

Budget Development Guide

The development of a budget and budget justification are among the most important components of a grant proposal. This is true regardless of whether the proposal is for internal or external funds.

The budget should reflect all the anticipated costs of the project. Proposal reviewers generally use the budget as one criteria to determine whether or not the investigator is fully aware of the requirements of the program. Funders are unlikely to fund a proposal that purports to do too much with too little money and vice-versa. If the funding agency or sponsor has a limit on grant requests, adjust the scope or target of your proposal to fit the resources you may obtain.

Points to Consider

- The first rule in developing and preparing a budget is to explicitly follow the sponsor guidelines.
- Read the Request for Proposal (RFP) or sponsored program solicitation. Most sponsors provide either a form or a format for the budget presentation or instructions on budget composition and budget preparation.
- Be cognizant of budget limitations, cost constraints, unallowable costs, or special matching requirements.

The budget is generally divided into two basic categories:

(1) direct costs

(2) indirect costs or facilities and administrative (F&A) costs

Direct costs are costs that can be identified and directly attributed to a sponsored project.

To be eligible as a **direct cost**, a cost

- (a) must be reasonable;
- (b) must be allocable to sponsored project;
- (c) must be given consistent treatment through application of those generally accepted accounting principles appropriate to the circumstances;
- (d) must conform to any limitations or exclusions set forth by the sponsor as to types or amounts of cost items.

Reasonable costs

A cost may be considered reasonable if the nature of the goods or services acquired or applied, and the amount involved therefore, 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.

Considerations involved in the determination of the reasonableness of a cost are:

- (a) whether or not the cost is of a type generally recognized as necessary for the operation of the institution or the performance of the sponsored project;
- (b) 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,
- (c) the extent to which the actions taken with respect to the incurrence of the cost are consistent with established institutional policies and practices applicable to the work of the institution generally, including sponsored project.

Allocable costs

A cost is allocable to a particular cost objective (i.e., a specific function, project, department, or the like) if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received or other equitable relationship.

A cost is allocable to a sponsored agreement if:

- (1) it is incurred solely to advance the work under the sponsored project;
- (2) it benefits both the sponsored project and other work of the institution, in proportions that can be approximated through use of reasonable methods, or
- (3) it is necessary to the overall operation of the institution and is deemed to be assignable in part to sponsored projects.

Consistent treatment of costs

The University must estimate costs in its sponsored project proposals in a manner consistent with the cost accounting practices it uses in accumulating and reporting costs. All costs incurred for the same purpose, in like circumstances, must be accounted for and handled in uniform and consistent fashion.

Direct costs are generally presented in broad budget categories, such as salaries and wages, fringe benefits, equipment, supplies, consultants, subawards, travel, and other costs.

Salaries and Wages

Salaries and wages for all personnel who will work on the project...faculty, students, technical assistants, and others.

Salaries & Wages con't

Faculty (Senior Personnel)

Your department may consider your participation in sponsored program activities as part of your normal or reasonable faculty load, in which case your salary is your compensation for sponsored program activities during the period of appointment (release time). If your participation in such activities is considered beyond a normal load or outside of the academic year, you may seek additional compensation through the University (extra compensation or summer support).

- **Release time:** Release time refers to the freeing of a part of an individual's time from regular duties during the academic year to carry out the sponsored activity. Release time can be budgeted for any employee, not just faculty members. It is the mechanism by which a department and the University can be reimbursed directly for faculty and staff time devoted to externally funded sponsored projects. Prior to budgeting release time, you need to contact your Department Chair for the appropriate arrangement.
- **Extra compensation:** Supplemental compensation from a sponsored account is beyond your normal load during the academic year. The maximum rate of compensation for work performed by individuals participating in university-administered federally or state funded grants and programs shall be equal to that received for full-time university involvement except in cases where the sponsoring agency's policy specifies otherwise. Unless prior approval is obtained from the Provost, the hourly rate of compensation cannot exceed twice the maximum hourly rate for federally and state funded programs. The Faculty Handbook describes the University's Extra Compensation Policy.
- **Summer support:** Supplemental compensation from a sponsored project during a summer month. For federally funded projects, the monthly rate of compensation is 1/9 of the 9 month contract total, if you are on an "academic year" (9 months) appointment.

Time & Effort Reporting

As a recipient of sponsored funds, Bradley University must assure Federal and other sponsors that the assignment of salary and fringe benefit costs to the projects they sponsor is reasonable in relationship to the work performed and that commitments to sponsors have been met. To do so, the University must maintain an accurate system for documenting and certifying time and effort. The system must specifically track the time or the percentage of effort dedicated to sponsored projects. Time and effort reporting serves as a way to reconcile that salaries and wages charged or cost shared to sponsored projects are consistent with the effort committed and contributed to sponsored programs. Inadequate time & effort reporting or failure to comply with established policies and requirements can lead to financial penalties, expenditure disallowances, repayments, and loss of funding.

Salaries & Wages con't

Student Research Assistants

Salaries and stipends for graduate and undergraduate student assistants must be identified in the budget. To budget for student help you need to specify:

- the total number of hours for the project, or the percentage of time (full or part time) for each student.
- rate of pay for each student, noting that salaries must be at least minimum wage (currently \$8.25).

Students may receive stipends and tuition from a sponsored project. The sponsored project duties are in addition to their course and thesis work as students.

Undergraduate students typically are not assigned work loads of over 10 hours per week during the academic year.

Graduate students may be classified as full-time (20 hours) or part-time (10 hours). Graduate student assistantships generally are a combination of tuition remission and stipend. Graduate student stipends are generally set by departments or colleges, and you should budget accordingly. Contact the Graduate School for graduate tuition and stipend amounts.

Salary & Wages con't

Technical Assistants

Technical assistants are generally compensated on an hourly basis. Their compensation rate is governed by the applicable University policy.

Departmental Administrative Staff

Direct charging of department administrative or clerical staff may be appropriate where a major project or activity explicitly budgets for administrative or clerical services and the individuals involved can be specifically identified with the project or activity.

The University usually does not permit administrative or clerical salaries to be charged to a sponsored project unless the administrative or clerical staff's responsibilities are exclusive to the sponsored project or have clearly defined responsibilities that can be readily identified and charged solely to the sponsored project.

Fringe Benefits

For every salary charged to the sponsored project for Bradley University personnel, related fringe benefit charges must be budgeted as well. Employee benefits include such items as FICA, insurance, retirement plan contributions, etc. These amounts must be charged to the sponsored project in relation to the salaries that are given. The current rate is 25% for full-time Bradley University employee wages (including grants, contracts, etc.) and 10.0% for part-time employees and extra compensation/summer and winter interims for full-time Bradley University employees. Fringe benefits are not calculated against undergraduate and graduate student salaries, and are not waived in grant proposals where they are an allowable cost.

Equipment

Each major item of equipment should be described in the budget and justified in the proposal. A price quote or catalog description including the price should be provided with the budget and justification for proposed high dollar equipment items. To be classified as equipment, an item must meet all of the following criteria:

- have an acquisition cost of at least \$1,000
- have an expected service life of more than one year
- not be expended or consumed in research
- be complete in itself and retain its identity as a separate item

Freight charges should be included in the purchase price of the equipment. Maintenance, lease and rental contracts, equipment repair and fabrication should be budgeted separately. If any equipment requires special space needs, maintenance and/or staffing beyond the grant period, permission for continued support for these needs must be obtained before submission of the grant. Title to equipment purchased for sponsored projects should remain with the University.

Consultants

Consultants' or lecturers' expenses, including fees, travel, per diem, lodging, and other expenses while staying in Peoria on Bradley University business, should be included in the budget. Consultants should be named and their organizational affiliation identified. The nature and extent of their service to the project may have to be justified in a written narrative. Federal and University regulations generally do not permit payment of consulting fees to Bradley University employees from our sponsored projects. If University faculty and staff are needed on a sponsored project, they should be considered part of the personnel budget and their salaries budgeted accordingly.

An Independent Contractor Determination Form should be completed and submitted to the Controller's Office for review before the consultant actually arrives on campus.

Materials and Supplies

The types of expendable equipment and supplies required should be indicated, with estimated costs. If substantial funds are required for supplies, you should offer a detailed breakdown of these items in the proposal, and give justification. Examples of items to include in this section are:

- Lab supplies such as chemicals, glassware, disposables, histology supplies
- Office supplies, questionnaires, and test materials
- Animals : including purchase, shipping, housing and maintenance.
- Small equipment items such as hot plates, power supplies, water baths
- Materials for equipment fabrication
- Instructional materials

Travel

Travel, both domestic and foreign, is often a necessary part of a sponsored project. Transportation and per diem costs should be budgeted in accordance with the University's approved travel reimbursement rates, but also take into consideration any special sponsor requirements (for example, that a US airline should be used for foreign travel). Please see the Bradley University Travel Reimbursement Policy and Procedures for specific travel guidelines.

Clearly state the reasons why travel is necessary for the project. Special permission from agencies may be needed for foreign or out-of-state travel. Allowances for air travel normally will not exceed round-trip jet economy-air accommodations. In general, only people directly involved with the project may travel on grant funds. Examples of expenses to include in this section are:

- Attendance at professional meetings, including air fare or mileage, hotel and meal costs, and registration
- Field work, including vehicle, mileage charges, field station fees and living expenses
- Travel to sponsor-required meetings or to consult with experts
- Local travel for interviewers, outreach personnel

Subcontracts/Subawards

If some part of your project must be performed by colleagues at another university or by an outside company, the sponsor will issue a subcontract/subaward for the work. (Sponsors are generally unwilling to issue two or more separate awards for the same project.)

A complete proposal (budget and technical information) should be requested from the prospective subcontractor/subawardee. This proposal should be signed by an official authorized to enter into contractual agreements for the subcontractor/subawardee. It may be necessary to solicit bids from several firms or organizations, including minority-owned or small business firms. If it is necessary to consider only a single source, a sole source justification may be required before the University can enter into an arrangement with that firm.

The subcontract/subaward proposal will be incorporated into your proposal to the sponsor. At no time before receipt of the award should a commitment be made or implied to a subcontractor/subawardee. Commitments will be negotiated with a subcontractor only after the sponsor has awarded us the contract or grant.

If you are contacted by someone at another institution about being a subcontractor on a project, talk with OSP and the Controller's Office before sending any agreements or proposals to the prime contractor. Subcontract proposals are treated in exactly the same way as any other proposal to an off campus sponsor.

Other Direct Costs

Costs that do not seem to fit into any of the above categories may be listed here. Examples of such costs include:

Publication Costs

Publication costs are not allowable as a direct cost of grants or contracts unless formally approved by the awarding agency. Costs for typing, editing, graphs, illustrations, tables, reprints, and other costs incurred prior to printing are not costs of publication and should be budgeted in other appropriate categories.

Copying and Printing Costs

Telephone and Fax charges

Long distance telephone costs incurred by sponsored projects should be budgeted. However, in most cases, basic monthly telephone service charges, as well as installation charges, are considered indirect costs and need not be included.

Equipment maintenance, repair, and service contracts

Human subject fees

Space and equipment rental

Machine shop charges

Trainee or Participant Costs

Trainees have no responsibilities except their course work and education. If a trainee is supported on a sponsored project (usually intended specifically as a training program) the actual tuition and fees must be budgeted. Allowable costs include:

- Stipends and allowances
- Tuition and fees
- Travel
- Project supplies

Indirect Costs

Along with the identifiable direct costs of a project (salaries, travel, supplies, etc.) there is another set of costs not as easily associated with the sponsored program. Indirect costs or facilities and administrative costs are costs charged by Bradley University for general support services, management, use of facilities, etc. They are sometimes referred to as “pooled costs” or “overhead costs.”

Indirect costs are normally comprised of the following categories:

- General administration and general expense: accounting, payroll, administrative offices, etc.
- Research administration: personnel and other costs of offices whose responsibility is the administration of research.
- Plant operation and maintenance: utilities, janitorial services, routine maintenance and repairs, etc.
- Library expenses: books, library staff, etc.
- Departmental administration expenses: administrative cost at the college and department level.
- Depreciation or use allowance: for buildings and equipment, excluding those paid for by the federal government.

In order to recoup these real costs, the University adds indirect costs to each sponsored program. Indirect costs are assessed at a rate which is negotiated with the U.S. Department of Health and Human Services. The current University indirect cost rate is set at 52%. This indirect cost rate is applied only to direct salaries & wages (excluding fringe benefits) for Bradley University project personnel.

Indirect costs con't

Most funding agencies understand and expect that indirect costs will be included in funding requests. However, some agency guidelines specify indirect cost rates that are in exception to Bradley's requirement for full indirect cost recovery. These include:

- Private, non-profit agencies that have a written policy of paying all their grantees a standard rate lower than the University's negotiated rate.
- Awards from State agencies that pay all of their grantees an indirect cost rate lower than the University's negotiated rate.

There are a few agencies which do not allow any indirect costs to be included in a funding request. Because every agency handles this area of the budget differently, it is important to be familiar with their guidelines.

Matching Funds/Contributions

Some sponsors or funding agencies require applicants to provide a portion of the project funding through matching funds or cost sharing. Matching funds or cost share can be categorized as cash or in-kind.

Cash match is defined as a cash outlay by the University.

An in-kind match is a third-party contribution. Examples of third-party in-kind contributions are donated items (supplies, equipment, etc), donated space, and volunteers.

Matching Funds/Contributions con't

All matching or cost sharing resources must meet the following criteria:

- Verifiable from the University's accounting records
- Must be necessary and reasonable for proper and efficient accomplishment of the sponsored project or project scope of work
- Must be allowable and identified in the approved project budget
- Must occur during the time frame of the sponsored project

Miscellaneous points regarding matching funds or cost sharing:

- Federal funds cannot be used a match for other federal funds.
- Unrecovered indirect costs may be used as cost share
- Faculty release time may be used as cost share
- Graduate assistants can also be a matching contribution. If a graduate student assigned to a particular department by the Graduate School works on the project, the cost of that graduate assistant to Bradley University is a valid matching contribution.

Budget Narrative

Most sponsors require the budget to be accompanied by a budget narrative. The budget narrative is basically a justification for the project expenses. Each budgeted line item justification should have sufficient detail to document the need for the expense in relationship to accomplishing the sponsored project scope of work. The budget narrative should provide explanations and the level of detail that will permit the sponsor reviewer to know what is needed in terms of funding and to know the budget is realistic and contains only allowable expenses.

Wrap-up Comment

Budgets and budget justifications are simply different and complementary ways to describe a project. Therefore, it is extremely important that the project scope of work and narrative not only be consistent with the budget and budget justification, but that the budget and budget justification should be consistent with each other.