

**FROM:** John Poate**DATE:** 8 August 2008**TO:** Kirsten Volpi, Ralph Brown**SUBJ:** New Budget Exception Policy**REF:** Current Budget Exception Policy<http://www.is.mines.edu/ora/proposal%20budget%20exception%20policy.shtm>

Indirect Cost (IDC) Return Policy and Practices

<http://www.mines.edu/academic/affairs/PDF%20files/Procedures%20Manual/Section%2014.5.pdf>

As a result of the new IDC return policy implemented 1 January 2008, the Budget Exception Policy will be changed effective immediately to give Department Heads and Division Directors, Center Directors, and Principal Investigators a more-substantive role in requests for budget exceptions. The following policies and procedures apply to all budget exceptions including seed money, cost sharing and reduced overhead.

## **OBJECTIVES**

These policies and procedures are intended to accomplish at least the following objectives:

1. Provide Department Heads and Division Directors more involvement in decisions and encourage them to consider institutional priorities when making recommendations
2. Ensure that PIs have approval of special requests before they invest time in writing proposals
3. Give the VPRTT time to request additional information (if necessary) and make carefully-considered decisions on exceptions
4. Streamline the processing of proposal preparation in ORA
5. Ensure that the full cost to CSM is documented and is justified by the projected benefits
6. Make the decisions and the reasons for those decisions open to public scrutiny

## **POLICIES**

The following policies apply to requests for budget exceptions:

1. The internal base budget for all research proposals must comply with all CSM policies and procedures, including budgeting all direct costs at full value and using the full F&A rate. All exceptions to the base budget (including reduced F&A rates and in-kind cost sharing) must be shown as CSM cost sharing at the bottom of the budget sheet.
2. Department Heads and Division Directors (DHDDs), Center Directors, and Principal Investigators are authorized to commit any portion of their IDC return on a research project to fund cost sharing for budget exceptions. Department Heads and Division Directors also have the authority to commit in-kind contributions and other funds under their control for cost sharing.
3. In special cases, Department Heads and Division Directors (or Directors of Institutional Centers) may request additional cost sharing from the VP for Research and Technology Transfer. Those special cases include the following situations:

- a. A government agency or philanthropic foundation has published guidelines that require cost sharing or reduced overhead on all grants or contracts under the program to which the proposal will be submitted.
- b. A proposal is being submitted by an Institutional Center that is receiving startup support from the institution.
- c. The request seeks startup support for a new research initiative that contributes to the advancement of CSM's strategic goals.

## **PROCEDURES**

### Cost Sharing by DHDDs, CDs or PIs

Cost sharing by Department Heads and Division Directors, Center Directors, and Principal Investigators must be authorized by a memo indicating the amount of funds and the account(s) to be charged. In-kind contributions must be approved by the appropriate Department Head or Division Director.

### Additional Cost Sharing by the VP for Research and Technology Transfer

To request additional cost sharing, the Institutional Center Director or (in the case of individual PIs or departmental centers) the responsible Department Head or Division Director must submit a memo to the VPRTT at least two weeks prior to the deadline for the proposal. If submission of the proposal is contingent on approval of the request, the memo should be submitted before the faculty begin writing the proposal. The memo must include:

1. A budget sheet meeting the policy requirements outlined above
2. The amount and sources of cost sharing funds being provided by the Department Head, Division Director, Center Director, or Principal Investigator
3. The amount and form of the request for institutional support
4. Rationale for the exception, including the benefits that CSM will receive as return on its institutional investment

The rationale for the exception will be the most important part of the memo. In order to justify approval, CSM needs to know how its investment will enhance the institution, help it fulfill its mission and produce a return on investment in the future. A statement such as: "The agency requires this," is not an acceptable rationale, because it provides no information about why it is in CSM's interest to accept the agency's requirement.

Upon review of the exception memo, the VPRTT either will request more information or return the memo with written approval. The approved memo should accompany the research proposal to ORA, where a proposed budget will be prepared in accordance with the memo.

### Startup Support from the VPRTT

On occasion, a major new research initiative may be initiated by faculty, department heads, division directors, and/or the administration. Such initiatives should be discussed with the VPRTT as early as possible to determine whether:

1. The initiatives are a close fit to the institution's strategic priorities
2. They address a national or international grand challenge of such importance that significant research funding is likely to be available
3. CSM has a critical mass of expertise to do innovative and valuable research in the subject area

When all three conditions are satisfied, the VPRTT may authorize additional institutional support (including cost sharing or increased overhead return) to increase the probability of success.

#### Automatic Approval

ORA is authorized to approve exceptions, and memos need not be submitted to the VPRTT when all of the following conditions are satisfied:

1. The sponsor requires cost sharing or reduced overhead as outlined in Policy 3.a. above
2. At least 75% of the total direct costs are for graduate student tuition, fees and stipends
3. All graduate-student positions in the proposal receive their full support from this project
4. The remainder of the budget is limited to overhead and non-salary support of the graduate students (travel, expenses, etc.)

#### Sponsor Budget

When the prospective sponsor requires CSM's contribution in a specific format (such as a reduced F&A rate), the budget submitted to the prospective sponsor will be in accordance with that requirement. In such cases, the internal process for requesting additional cost sharing from the VPRTT will be as outlined above. If the sponsor budget includes a reduced F&A rate, then there will be no F&A return on that project if it is funded.

#### Annual Reporting

At the end of each fiscal year, the VPRTT and ORA will report to the Research Management Cabinet and Research Council on the exceptions that were approved and the rationale for those approvals. The RMC will evaluate the costs and benefits to CSM and recommend changes in policies, procedures and practices that will help achieve the objectives described above.