

Hatch & Station Projects  
Administrative Procedures

It is the intent of these administrative procedures that information will be provided to Principal Investigators (PI's) so that Hatch and Station accounts will be managed in such a way as to provide optimum use of resources, make the program accountable, and provide research infrastructure to the college.

Annual budgets for all projects will be distributed in September or early October to department financial assistants and Principal Investigators (PI's). Any changes to Hatch or Station budgets will be documented by the Business Office. During the year, as changes occur, the budget for a project will be updated and distributed.

Monthly expense reports will be generated and distributed to the Administrative Associate Dean and department financial assistants. Department financial assistants should provide this information to the PI's. If possible, accounts will be frozen when the total charges and outstanding commitments have reached the budget figure. This will prevent overspending.

Hatch budgets for projects will be the responsibility of the PI to monitor and ensure only properly authorized expenses are charged to it. All Hatch expenditures must conform to OMB Circular A-21 regulations. Therefore, only direct or allocable expenses may be charged to Hatch projects. Any equipment purchased (items over \$5,000 with a useful life of greater than a year) must be in the approved Hatch budget, or have prior approval of the Administrative Associate Dean.

Hatch dollars allocated to infrastructure/on-going projects (the farm, greenhouse, etc.) will not be added to budgets for Principal Investigators (PI's) but will be set up in their own accounts. The Assistant Dean for Business Operations will track these expenses and assign them to a project for AD-419 reporting purposes at the end of the year.

Projects will be closed for the fiscal year no later than November 30<sup>th</sup>. All charges associated with the project for that fiscal year, including all applicable travel, must be paid by that date. All outstanding encumbrances must be cleared from the account no later than mid-November.

It is the intent that Hatch dollars will be spent in the year which they have been allocated. However, there are circumstances whereby there will be some over/under expenditures for a legitimate purpose. During the life of the project any net balances (Hatch dollars) will be carried over from year to year. Any unusual carryover (defined as 25% of the annual budget), either negative or positive, should be communicated to the Assistant Dean for Business Operations.

A one year, “no cost” extension may be granted by the Administrative Associate Dean when a project terminates. A request for a no-cost extension must include the following: 1) the reason the project has not been completed, 2) a list of objectives to be addressed during the extension and 3) a plan for expending the remaining budget. If the extension is approved, any balances for this project will be carried forward and must be used for any on-going expenses related to this project.

A PI may be permitted to buy out their research time with an outside grant. Up to 60% of the salary savings generated may be retained by the PI provided a plan is put forth for the use of these funds that supports the goals and directions of the Research Station and is approved by the Administrative Associate Dean . This plan must be put forth at the time the PI is buying out their time, not at the termination of the project. When buying out research time, the expectation will remain that the PI will retain oversight of the Hatch project and they are responsible to see that the project is completed.

In certain circumstances Hatch dollars will be allowed to be used for faculty summer salary. Request for summer salary off a Hatch account must be approved, in advance, by the Administrative Associate Dean. Request must be in writing and include an explanation of how the objectives of the project will be met if operating dollars are used for faculty summer salary.

Any salary surplus generated by a sabbatical leave will revert to CALS in the year that the leave is taken.

At the end of the project (or extension):

- The PI, to the satisfaction of the Administrative Associate Dean, must address any deficit greater than \$250. This explanation must include why the deficit occurred and a plan to pay it off.
- Any operating surplus, salary surplus not addressed with a buy out plan or due to a sabbatical leave, or surplus due to the project not being completed will revert to the Vermont Ag. Experiment Station.

Surplus dollars going back to the Vermont Ag. Experiment Station will be used for research infrastructure and to recruit and retain top quality faculty.

These updated administrative procedures are effective with the FY06 fiscal year.

Attachment 1

**Guidelines for faculty buy-out of Vermont Agricultural Experiment Station (VT-AES) time**

**Policy:** Principal investigators with VT-AES appointments may be permitted to buy-out their research time with an outside grant. Up to 60% of the salary savings generated may be retained by the PI provided a plan is put forth for the use of the funds that:

- a) Supports the goals and directions of the VT-AES,
- b) Uses the funds within two years, and
- c) Is approved by the Associate Director of the VT-AES.

The plan must be put forth at the time the PI is buying out their time, not at the termination of the project.

**The Plan:** The essential elements of a plan to buy-out VT Agricultural Experiment Station (VT-AES) time are listed below.

1. Objectives:  
How will the money be used? What research project will the money be used for and what objectives will be achieved with the use of the funds?
2. Goals:  
How will the use of these funds relate to furthering research in one or more of the 5 goal areas of the Vermont Ag Experiment Station?
  - An agricultural system that is highly competitive in the global economy
  - A safe and secure food and fiber system
  - A healthy, well-nourished population
  - Agricultural system that protects natural resources and the environment
  - Enhanced economic opportunity and quality of life for Americans
3. Budget  
Describe how the funds will be spent over the next two fiscal years (10/01/yy - 9/30/yy). Include salaries, wages, and fringe benefits; equipment; materials and supplies; travel and any other appropriate expenses. Use the VT-AES Hatch guidelines as a guide for preparing a budget.

Currently the practice is to add the funds to their current project. Should we also include a minimum FTE to maintain in Station. If they have an active Hatch, should we require they keep at least 20% time on station?

Attachment 2

**Allowable Expenses for Hatch Projects and Federal grants:**

In order to assist the PI's with their duty to ensure only properly authorized expenses are charged to their project, the following information was taken from OMB Circular A-21. This information is not meant to be all-inclusive or complete. It is intended to provide a general guideline for the PI. Any questions for clarification should be directed to the Administrative Associate Dean or the Assistant Dean for Business Operations.

All federal funds must comply with the applicable program legislation and rules and regulations. The use of funds must also comply with the Federal cost principals as prescribed in OMB Circular A-21.

Under Federal regulations, the Director of the State Agricultural Experiment Station is responsible for determining the research to be conducted by the station, ensuring that Hatch formula funds and State matching funds are used for the intended purpose, and complying with all rules and regulations applicable to Hatch Act funds. For this reason, the CALS business office must approve all expenditures for Hatch projects for Research. On-line requisitions are automatically reviewed by the Business Office, all travel forms, pur-card transaction logs, payment approval vouchers (PAVs) and other expenditures must be routed through the CALS Business Office for signature and approval.

**Factors affecting the allowability of costs:**

- They must be reasonable;
- They must be allocable to sponsored agreements under the principals and methods provided;
- They must be given consistent treatment through application of those generally accepted accounting principals appropriate to the circumstances; and
- They must conform to any limitations or exclusions set forth in these principals or in the sponsored agreement as to types or amounts of cost items.

**Reasonable cost:**

A cost may be considered reasonable if the nature of the goods or services acquired or applied, and the amount involved, reflect the action that a prudent person would have taken under the circumstances prevailing at the time the decision to incur the cost was made. Major considerations are:

- whether or not the cost is necessary for the performance of the sponsored agreement or Hatch project;
- the restraints or requirements imposed by Federal and State laws and regulations, and any specific requirements in the sponsored agreement terms and conditions;
- whether or not the individuals concerned acted with due prudence in the circumstances, considering their responsibilities to the institution, its

- employees, its students, the Federal Government, and the public at large;  
and
- the extent to which the actions taken with respect to the incurrence of the cost are in line with established UVM policies, procedures and practices.

**Direct Cost to Projects:**

General – Direct cost are those cost that can be identified specifically with a particular project relatively easily with a high degree of accuracy.

Identification with a specific project rather than the nature of the goods and services involved is the determining factor in distinguishing direct from F&A costs. Typical cost charged directly to projects are the compensation and fringe benefits of employees for performance of work under the project; the cost of materials consumed or expended in the performance of the work; and other items of expense incurred for the project.

**Allocable cost:**

A cost is allocable to a particular project if:

- It is incurred solely to advance the work under the sponsored agreement;
- It benefits both the sponsored agreement and other work of the institution, in proportions that can be approximated through the use of reasonable methods, or
- It is necessary to the overall operation of the institution and, in light of the principals provided, is deemed to be assignable in part to sponsored projects.

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. If a cost benefits two or more projects or activities 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.

**Facilities and Administrative Costs:**

F&A costs are those that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular project. The salaries of administrative and clerical staff should normally be treated as F&A costs. The Assistant Dean for Business Operations will administer all F&A costs.

**General provisions for selected items of cost:**

The following sections provide principals to be applied in charging expenses to federal grants or Hatch projects.

*Advertising and public relations costs.*

- Allowable advertising cost include:
  - Recruitment of personnel required for the performance by the institution of obligations arising under the sponsored agreement,

- Procurement of goods and services for the performance of the sponsored agreement.
- Allowable public relations cost include:
  - Costs of communicating with the public and press pertaining to specific activities or accomplishments that result from performance of sponsored agreements.
- Unallowable advertising and public relations cost:
  - Cost of convocations or other events related to instruction or other institutional activities including:
  - Cost of displays, demonstrations, and exhibits;
  - Costs of meeting rooms, hospitality suites, and other special facilities used in conjunction with shows and other special events;
  - Costs of promotional items and memorabilia,
  - Costs of advertising and public relations designed solely to promote the institution.

*Alcoholic Beverages:*

- Costs of alcoholic beverages are unallowable.

*Alumni/ae Activities:*

- Costs incurred for, or in support of, alumni/ae activities and similar services are unallowable.

*Commencement and Convocation Costs:*

- Costs incurred for commencements and convocations are unallowable.

*Communications costs:*

- Costs incurred for telephone services, local and long distance telephone calls, telegrams, radiograms, postage and the like are allowable.

*Compensations:*

- Charges to sponsored agreements and Hatch projects may include reasonable amounts for activities contributing to and intimately related to work under the agreement.

*Contingency provisions:*

- Contributions to a contingency reserve or any similar provision are unallowable.

*Donations and contributions:*

- Donations or contributions, regardless of the recipient, are unallowable.

*Entertainment Costs:*

- Costs of entertainment, including amusement, diversion, and social activities and any costs directly associated with such costs (such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities) are unallowable.

*Equipment:*

Equipment means an article of tangible personal property having a useful life of more than one year and an acquisition cost of \$5,000 or greater.

- Costs for general purpose equipment (including office equipment and furnishings, reproduction and printing equipment, motor vehicles, and automatic data processing equipment) are unallowable as direct charges, except where approved in advance by the sponsoring agency.
- Expenditures for special purpose equipment (equipment which is only used for research, medical, scientific, or other technical activities) are allowable as direct charges with the approval of the sponsoring agency.
- Capital expenditures for improvements to land, building or equipment which materially increase their value or useful life are unallowable except where approved in advance by the sponsoring agency.

*Fines and Penalties:*

- Costs resulting from violations of, or failure of the institution to comply with, Federal, State, and local or foreign laws and regulations are unallowable, except when incurred as a result of compliance with specific provisions of the sponsored agreement.

*Goods or Services for Personal Use:*

- Cost of goods or services for personal use of the institution's employees are unallowable.

*Insurance:*

- Costs of insurance required or approved, and maintained, pursuant to the sponsored agreement, are allowable.

*Fund Raising:*

- Costs of organized fund raising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred solely to raise capital or obtain contributions, are unallowable.

*Lobbying:*

- Costs associated with attempts to influence the outcomes of any Federal, State, or local election, referendum, initiative, or similar procedures are unallowable. Costs associated with any attempt to influence the introduction of Federal or State legislation, the enactment or modification of any pending Federal or State legislation through communications with any member or employee of the Congress or State legislature are unallowable.

*Maintenance and Repair Costs:*

- Costs incurred for the necessary maintenance, repair or upkeep of property which neither add to the permanent value of the property nor appreciably

prolong its intended life but keep it in an efficient operating condition, are allowable.

*Material Costs:*

- Costs incurred for purchased materials, supplies, and fabricated parts directly or indirectly related to the sponsored agreement, are allowable.

*Memberships, Subscriptions and Professional Activity Costs:*

- Costs of the institution's (not individual) membership in business, technical and professional organizations are allowable.
- Costs of the institution's (not individual) subscriptions to business, professional, and technical periodicals are allowable.
- Cost of meetings and conferences, when the primary purpose is the dissemination of technical information, are allowable.
- Costs of membership in any civic or community organization are unallowable.

*Patent costs:*

- Costs of preparing disclosures, reports, and other documents required by the sponsored agreement, and of searching the art to the extent necessary to make such invention disclosures, are allowable.

*Pre-agreement costs:*

- Costs incurred prior to the effective date of the sponsored agreement or Hatch project are unallowable unless approved by the sponsoring agency or Associate Dean for Administration (for Hatch projects).

*Professional Services Costs:*

- Costs of professional and consulting services are allowable, subject to restrictions, when reasonable in relation to the services rendered and when not contingent upon recovery of the costs from the Federal Government. Retainer fees, to be allowable, must be reasonably supported by evidence of services rendered.

*Rearrangement and Alteration Costs:*

- Costs incurred for ordinary or normal rearrangement and alteration of facilities are allowable. Special arrangement and alteration costs incurred specifically for the project (direct costs) are allowable when such work has been approved in advance by the sponsoring agency. Costs incurred in the restoration or rehabilitation of the institution's facilities to approximately the same condition existing immediately prior to commencement of a sponsored agreement, fair wear and tear excepted, are allowable.

*Rental Cost of Building and Equipment:*

- Rental costs of buildings or equipment are allowable within certain restrictions. Please refer questions to business office.

*Selling and marketing:*

- The cost of selling and marketing any products or services are unallowable.

*Specialized Service Facilities:*

- The costs of institutional services involving the use of highly complex or specialized facilities such as electronic computers, wind tunnels, and reactors are allowable, provided the cost of such institutional services when material in amount will be charged directly to users, including sponsored agreements based on actual use of service. Where the costs incurred are not material, they may be allocated as F&A costs.

*Student Activity Costs:*

- Costs incurred for intramural activities, student publications, student clubs, and other student activities are unallowable unless specifically provided for in the sponsored agreements.

*Travel Costs:*

- Travel cost are expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the institution and related to the sponsored activity or Hatch project. Please see UVM's travel policy for limitations and receipt requirements.

Please refer all questions on these guidelines to the Assistant Dean for Business Operations or the Administrative Associate Dean.