements with Educational Institutions."


NSF General Grant Conditions (GC-1) June 1, 2007