Budget Preparation Reference Guide
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Introduction
One of the main objectives of the Liberal Arts Grants Services is to empower faculty and graduate students to prepare exceptional grant proposal applications. Knowing that budget preparation can be one of the most daunting parts of the grant application, we have created this document as a tool to assist you. It contains guidance about how grant budgets are structured, appropriate line items to include in your budget, and links to UT and sponsor policies related to individual budget items.

How to Use This Guide
This guide is structured according to the two broad categories included in a grant budget – direct costs and indirect costs. A discussion of cost sharing and matching is also included. Individual line item budget categories are included in table format, and the links to policy for each budget category are found in the corresponding adjacent cells. For each topic we include explanations about how to calculate individual budget line items, and how to describe the budget items in the budget justification. The items are listed in the order they are most often found in budget documents.

Reading this reference guide from beginning to end will provide you with an understanding of the complete budget preparation format and language related to budgets for grant proposals. As you are preparing your budget, you may prefer to go directly to the discussion of each individual budget line item for direction in calculating costs and understanding the policies related to that particular budget item.

Best Practices for Budget Preparation
1. Perform a cost analysis instead of guessing at amounts.
2. Use the same budget figures for all documents related to a particular expense—do not round. $4,333 is not the same as $4,300 or $4,330. The figures must match in all documents including budget, budget justification, letters of commitment, and cost share forms.
3. Discuss the institutional allowed amounts with your departmental administrative support personnel and/or your research administrator, especially for travel expenses, salary information, and tuition.
DIRECT COSTS
“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 with a high degree of accuracy” (OMB Circular A-21).

Direct costs to a sponsored project must pass the tests of allowability, allocability, and reasonableness to be included in the budget.

Allowable Costs
Expenses charged to a sponsored research award must meet the following allowableness criteria:
- The costs must be reasonable.
- The costs must be given consistent treatment through application of those generally accepted accounting principles appropriate to the circumstances.
- The costs must conform to any limitations or exclusions set forth in the sponsored agreement or in the Federal Cost Principles (OMB Circular A-21).

Allocable Costs
The cost has been incurred solely to support or advance the work of a specific sponsored research award.

Reasonable Costs
The cost must be able to withstand public scrutiny, i.e., objective individuals not affiliated with the institution would agree that a cost is appropriate on a sponsored research award.

References:
### Types of Direct Costs

#### Salaries—Faculty
- UT Austin faculty salaries are based on a 9 month academic year from September 1 to May 31;
- Salary calculations are based on actual full-time academic salary rate for 9 months per year;
- UT Austin allows faculty to devote 25% time during the academic year to grants work and 100% time during the summer months. Course buyouts or approved leave of absence are required when academic research time exceeds 25%, and/or the faculty member is scheduled to teach summer courses;
  - 1 course buyout per academic year semester = \( \frac{33.33}{6} \times \text{salary} \) per academic year or \( \frac{16.67}{6} \times \text{salary} \) per semester
  - 2 course buyouts or if buying out the only course you teach = \( \frac{66.67}{6} \times \text{salary} \) per academic year or \( \frac{33.33}{6} \times \text{salary} \) per semester
- NIH
  - No salary increases allowed in subsequent years, see NOT-OD-12-036 at [http://grants.nih.gov/grants/guide/notice-files/NOT-OD-12-036.html](http://grants.nih.gov/grants/guide/notice-files/NOT-OD-12-036.html);
  - Annual salary cap for faculty who are paid salary from grant. See [http://grants.nih.gov/grants/policy/salcap_summary.htm](http://grants.nih.gov/grants/policy/salcap_summary.htm) for current information;
- NSF
  - May request 2% or 3% increase in subsequent years;
  - Allows maximum of 2 months of salary per grant year for faculty principal investigators (PI), co-PIs, and Senior Key Persons. See [http://www.nsf.gov/pubs/policydocs/pappguide/nsf09_1/aag_5.jsp](http://www.nsf.gov/pubs/policydocs/pappguide/nsf09_1/aag_5.jsp) for current information about allowed costs on NSF grants.

#### Salaries—Postdocs
- COLA recommends $42,000 - $46,000.
  - [http://policies.utexas.edu/policies/research-titles-code-1000](http://policies.utexas.edu/policies/research-titles-code-1000)

#### Salaries—Graduate Students
- UT Austin Policy Statements on Student Employees:
  - [http://www.utexas.edu/hr/student/compensation.html](http://www.utexas.edu/hr/student/compensation.html)
  - [http://policies.utexas.edu/policies/graduate-and-undergraduate-research-assistants](http://policies.utexas.edu/policies/graduate-and-undergraduate-research-assistants)
  - [http://www.utexas.edu/ogs/employment/conditions.html](http://www.utexas.edu/ogs/employment/conditions.html)
- If your project is a research project your student employees must be hired as research assistants. The title used is determined by job duties assigned.
- Appointments for graduate research assistants may not exceed 20 hours per week during the first two long-session semesters of graduate study at UT Austin and 30 hours per week during subsequent long-session semesters;
- The College of Liberal Arts Dean's Office recommends 20 hour per week appointments for graduate students.
- International students may work no more than 20 hours per week during the fall and spring semesters as well as summer sessions.
- Graduate students on grants are paid the same minimum salary rate as COLA Teaching Assistants (TA) and Assistant Instructors (AI). The Dean’s Offices sets these rates annually;
  - Current COLA rates:
    - TA1 = $26,832 full-time equivalent for 9 month period at 40 hours per week or $13,416/year per year at 20 hours per week (with Bachelor's degree) for 9 months;
    - TA2 = $29,558 full-time equivalent for 9 month period at 40 hours per week or $14,779 at 20 hours per week (with Master's degree) for 9 months;
    - AI = $33,417 full-time equivalent for 9 month period at 40 hours per week or $16,709 at 20 hours per week for 9 months.

#### Salaries—Undergraduate Students
- If your project is a research project your student employees must be hired as undergraduate research assistants.
- Undergraduate student policy, procedure, and wages rates can be found at 
  - [http://www.utexas.edu/hr/student/compensation.html](http://www.utexas.edu/hr/student/compensation.html)
  - [http://policies.utexas.edu/policies/graduate-and-undergraduate-research-assistants](http://policies.utexas.edu/policies/graduate-and-undergraduate-research-assistants)
- Undergraduate students are hourly employees; designate hours per week, wages per hour, and how many weeks or months per semester, summer, or year they will work on the project in budget justification;
  - Example 1: $10/hour x 20 hours/week for 12 months/year;
Example 2: $10/hour x 20 hours/week for fall and spring semesters;  
- Fall and spring semesters = 4.5 months each;  
- For summer semester appointments, indicate first session, second session, or full summer semester.  
  - “A student may work in an undergraduate research position during the summer if that student either: (1) was enrolled in at least 12 credit hours during the entirety of the previous spring semester; or (2) is enrolled in at least 3 hours over the course of the semester session.”

### Salaries—Administrative & Clerical

- Generally, administrative and clerical salaries are included in the indirect cost rate;  
- May be allowed to include these salaries in the grant if you have a project that involves an excessive amount of this type of work (large amount of event planning for large groups, excessive travel planning and reimbursements, project takes place off campus and requires administrative or clerical work on site, etc.) Administrative and clerical salaries are allowed on NIH Training Grants and NSF Conference and Workshop Grants;  
- Employees must devote 100% of their billed time to the project (no other departmental duties);  
- Provide annual salary amount, number of hours per week, and number of months per year they will work;  
  - Full Time Example: $30,000/ year (40 hours/week x 12 months);  
  - Part Time Example: $30,000/year (full time) base rate. Employee will work 20 hours/week for 12 months per year;  
- Complete this form for all administrative and clerical personnel included in a grant.  
  - UT Austin memo regarding allowable costs (This document contains detailed explanations of the policy and procedures about including administrative and clerical salaries on a sponsored project.)  

### Percent Effort/Person Months

“Person months - Is the metric for expressing the effort (amount of time) PI(s), faculty and other senior personnel devote to a specific project. The effort is based on the type of appointment of the individual with the organization; e.g., calendar year (CY), academic year (AY), and/or summer term (SM); and the organization’s definition of such. For instance, some institutions define the academic year as a 9-month appointment while others define it as a 10-month appointment.” (UT Austin’s academic year is based on 9 months.)

(Reference: [http://grants.nih.gov/grants/policy/person_months_faq.html#1040](http://grants.nih.gov/grants/policy/person_months_faq.html#1040))

- UT Austin requires a minimum of 1% effort during the academic year for each grant held by a faculty PI, regardless of whether the faculty member gets salary from the grant.  
  - [http://policies.utexas.edu/policies/effort-certification](http://policies.utexas.edu/policies/effort-certification)  
- NSF and NIH require person months in budget justification;  
- NEH requires percent time in notes or budget justification;  
- Calculation for person months is based on percent time;  
- Conversion of percentage of effort to person months is straightforward. To calculate person months, multiply the percentage of your effort associated with the project by the number of months of your appointment. For example:  
  - 25% of a 9 month academic year appointment equals 2.25 academic year (AY) person months (9 x 25%= 2.25 person months);  
  - 10% of a 12 month calendar appointment equals 1.2 calendar year (CY) person months (12 x 10% = 1.2);  
  - 35% of a 3 month summer term appointment equals 1.05 summer months (SM) person months (3 x 35% = 1.05 person months);  
  - Another example: If the regular pay schedule of an institution is a 9-month academic year and the PI will devote 9 months at 30% time/effort and 3 months summer term at 30% time/effort to the project, then 2.7 academic months and 0.9 summer months should be listed in the academic and summer term blocks of the application (9 x 30% = 2.7 person months; 3 x 30% = 0.9 person months);  
- Online tool for calculating person months: NIH Person Month Calculator  
  - [Percent of Time & Effort to Person Months Calculator](http://grants.nih.gov/grants/policy/person_months_faq.html#1040)
### Fringe Benefits

Estimated at percentage of salary requested in budget:
- 30% for faculty and research staff paid from grant;
- 30% for graduate students;
- 10% for undergraduate students;

Include this statement in the budget justification (modify as needed): "Fringe benefits have been calculated at 30% of the PI salary and graduate Research assistant's salary, and 10% of undergraduate research assistants' salaries. Sponsored awards are responsible for the actual fringe benefits incurred by each employee. Fringe benefits costs have been estimated based on historical data. However, actual costs for fringe benefits are charged (billed) to the sponsored project at the time the cost is incurred, based on salary, selected benefits package and other variables applicable to the individual."

### Tuition—

**Graduate Students**

- Grants are required to cover tuition for graduate research assistants (GRAs).
- Graduate Research Assistants (GRA) must be enrolled full-time, for nine hours, during the long semesters and for three hours during the summer. 
  - GRAs assigned for a minimum of 20 hours per week get full tuition coverage.
  - GRAs assigned for less than 20 hours per week get tuition coverage in proportion to the number of hours they are assigned to the grant.
  - If the sponsor does not cover tuition, the department must address how the tuition will be paid, and provide an account number.

- **Summer Tuition for Graduate Students:** Students engaged in full time academic employment—either as a GRA or as a TA/AI—must enroll for three hours of coursework. The tuition for these hours should be included in the grant budget. If the nature of the student's work is non-academic, the supervisor can request a non-academic title and waiver of the tuition requirement, per OGS instructions found here: [http://www.utexas.edu/ogs/employment/summer-employment.html](http://www.utexas.edu/ogs/employment/summer-employment.html)

### Travel

- Determine costs for each trip based on the number of travelers
  - Effective May 20, 2013, all business-related air travel must be arranged through Anthony Travel or Corporate Travel Planners (two university travel contractors). Go to [http://www.utexas.edu/travel/](http://www.utexas.edu/travel/) to access current information about service fee rates, baggage rates, and information about booking with UT’s contracted travel agencies.
  - In the budget justification under the “Travel” heading include this statement, "The University of Texas at Austin has travel contracts with Anthony Travel and Corporate Travel Planners to ensure lowest available airfares for faculty and employee traveling."
  - Hotel costs – include the number of nights times the cost per night;
  - Ground transportation includes taxi fares, personal car mileage based on current allowed mileage rate, rental car costs, fuel for rental cars, bus fares, train fares, etc.;
  - Per diem
    - UT Austin’s rate is $41/day or you may use rates on GSA website;
    - Include the day of return trip in per diem estimate;
  - Discuss travel authorization and reimbursement specifics with the administrative support person who reimburses travel for your departmental personnel.

### Materials & Supplies

*(Consumables)*

- Materials and supplies must be used exclusively for the specific grant project that pays for them;
- Perform a cost analysis to get reasonable prices;
- Office supplies are considered indirect cost items and are not allowable as direct costs in grant budgets;
- Materials and supplies may include items of equipment that cost less than $5,000 per unit price;
- Computers, software, and other computerized and digital equipment are considered indirect cost items and are not allowable as direct costs in grant budgets, unless they will be used specifically for this project and you can justify the need. See the sponsor budget guidelines to determine if computer costs should be included in Materials and Supplies or the Other Costs budget category.
  - Include this statement in the budget justification, "All equipment purchased with these funds will be used exclusively for this project."

### Publication Costs

Calculate the anticipated cost for documenting, preparing, publishing, sharing, and disseminating
<table>
<thead>
<tr>
<th><strong>Budget Preparation Reference Guide, Liberal Arts Grant Services</strong></th>
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<tbody>
<tr>
<td><strong>Equipment</strong></td>
</tr>
<tr>
<td>$5,000+ per unit price; expected lifetime of 1 year or more;</td>
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<tr>
<td>Include price quotation for each item;</td>
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<tr>
<td>Justify the need for the equipment;</td>
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<tr>
<td>Follow UT Austin’s purchasing procedures when buying equipment – may require bids.</td>
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</table>

**Other (Direct) Costs**

Use this category for items not normally considered to be Materials and Supplies, for items that you want to track separately, and for items that do not fit well into other budget categories, for example:

- Human subjects payments;
- Core facilities;
- Animal Resources Center;
- Visa fees;
- Fees to foreign entities for access to parks, reservations, preserves, etc.

**Computer Services/Time**

This budget category is reserved for computer-based retrieval of educational, technical, or scientific data;

- Computer time costs should be included as a budget item, if appropriate;
- If non-sponsor funded computer time is needed, arrangements must be made in advance with your academic department or research unit;
- Overhead applies to all types of computer time, and to all computer supply budgets;
- Examples of UT Austin facilities the charge computer time:
  - Texas Advanced Computing Center (TACC);
  - Imaging Resource Center.

**Consultant Services—Outside Consultants**

- Consultants are recognized experts in their field whose consultation is needed to complete the project, but can be replaced by someone else, if necessary;
- Will not work for extended periods of time on the grant, generally considered less than two weeks per grant year;
- Whenever possible, identify the proposed consultant by name, indicate the number of days of work, daily rate, and provide a curriculum vitae or sponsor's required biographical sketch and letter of commitment for the consultant in the proposal;
- Allowable consultant costs:
  - Consulting fees;
  - Travel expenses;
  - Subsistence – lodging and meals;
- Some sponsors do not allow consultants or limit their involvement and fees.

**Consultant Services—UT Faculty**

- “Normally, fees for consulting, lecturing, or other professional services, in addition to full-time salaries, will not be paid to faculty or professional or other similar staff in the same department or administrative unit.” Please see the link below for details of this policy and procedures for approval.
- UT Austin’s Handbook of Operating Procedures HOP 2-2220 Faculty Consulting and Other Professional Activities: [http://policies.utexas.edu/policies/faculty-consulting-and-other-professional-activities-including-outside-employment](http://policies.utexas.edu/policies/faculty-consulting-and-other-professional-activities-including-outside-employment);
- Some sponsors do not allow consultants or limit their involvement and fees. See your solicitation for application for details.

**Subawards/**

“Subawards and subcontracts are agreements made with other organizations whose personnel...
**Subcontracts**

Subcontracts will be integral to the completion of the work. Generally, subawards are contractual agreements with other colleges or universities and subcontracts are contractual agreements with other types of organizations or businesses. “Yes,” answers to these questions usually indicate that the entity should be treated as a subawardee or subcontractor.

- Will the entity have the authority to determine who is eligible to receive federal financial assistance?
- Is the entity’s performance measured against whether the objectives of the federal program are met?
- Does the entity have responsibility for programmatic decision-making?
- Does the entity have responsibility for adherence to applicable federal program compliance requirements?
- Will the entity use the federal funds to carry out a program of the organization as compared to providing goods or services for a program of the pass-through entity?”


- Budget items for subawards and subcontracts may include the same categories as the lead institution’s budget;
- Indirect costs may be included based on the appropriate sponsoring agency rules.

The Office of Sponsored Projects will assist with processing subawards or subcontracts that are part of an awarded grant project. Subawards and subcontracts that are pre-approved by the Office of Sponsored Projects at the time the grant is submitted to the sponsor require less processing time after the grant has been awarded. Information about OSP’s subaward processing may be found at [http://www.utexas.edu/research/osp/awards/subawards.html](http://www.utexas.edu/research/osp/awards/subawards.html). Examples of solicitations with subawards include some NSF and NIH, collaborative submissions, as well as submissions to other federal and foundation sponsors that include substantial work being performed by other colleges, universities, private, or industry partners.

**International Contracts**

- Some international contracts require Board of Regents approval. Information about the process can be found at [http://www.utexas.edu/business/vp/contracts_agreements/contract_special_handling.html](http://www.utexas.edu/business/vp/contracts_agreements/contract_special_handling.html)
- **International subcontracts and subawards negotiated by OSP do not need Board of Regents approval.**

**Participant Support Costs**

“Participant support costs are direct costs for items such as stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with meetings, conferences, symposia, or training projects. These costs are allowable with the prior approval of the awarding agency.”


- **UT Austin’s guidance on participant support Costs:**

- **Allowable participant support costs:**
  - Stipend;
  - Travel Expenses;
  - Registration Fees;
  - Subsistence Costs – Housing and meals.
**INDIRECT COSTS (Facilities & Administrative Costs; Overhead)**

“F&A costs are those that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored project, and instructional activity, or any other institutional activity.” These include, but are not limited to utilities costs, building maintenance, library costs, general administrative costs, and office supply costs—copiers, printer, faxes, telephones, paper, pens and pencils, etc.


<table>
<thead>
<tr>
<th><strong>Application of Indirect Costs</strong></th>
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<tbody>
<tr>
<td><strong>UT Austin’s Current Indirect Cost Rates</strong></td>
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<tr>
<td>• Research Projects</td>
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<tr>
<td>o 9/1/2014 – 8/31/2016 = 55%;</td>
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<tr>
<td>o 9/1/2016 – 8/31/2018 = 56.5%</td>
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<tr>
<td>• Other Sponsored Projects Rate – 38%;</td>
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<tr>
<td>• Off-Campus Research Rate – 26%;</td>
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<tr>
<td>• Training Rate – 50%;</td>
</tr>
<tr>
<td>• State, City, County Rate – 15%;</td>
</tr>
<tr>
<td>o Effective 12/26/2014, projects funded through non-federal entities including State Local and City agencies with federal pass-through funds must use the federal negotiated rate.</td>
</tr>
<tr>
<td>• Proposals to not-for-profit agencies without published rates – 15%.</td>
</tr>
<tr>
<td>• The above-referenced rates are effective until 8/31/2018.</td>
</tr>
<tr>
<td><strong>References:</strong></td>
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<thead>
<tr>
<th><strong>Indirect Costs Calculations</strong></th>
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<tr>
<td>• Total Direct Costs (TDC) – Indirect cost percentage is calculated on total direct costs included in the budget;</td>
</tr>
<tr>
<td>• Modified Total Direct Costs (MTDC) – Indirect cost percentage is calculated on the total direct costs (TDC) minus:</td>
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<tr>
<td>o Tuition;</td>
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<td>o Equipment ($5,000+);</td>
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<tr>
<td>o Amount of subcontract/subaward over $25,000;</td>
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<td>o Participant support costs, in some cases. (Check with your research administrator or OSP for appropriate calculation);</td>
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<tr>
<td>o Rental costs of off-site facilities;</td>
</tr>
<tr>
<td>o Fellowships;</td>
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<tr>
<td>o Scholarships;</td>
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<tr>
<td>o Patient care costs.</td>
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<tr>
<th><strong>Indirect Costs Waivers or Reduction Requests</strong></th>
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<tbody>
<tr>
<td>• When you would like to request to use an indirect cost category, other than the research cost category, a request must be processed using the following procedure:</td>
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<tr>
<td>o Prepare the budget and budget justification using the indirect cost rate you are requesting;</td>
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<tr>
<td>o Prepare abstract;</td>
</tr>
<tr>
<td>o Send request for waiver or reduction with budget, budget justification, and abstract attached to <a href="mailto:lagrants@austin.utexas.edu">lagrants@austin.utexas.edu</a>;</td>
</tr>
<tr>
<td>o A request will be prepared and forwarded to Associate Dean Esther Raizen for consideration;</td>
</tr>
<tr>
<td>o Upon approval by Associate Dean Raizen the request will be forwarded to the appropriate person in the Vice President for Research’s Office for final approval.</td>
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<tr>
<th><strong>Foundation or non-profit special information</strong></th>
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<tbody>
<tr>
<td>• UT Austin will honor any indirect cost rate stated in writing;</td>
</tr>
<tr>
<td>• Provide the URL or a letter or email message from an authorized official at the organization explaining the organization’s indirect cost policy rate;</td>
</tr>
<tr>
<td>• If no documentation is available the 15% indirect cost rate will be applied to your budget. Approval from Associate Dean Esther Raizen is required.</td>
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**COST SHARING (Matching, Leveraging)**

“Cost sharing is that portion of a total sponsored project’s costs that are paid from sources other than the funds provided by the sponsor. Cost sharing can either be required by a sponsor as a condition of the award (Mandatory Committed) or it can be voluntarily pledged (Voluntary Committed) when it is not a sponsor requirement.

Some agencies make a distinction between “Cost Sharing,” “In-kind” and “Matching.” Generally, all these terms refer to costs not charged to the sponsor. These terms can refer to cash contributions, contributed time, and in-kind services whether from The University or third-party sources.

Cost sharing has a significant financial impact on the department providing the funds and on The University as a whole. Commitments should be held to a minimum. The University procedure is to provide cost sharing only when required by agency guidelines, delineated in specific program announcements, or necessary due to the competitive nature of the proposal.


<table>
<thead>
<tr>
<th>Types of Cost Sharing</th>
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<tr>
<td><strong>Contributed Effort</strong></td>
<td>Time contributed by the PI to the project for which he/she is not paid. A PI may contribute up to 25% time during the academic year without prior approval. Percentages above that amount have to be approved by the Chair, Dean, or appropriate administrator.</td>
</tr>
<tr>
<td><strong>Mandatory Committed</strong></td>
<td>Required by the sponsor as a condition of obtaining an award. Cost sharing must be included or a proposal will receive no consideration by the sponsor.</td>
</tr>
<tr>
<td><strong>Voluntary Committed</strong></td>
<td>Represents resources offered by The University when it is not a specific sponsor requirement.</td>
</tr>
<tr>
<td><strong>In-Kind</strong></td>
<td>Contributions represent the value of non-cash contributions provided by The University or non-Federal third parties. When such contributions benefit a sponsored project, they generally may be counted as Cost Sharing. Examples include department funds used to cover travel, tuition, supplies, or equipment; PI and Co-PI salaries.</td>
</tr>
<tr>
<td><strong>Matching</strong></td>
<td>Involves a University contribution of hard dollars or funds specifically appropriated for and allocated to the project.</td>
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**Cost Share Form** [www.utexas.edu/research/osp/documents/cost_share_recap_form.pdf](http://www.utexas.edu/research/osp/documents/cost_share_recap_form.pdf)

**Letter of Commitment**
- Required for all cost sharing included in grants;
- Includes confirmation that should the grant be awarded the organization agrees to provide the services and work stated in the project proposal;
- Must quantify the amount of cost sharing committed;
- UT letters of commitment should be signed by Chair, appropriate Dean;
- Letters of commitment from sources outside UT must be signed by someone at that organization who is authorized make the commitment for the organization.

Additional References:
- **OSP Handbook:** [http://www.utexas.edu/research/osp/resources/handbook.html#budget](http://www.utexas.edu/research/osp/resources/handbook.html#budget)
- **OMB Circulars A-21 and A-110:** [http://www.whitehouse.gov/omb/circulars_default](http://www.whitehouse.gov/omb/circulars_default)


**Contact Liberal Arts Grants Services at lagra@lagrants@austin.utexas.edu**