

Developing a Budget or Cost Proposal

The budget, also called a cost proposal (generally for contracts) by some sponsors, is just as important as the technical proposal. It is a comprehensive planning document that integrates all of the details for attaining the objectives of the proposal. The budgetary process should take into account preparation for the long-range goals, as well as the short-term objectives.

Practically all grant proposals are funded on the basis of a line-by-line budget, which typically includes both direct costs and facilities and administrative costs (a.k.a. indirect costs). The project budget is the instrument through which the cost of the project's activities plans, priorities, and organization are expressed. One of its main characteristics is its lack of flexibility. The funding agency grants a certain amount of money to the project on the basis of the line-by-line budget estimate that is submitted as part of the grant proposal.

Direct Costs

Direct costs are defined as the costs of the project that will be paid directly to personnel or a vendor and are clearly assignable to a project activity.

Most government granting agencies expect that the project director will adhere to the budget, and may require prior approval before certain changes are made. A number of foundations also require prior approval for budget modifications subsequent to an award. Typically, such approvals must be requested and approved in writing.

Budget Elements

Included in the budget should be provisions for the following cost categories:

1. Salaries, wages, technical and special fees to cover personnel needs, honorariums, clerical assistance, and consultants. Salaries requested must be consistent with the regular practices of Morgan State University. In addition to making provisions for the above categories, it is imperative that the budget includes funds to cover fringe benefits for both regular and contractual employees.
2. Fringe Benefits (employee benefits such as social security, worker's compensation, retirement, unemployment, health insurance, etc.) should be factored into this object using the appropriate rates, which currently are:

Regular employees	39% of the gross salary
Contractual employees	9% (+ \$12,000) of the gross salary
3. Anticipated Consultant services should be justified. Daily compensation rate, number of days of expected service and per diem allowances should be included in the travel, consultant or "other" category of the budget.
4. Communications include postage, mailing service and telecommunication charges.
5. Travel includes in-state and out-of-state trips for fieldwork, attendance at conferences and seminars needed by the investigator to enhance his/her ability to perform the work of the proposal, or to present the results of the project.

Domestic travel includes travel in the United States, its possessions, and travel to Puerto Rico and Canada. All other travel is considered foreign travel. Government

sponsors generally require persons traveling under a grant or contract to travel by U.S. flagged carriers, if available.

The current 2016 reimbursable rates under the State of Maryland are:

- Use of personal automobile - \$.54 per mile.
- Portage is \$1 per bag.
- For meals –

Breakfast	\$ 9.00
Lunch	11.00
Dinner	25.00
Total per Day	\$ 45.00

Gratuities are included in the above rates for meals.

Due to price fluctuations from state to state, the employee who travels out-of-state and is entitled to meal reimbursement may receive an adjusted amount depending upon geographical location.

6. Contractual Services include hiring a consultant, data processing, equipment rentals and supplies, film and other equipment rentals.
7. Supplies and materials include items such as printing instructional materials, office supplies and audiovisual and computer supplies. The budget should indicate in general terms the type of expendable materials and supplies that are required to meet the goals of the project.
8. Generally, equipment refers to an item of property that has the acquisition cost of \$5,000 or more and an expected service life of more than one year. A brief description and justification to show the purpose, function, and cost of the equipment is necessary.
9. Grants, scholarships and awards are provided for support of graduate or undergraduate research assistants to help carry out the proposed research. Tuition remission is not taxable. Stipends are taxable and should be filed as a source of income for the tax year in which the funds were received.
10. Facilities and Administrative costs (formerly indirect costs) appear as a single separate item in the budget. This item is not University profit; rather, it represents the total real costs to the university in support of the project, which cannot be directly attributed to a project activity. This includes a portion of the University's overall administrative costs, such as purchasing and procurement, personnel, payroll, building and equipment maintenance, office space, utilities, maintenance of the library and research administration. **For on-campus research at Morgan State University, Facilities and Administrative costs are 48.5% of the modified total direct costs;** this rate is approved by the U.S. Department of Health and Human Services, Division of Cost Allocation, Region III. **The modified total direct cost (MTDC) is the total direct cost excluding capital expenditures, charges for patient care, student tuition remission, rental costs of off-site facilities, scholarships, and fellowships, as well as the portion of each subgrant and subcontract beyond the first \$25,000.**
11. In-kind contributions are the value of such items as equipment, facilities, and supplies that a grantee contributes as its share of project costs. The value of these services must be approved by the Principal Investigator's or project director's Department Head and Dean of the College or School because funding of such expenses comes from that departmental budget. Explanation for the source(s) of funds to cover this item should be clearly spelled out and a copy of the explanation attached to the proposal when forwarded for review and signature to OSPR. Principal Investigators should contact OSPR staff for assistance with in-kind contribution or cost-sharing issues. All in-kind time and services **must** be documented. PI's should not volunteer in-kind contributions or matching unless explicitly required by the sponsor.

- 12. Matching funds** are funds equal to some percentage of the total project cost. Some funding agencies may require that the applicant institution provide matching funds. The costs of such items as travel, computer time, supplies, printing or telecommunications may also be used for matching under some circumstances. Contributions of salaries and fringe benefits must be approved by the Dean of the College or School and the Vice President for Research and Economic Development. Contributions of facilities and administrative cost (indirect cost) must be approved by the Vice President for Research and Economic Development. Principal Investigators should contact OSPR for assistance or clarification on matching funds.

Note: Voluntary matching or cost sharing is prohibited. PIs should contact OSPR for assistance or clarification where such matching is required by the funder.

- 13. Third Party in-kind contribution** means the value of non-cash contributions provided by non-Federal third parties. Third party in-kind contributions may be in the form of real property, equipment, supplies, and other expendable property, and the value of goods and services directly benefiting and specifically identifiable to the project or program.

Since the budget format and allowable costs vary from one funding agency to another, it is advisable to obtain a copy of the application guidelines, program brochure, or grant policy manual from the appropriate agency to ensure that all criteria have been satisfied. Pertinent sections of the sponsor guidelines should also be submitted along with the completed budget to OSPR to prevent processing delays if questions should arise regarding the cost proposal.

Subawards or Subcontracts: A subaward is an award to a subrecipient when the prime award is assistance (grant or cooperative agreement). It may be in the form of money, or property in lieu of money.

A subcontract is an award to a subrecipient when the prime award is procurement (contract). A subaward or subcontract constitutes an agreement between the University and another party to transfer a portion of the University's obligations under an award to that party.

Principal Investigators must make clear provisions in the budget to pay for such sub-agreements if they are included in the proposal. Each sub-agreement should be identified separately, and followed with a brief explanation of the services that the sub-awardee or subcontractor will provide, and the appropriateness and reasonableness of the cost.

Sub-agreements, sub-awards, and subcontracts are not executed until the award or contract is received by the University. **Project directors should contact OSPR for assistance in developing appropriate sub-grant or subcontract instruments following their award.**