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The budget section of a proposal should reflect the PIs best estimate of the actual cost of conducting the scope of work outlined in the text of the proposal. The budget is the fiscal representation of the actual costs involved in completing the project. While you should attempt to be as accurate as possible, amounts should be in whole dollars (do not use cents). Budgeting is

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often difficult and confusing for PIs as the needs of the project must be balanced with the requirements of the sponsor and with university personnel and procurement policies. In situations where these needs conflict, the most restrictive policy will be applied. For Federal submissions, the budget must strictly comply with the sponsor's requirements and with the Federal Government's Uniform Guidance regulations. OGRS is the final arbiter of any conflicts or questions regarding proposal budgeting.

In many cases, and in addition to the budget, you will be required to submit a "budget justification" or "budget narrative." A budget justification will follow the budget, line item by item, and explain how the cost of each item was developed, in narrative form. For example, while the budget might simply have \$35,000 as a line item for salary, the budget justification might state that \$25,000 is 30% of Professor Joan Ford's academic year salary, and \$10,000 additional is for her summer salary for July and August, at \$5,000 per month.

Whether or not a sponsor requires a budget narrative, you must prepare one for internal SHU use and submit it to OGRS. This will greatly facilitate the proper accounting of the funds, if awarded.

#### **4.1 Broad Budget Categories**

There are two broad categories of the types of costs applicable to contract and grant awards: direct costs and indirect (facilities and administrative costs).

##### **4.1.1 Direct Costs**

Direct costs are generally defined as those costs that are directly attributable to completing the project. While each sponsor will have a slightly different definition of allowed direct costs, these generally include: personnel (salaries and fringe benefits), equipment, supplies, travel, publication costs, telephone and internet charges, human and animal subject care costs, off-campus space rental and some computer costs. When determining if a planned expenditure is allowed as a direct cost, the sponsor's guidelines should be carefully followed.

##### **4.1.2 Indirect (Facilities and Administrative) Costs**

For any research project, many costs are not directly attributable to the project but are part of "the cost of doing business." Rather than directly accounting for these (for example, the cost of using part of a lab in McNulty Hall for a chemistry project), these costs are aggregated and an indirect cost agreement is established between the University and the Federal government every three years. The Federal indirect cost agreement is used to determine the indirect cost of all projects with the Federal government and is used as the basis for determining indirect costs for non-Federal projects.

As of 2020, the indirect cost recovery rate for Federal grant submissions is 59% of salaries and wages. More detail on the specifics of this determination is provided in section 4.5.

Non-Federal sponsors will have their own rules for indirect costs. Few allow indirect costs at the full Federal rate and some do not allow them at all. In any case, when preparing the budget, the full Federal indirect cost amount is calculated. The difference between the Federal amount can often be applied for cost sharing purposes and it must be accounted for in the University's determination of funds expended on research.

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### **4.1.3 General Budgeting Guidance**

When submitting a proposal to a funding agency that has its own proposal application guidelines and forms, budget categories may be referred to differently. For example, an agency may not have a separate category for salaries and another one for fringe benefits, but may combine them and refer to them as “personnel,” or an agency may have a specific category for “Subcontracts” rather than having such costs contained in an “Other Expenses” category.

The general guidance for budget categories in the following sections does not apply to a specific agency. Please defer to the specifics of the particular funding agency about placement of costs from a category standpoint. Please keep in mind that the University’s established rate information, such as fringe benefit rates, tuition remission rates, etc., are applicable for use in all proposal budgets regardless of the funding agency.

## **4.2 Personnel**

Personnel expenses are often the most difficult of direct costs to budget and ultimately manage. General personnel expense categories include salaries, fringe benefits, stipends, summer compensation and release time for faculty, postdoctoral fellows, employees, graduate students and undergraduate students. There are separate University policy documents relating to the compensation of faculty, employees and students. The PI is responsible for becoming familiar with University personnel policies for all personnel supported on the PI’s grants.

### **4.2.1 General Guidelines**

Salaries and wages are monetary compensation paid to Seton Hall University employees working on a project. Personnel may include faculty, researchers, visiting scholars, staff, and undergraduate and graduate students. If possible, all personnel who will participate in the research project should be identified by name and title or category of employment. Investigators/ personnel from other institutions must be listed either in the Consultant category or as part of a Subcontract, depending on the applicability of their role in the project. Since the University does not hire them, they do not receive University salaries.

Proposed University salaries should be in accordance with the current academic or staff salary schedules for each job classification. Some programs do not allow salaries for investigators; others restrict salary to summer only. Administrative and clerical support staff are considered indirect costs in most cases (see OMB circular A-21). For University professional and research staff, graduate and undergraduate students, and casual or part-time workers, salary figures should be based on the percentage of effort by each individual working on the project applied to his/her annual salary. For faculty members, salaries are calculated based on a nine- month academic year. Faculty members may request reimbursement for academic year release time and additional salary in the summer.

Salary increments for multiple year budgets are recommended at 2% per year for all personnel. If tenure or promotion is anticipated for one of the personnel during the project period, the anticipated salary increase should be built into the budget.

Information to utilize when preparing the salary for each individual listed in the “Salaries” category includes:

- Name and payroll title of the employee. If a position is required, but the individual has not been identified at the proposal submission time, indicate “To Be Named (TBN)” in lieu name;
- Annual salary increases to coincide with the future start date of the proposal;
- Number of months per year for which the salary is being requested;
- Percentage of effort that will be expended on the project.

Effort calculations are detailed in the forthcoming sections on academic year reassigned time.

#### **4.2.2 PIs, co-PIs and Other Senior Personnel – Academic Year**

Some sponsors allow the payment of salary to faculty and administrators during the academic year. Such payments are usually in the form of a buyout of the person’s time. Academic year salary payments are not to be used to raise the salary of the investigator or senior personnel.

##### **4.2.2.1 9-Month Faculty**

For faculty on 9-month contracts (most faculty in the Colleges of Arts and Sciences, Education, Nursing, Communication and the Arts, Business and Diplomacy), salary calculations are based on one month of effort being equivalent to one-ninth (1/9) of annual salary.

Reassigned time from teaching is then calculated at one twenty-seventh (1/27) of the annual salary per credit of reassigned time. Reassignment from one three-credit course, is therefore budgeted as one-ninth (1/9) of the annual salary.

The full cost of fringe benefits is also applied to the cost of any academic year reassigned time. For 2020-2021, the fringe benefit rate is 31% of the salary.

An example calculation for an academic year salary and fringe benefit request for one course release for a nine-month faculty member with an annual salary of \$81,000 is as follows: A three credit release is 3/27 (1/9) of the annual salary or \$9,000. The fringe benefit request is \$9,000 times 0.31 = \$2,790.

The total salary and fringe benefit request for this three-credit reassigned time is \$ 11,790.

Item	Amount
Annual Salary	\$ 81,000
1/9 of Annual Salary	9,000
Fringe Benefits	2,790
TOTAL	\$ 11,790

Academic year salary for PIs, co-PIs, and senior personnel is also subject to indirect cost recovery.

Per the Faculty Guide, all requests for academic year reassigned time must be approved by the Provost in advance of proposal submission. If reassigned time is planned, the chair, dean and OGRS must be notified as early as possible in the proposal development process, so that

approval can be obtained prior to submission. In situations where the reassigned time is not fully paid for by the sponsor, according to the above calculation, this must be clearly documented in the “Cost Sharing” section of the “Intent to Apply for External Funding” form. The difference between the calculated cost of the reassigned time and the actual budgeted amount in the proposal must be documented as cost sharing.

#### **4.2.2.2 12-Month Faculty and Administrators**

For faculty on 12-month contracts (most faculty in the School of Health and Medical Sciences, School of Medicine and University Libraries) and full-time administrators, salary payment from grants is calculated as above, except that 1/12 of the annual salary is equivalent to one month of effort. For faculty, a 3-credit course reassignment is equivalent to 1/12 of the annual salary. For administrators, one month can be assumed to be 4 workweeks or 140 hours of work. As with 9-month faculty, any reassigned time requires advance approval of the Provost of the responsible vice president. If reassigned time is planned, the PI must notify OGRS, the department chair and the dean as early as possible in the proposal preparation process. Any shortage of funds provided by the grant in payment for the reassigned time must be documented as cost sharing.

#### **4.2.3 PIs, co-PIs and Senior Personnel – Summer**

It is very common for funding agencies to allow summer stipends for 9-month faculty, including in cases where the work is spread throughout the year. The National Science Foundation is an important example.

Summer compensation is calculated in a similar manner as academic year compensation: one month of summer pay is equivalent to 1/9 of the annual salary. Depending on the funding agency’s requirements, it may be possible to request one, two or three months of summer pay. No more than three months of summer pay may be earned from all grants and other sources, combined. If three summer months are paid by grants, summer teaching or other summer compensation from the university is not permitted.

Fringe benefits on summer pay are calculated at the reduced rate of 9% of the stipend. An example calculation for a one summer month stipend for a faculty member with an academic year salary of \$81,000 is shown below. The total salary and fringe benefit cost is \$9,720.

Annual Salary	\$ 81,000
1/9 of Annual	9,000
Fringe Benefits	810
Total	\$ 9,810

Summer stipends paid to PIs, co-PIs, and senior personnel are also subject to indirect cost recovery.

#### **4.2.4 Postdoctoral Fellows**

Postdoctoral fellows are non-senior personnel who hold doctoral degrees and generally spend 100% of effort on grant-supported research. 100% of their salaries and fringe benefits are

generally supported by one or more grants. For most employment related policies, postdoctoral fellows are treated in the same manner as administrators.

Compensation to postdoctoral fellows is subject to indirect cost recovery.

#### **4.2.5 Graduate Students**

Graduate students may be supported on grants by one of two mechanisms: stipends or hourly. The choice depends on the nature of the graduate students work. If the work on the grant supported project leads directly toward the graduate student's thesis work, the student is generally supported with a stipend and is termed a Graduate Research Assistant (GRA). If the grant-supported work does not lead toward the graduate student's thesis work, the student is treated as an hourly employee and is termed a Graduate Assistant (GA).

All policies and procedures defined in the GA Handbook apply to graduate students supported by sponsored research projects.

##### **4.2.5.1 Graduate Research Assistants**

Graduate research assistant stipends are budgeted as monthly payments to the student. The amount of the annual stipend varies by sponsor and by the needs of the project. Some sponsors, such as the National Science Foundation and the National Institutes of Health, require or expect specific stipend levels.

Graduate research assistants also require tuition support. The full amount of the student's full-time tuition for the year should be budgeted, usually in the "other direct cost" category (see below). Some sponsors limit or do not allow tuition payments. In this case, some or all of the tuition may be provided by the university as a scholarship. If this is necessary, it is considered cost sharing and requires approval on the cost sharing form by the appropriate dean and OGRS.

Stipend payments to graduate research assistants are not charged fringe benefits. Stipend payments are subject to indirect cost recovery.

##### **4.2.5.2 Hourly Graduate Students**

If the grant-supported work does not directly relate to the student's thesis or dissertation research, the student must be supported as an employee on an hourly basis. Hourly student workers are budgeted by determining the total hours to be worked during the project period and then multiplying by the hourly wage. For graduate students, a minimum hourly wage of \$15.00 per hour is recommended.

#### **4.2.6 Undergraduate Students**

Undergraduate students receive salaries at an hourly wage, calculated by the number of hours per week and the hourly wage. An hourly wage of at least \$10.00 per hour is recommended. All payments to undergraduates are managed by the Office of Student Employment in the Financial Aid Office in the Division of Student Services, and are subject to all applicable policies.

In some situations, with appropriate justification, an undergraduate may receive a one-time payment or monthly stipend that is not tied directly to the number of hours worked. These include summer research projects tied directly to the student's curriculum, such as a thesis project and human-subject research study participants. These payments are also managed through the Financial Aid office and are subject to all of its policies and regulations.

#### **4.2.7 Fringe Benefits**

Fringe benefits are non-wage compensation, calculated as a percentage of all salaries and wages. These percentages are determined by the Department of Human Resources and are a matter of University policy. Regardless of whether any specific fringe benefits are to be used by the employee, the full stated fringe benefit rate must be budgeted for each personnel category. The fringe benefit rates described in the examples above are accurate as of FY 2020.

A complete and updated fringe benefit table, by class of employee, is provided in Appendix B.

### **4.3 Equipment and Supplies**

Most projects will require the purchase of supplies and/or equipment. Generally, supplies are consumable items with short lifetimes and equipment is a capital expense item with a permanent or long lifetime that may exceed the length of the project.

#### **4.3.1 Capital Equipment**

Capital equipment is defined by University policy as an item of non-expendable, tangible (i.e., can be appraised for value) property that has an acquisition cost of \$5,000 or more, is freestanding, and an expected service life of more than two years. For Federal projects, Uniform Guidance defines capital equipment as having a value of \$3,000 or more. Special purpose equipment is used primarily for scientific or technical applications. General purpose equipment is used for research purposes but also for nonscientific and non-technical purposes. Examples of general-purpose equipment includes calculators, computers, camcorders, and cameras. Sponsors are often reluctant to fund general purpose equipment unless it is primarily used in the actual conduct of scientific research. Read and understand the sponsor's specific guidance regarding allowed equipment purchases.

Each item of equipment should be justified in terms of its importance to the project and its current unavailability at Seton Hall. Estimates of the cost of each item of equipment should be based on a catalogue, telephone, or written quotation. University policy requires that capital equipment with a value of over \$10,000 be competitively bid with at least three bidders. While this is not required at the time of proposal preparation, it is advised to avoid later delays in purchasing. The estimated costs should include applicable taxes, shipping, and assembly, if necessary, and must cite academic discounts in pricing. Each item should be listed individually and described as completely as possible.

Seton Hall is a 501(c)3 non-profit organization and as such is exempt from state sales tax. Purchases of capital equipment therefore may not be subject to sales tax. Major vendors will generally consider this when providing quotations. If you receive a quotation that includes sales tax, consult with Procurement to determine whether the tax can be removed. Only procurement can issue a tax-exempt certificate on behalf of the University.

Title to equipment purchased with federal and other grant funds rests with the University, subject to certain conditions. Equipment and supplies acquired with federal funds may not be used to provide services to non- federal organizations for a fee that is less than what private companies charge for equivalent services, unless specifically authorized by federal statute, for as long as the federal government retains an interest in the equipment.

The following conditions also apply to capital equipment purchases.

- Equipment upgrades valued at less than \$5,000 are not considered equipment and should be budgeted in the “Supplies” category.
- Repair/replacement components for equipment, regardless of cost, are not considered equipment and should be budgeted in the “Supplies” category.
- Computer software, regardless of cost, should be budgeted as supplies or materials.
- Accessories or component parts are considered equipment when the acquisition cost is \$5,000 or more, and either: (a) the accessory or component permanently increases the value of the existing equipment, or (b) the accessory or component permanently increases the useful life of the existing equipment.

### **4.3.2 Supplies and Materials**

Identify as specifically as possible any and all consumable supplies needed for the project. Supplies are defined as items of expendable equipment that do not meet the definition of permanent equipment. These include office and laboratory supplies, chemicals, glassware, books, computers, computer software, repair parts/replacement components for equipment, and equipment items with an acquisition cost of less than \$5,000. Costs for commonly used supplies may be based on previous experience and can include paper, copying, staples, etc. Telephone and postage are usually separate items. Each item listed above should be listed separately and in sufficient detail.

The budget justification should address any additional details that would demonstrate the reasonableness of the amount requested based on past experience and/or high cost of a particular item. Any unusual or one- time purchases should also be discussed.

## **4.4 Other Direct Costs**

### **4.4.1 Travel**

Travel includes costs associated with the required travel of personnel working on the project. Travel is one of the most abused expense categories, so be aware that it is often scrutinized very closely by sponsors. Travel expenses should be subdivided into domestic and foreign travel. You should list countries to be visited and dates of travel (if known), as well as justification for travel. Per diem rates for federal grants can be estimated by consulting the standard federal per diem rates (<http://www.gsa.gov/portal/category/100120>). For federal grants, travel is subject to Uniform Guidance and travel is also subject to University travel policies, determined by the procurement department.

Most government agencies require the use of a domestic carrier for travel both within the U.S. and abroad, except under very strict conditions.

All travel attributable to the project should be itemized. For each trip, outline the purpose and specific destination, the number of travelers, the mode and cost of transportation, and the number of days of per diem at the per diem rate. For example, Travel for the PI to attend (and present a paper at) the National Academy of Sciences annual conference in Washington, D.C., would include items such as airfare \$400 round trip; conference registration fees \$350; per diem rate (lodging) of \$184 for three (3) days.

Grant and contract policy regarding travel can vary greatly among sponsors. Two areas to be especially alert to are:

- Prior approval. Sponsors often require prior approval, especially for foreign travel or if the travel is not included in the original budget. This approval often requires that the request be submitted to the sponsor at least 60 days prior to the travel date.
- U.S. flag carriers. The International Air Transportation Fair Competitive Practices Act of 1974 requires that any air transportation to, from, between, or within a country other than the United States, where the expenses will be charged to government funds, must be provided by a U.S. flag carrier if such service is available. It is considered “available” even if a foreign carrier is less expensive or more convenient. There are conditions under which a foreign carrier can be used, but you must review the sponsor’s policy manual carefully before committing funds.

#### **4.4.2 Consultants**

Consultants are individuals who do not provide effort to the project but, rather, provide expert advisory or other services for brief or limited periods of time. Consultants should be used when University personnel do not have the required qualifications or when an outside consultant would provide a necessary and unique contribution to the project. Sometimes outside consultants may be used as evaluators of a project. The budget justification should address the services/advice the consultant will provide and the potential benefit to the project.

When preparing the budget, list each consultant, his/her specialty or service to the project, and the daily, weekly, or monthly rate of pay, along with the total number of days for which each consultant will be paid. Costs intended to cover travel (and per diem) of bringing such outside consultants to Seton Hall University are also included in this category. You should also include a justification for the reasonableness of the daily rate in the proposal. Some agencies limit the daily rate for consultants. Consultant fees should be comparable to the normal or customary fees charged and received by the consultant for comparable services, especially on non-government contracts and grants. If available, include a letter of collaboration and the consultant’s curriculum vitae in the proposal.

Consultants are compensated through the procurement process. They are not subject to fringe benefits or indirect cost recovery.

#### **4.4.3 Tuition and Fees**

If a graduate assistant or graduate research assistant is to be employed on a grant, the student’s tuition and fees are generally considered a direct cost, subject to the sponsor’s requirement. Most Federal programs allow budgeting of the full cost of required tuition and fees. All budgeting for graduate student support should begin with including the full cost of

tuition and fees. If the sponsor or the needs of the project do not allow budgeting of the full cost of tuition and fees, a portion of the tuition and fees may be used for required cost sharing or may be provided as cost sharing for a scholarship. This must be carefully documented on the cost sharing form and approved by the appropriate Dean and OGRS.

Tuition is calculated as the number of credits to be taken by the student multiplied by the Tuition per credit.

Tuition and fees are not considered wages and are not subject to fringe benefits or indirect cost recovery.

#### **4.4.4 Additional Direct Costs**

Proposals often include direct costs that do not easily fit into the most common categories. The sponsor's regulations regarding allowed direct costs should be carefully consulted to ensure that these costs are allowed. This category is also commonly referred to as Other Direct Costs. These costs typically include project related costs that are usually less significant than those proposed in the other budget categories. Please note that miscellaneous items must be itemized and fully justified. Do not put down a sum of money and simply label it "miscellaneous." The sponsor will rightfully remove it from your budget. Examples of miscellaneous direct costs include:

- Research Publications
- Human Subject Support
- Animal Subject Care Per
- Rent/Lease Costs for Off-Campus, Non-University-Owned
- Long Distance Telephone Charges
- Fees
- Computer Costs – Most of the time computers are considered general office supplies and are covered under indirect costs. However, they can be charged as a direct cost on a grant if they meet the criteria of an "unlike circumstance" – meaning predominant usage of the computer must be tied to the objectives of the project, such as mainframe computer time, maintenance, and/or repairs. This applies to computers dedicated to controlling a scientific instrument such as a mass spectrometer, or projects that involve extensive data gathering and manipulations, analysis, or field work outside the office.

Each item above should be listed separately and in sufficient detail. The budget justification should address any additional details that demonstrate why they are needed for the project, the reasonableness of the amount requested and how the estimated costs were determined.

#### **4.5 Indirect (Facilities and Administrative) Costs**

Indirect costs, also referred to as overhead or Facilities and Administrative (F&A) costs, are costs that are not identifiable to any one project but are valid expenses of conducting research, instruction, and other sponsored activity programs at the University. Examples include building and equipment use, utilities, depreciation, operation and maintenance of facilities, departmental administration, student services, and administrative support offices such as Payroll, Purchasing,

Accounting, OGRS, libraries, etc. All proposals with sponsoring agencies must provide for Indirect Cost recovery at the appropriate negotiated rate.

When creating a budget, F&A costs are calculated as a percentage of the salaries and wages included in the personnel costs on the budget. Fringe benefits, equipment, consultant fees, or other grant costs should not be included in this calculation. Stipends for Graduate Assistants are included in the indirect cost base, but tuition is not. The limitation of indirect costs to salary and wages is typical of less-intensive research institutions. Rates are negotiated by the Controller's Office with the University's audit agency, the Department of Health and Human Services. The 2020-2021 F&A rate is 59% of all salaries and wages for on-campus projects, and 30% of all salaries and wages for off-campus projects.

Sponsor guidelines on limiting indirect costs vary greatly. Private foundations, corporations, and some federal funding agencies may limit indirect costs or disallow them entirely. Most training grants awarded by the federal government restrict the amount of indirect costs to either 8% or 9% of the total amount requested. In these cases, the lower percentage is applied against the entire amount of the grant request or the total direct costs rather than the salary and wage base. Sometimes stipends are taken out of the calculation. Certain government agencies, e.g., the Department of Education, no longer allow the full-negotiated rate.

PIs should document the restrictions on indirect costs by referencing and providing copy of the sponsor guidelines when completing the Intent to Apply for External Funding approval form. Any proposed reduction in indirect cost recovery can often be applied to required cost sharing. In any case, a proposed reduction in indirect cost recovery must be documented as cost sharing on the Cost Sharing form and approved prior to submission by OGRS.

#### **4.5.1 Allocation of Recovered Indirect Cost Recovery**

The current policy for the distribution of indirect costs recovered by the University allocates the funds as follows:

- 45% to the General Revenue Fund;
- 25% to the Office of the Provost;
- 10% to the Dean of the School or College to which the PI belongs;
- 10% to the Department to which the PI belongs;
- 10% to the PI.

Indirect costs are collected only on direct costs after they have been spent. Since indirect costs are calculated on a salary and wage base, if no salaries or wages are spent on a grant, no indirect costs are collected by the University so there is no allocation of recovered indirect costs.

#### **4.6 Subcontracts (Sub-awards)**

If required for a project, it is possible to engage an outside entity as a sub-contractor. Likewise, Seton Hall may serve as a sub-contractor on a project initiated at an outside institution. If Seton Hall is leading the project, the PI is a Seton Hall employee and SHU initiates the sub-contract then Seton Hall is referred to as the prime contractor. If the project is initiated by the outside institution, then SHU is the sub-contractor.

#### **4.6.1 Seton Hall as the Prime Contractor**

During the proposal preparation process, a PI may determine that a portion of the project must be performed by an outside entity (i.e., a subcontract site). Subcontracts need to be established when outside organizations are charged with some scientific or programmatic aspect of the grant or contract made originally to Seton Hall University.

When a sub-award is being proposed, the sub-award recipient must submit a proposal to Seton Hall University that includes a statement of work, a budget and a budget narrative. The Seton Hall University PI will then incorporate materials for the sub-award recipient, including the budget, into her/his proposal. The proposal then goes through the normal approval process at the University and is submitted to the sponsor.

For budget purposes, include the subcontractor's authorized proposal and budget in the main proposal. The total costs for the subcontract site (which consists of their direct costs plus their indirect costs) should be included in the Other Expenses category. The budget justification should address what aspect of the project is to be carried out at/by the subcontract sites.

PIs should be aware that incorporation of a subcontract requires a contractual relationship between the University and the subcontractor. This will require extra time and may necessitate legal and business affairs review. Generally, sub-contracts involving other universities on Federal and State grants may be approved by OGRS. If a private company is involved either as sponsor or as sub-contractor, the "Green Folder" process for legal and business affairs approval must be followed. This process may require several weeks to complete, so PIs should inform OGRS as soon as possible of the need for a subcontract as early in the proposal development process.

#### **4.6.2 Seton Hall as the Sub-contractor**

If a Seton Hall investigator has a collaboration with an outside investigator and the outside investigator serves as the PI for a proposal, Seton Hall becomes the sub-contractor. In this case, the process described above is followed, except Seton Hall provides the proposal to the outside institution. The proposal is prepared according to Seton Hall's policies and procedures (this Handbook) and forwarded following all approvals, to the prime contractor.

As above, OGRS can approve sub-contracts to other universities on Federal and State grants or as a pass-through on a Federal or State grant with a private company. For SHU to be a sub-contractor on an entirely private grant, the "Green Folder" legal and business review process must be followed. This process may require several weeks to complete; therefore, prospective investigators should contact OGRS as early as possible in the development process.

#### **4.7 Cost Sharing**

Funding agencies sometimes require the institution to demonstrate its participation through the contribution of a portion of the funds required for the overall project. Faculty salary, fringe benefits, and indirect costs are often proposed for cost sharing. The policy of the University is to provide cost sharing only if it is required or strongly recommended by the agency. If cost sharing is provided, the cost sharing must be identified along with the account numbers from which the costs are being provided. The Dean or Director approving the cost sharing must approve the cost

sharing and provide the budget codes and amount of the cost sharing before the proposal is submitted.

#### **4.7.1 Federal and State Requirements**

This policy establishes procedures to meet government requirements to report cost sharing to sponsors. It also reflects the May 10, 2004, revisions to Office of Management and Budget (OMB) Circular A-21 regarding the definition of University research. It accounts for more recent revisions to policy on charging for administrative and technical expenses and reflects changes in the accounting treatment for cost sharing.

[http://www.whitehouse.gov/omb/circulars\\_a021\\_2004/](http://www.whitehouse.gov/omb/circulars_a021_2004/).

Under Office of Management and Budget (OMB) Circular A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education and Other Non-Profit Organizations, the federal government defines cost sharing as, “that portion of project or programs costs not borne by the federal government.” Similarly, most State of New Jersey agencies and departments define cost sharing as that portion of the proposed project not borne by the sponsoring agency or department. [http://www.whitehouse.gov/omb/circulars\\_a110/](http://www.whitehouse.gov/omb/circulars_a110/).

#### **4.7.2 Mandatory Cost Sharing**

Mandatory cost sharing is required by the sponsor as a condition of obtaining an award. It must be included in the budget, or the proposal will not receive consideration by the sponsor. A cost sharing requirement may specify either a minimum fixed percentage of non-federal funds or a level of non-federal participation that has been negotiated between the University and the federal sponsor.

#### **4.7.3 Voluntary Cost Sharing**

Voluntary cost sharing is cost sharing committed by the University to participate in a project when cost sharing is not required by the sponsor. Whether the cost sharing is mandatory or voluntary, when an award is received in which cost sharing was proposed, the cost sharing becomes a binding commitment that the University must provide as part of the performance of the sponsored agreement. It is the policy of the University to include cost sharing or matching funds on a grant proposal only when the sponsor either requires or strongly recommends cost sharing.

When a PI proposes, and the University agrees, to cost share University resources, the University is required to provide the stated resources in the performance of the sponsored agreement. Considering the administrative requirements and responsibilities inherent in the cost sharing commitment, the PI, department and school administrators should weigh the cost effectiveness and the expected benefits of each cost sharing commitment, prior to making such commitments.

#### **4.7.4 Sources of Funds for Cost Sharing Expenditures**

When a proposal includes cost sharing, it must have the approval of the academic or administrative unit that provides the resources. All cost sharing on a grant application submitted

on behalf of Seton Hall University must appear on the third page (Cost Sharing Form) of the Intent to Apply for External Funding Form. Each item of cost sharing must be listed with an appropriate account number and amount. The form must be signed by the Dean or Director authorizing use of that account. Seton Hall University PIs wishing to include cost sharing in their budgets should contact OGRS well in advance of the program deadline in order to obtain additional approvals and process any necessary additional paperwork.

Allowable cost sharing may include: Faculty, student or staff effort, fringe benefits, supplies, travel, subcontracts, and tuition, among other costs. Equipment cannot be considered part of cost sharing unless the receipt of the award is contingent upon such cost sharing. F&A and unrecovered F&A costs (if approved by the federal agency), in-kind and third-party contributions can also be used as cost sharing. Existing University-owned equipment, facilities, or amounts in excess of a salary cap should not be used for cost sharing. Existing federal funds cannot be used as matching funds for federal grants.

Identifying and providing resources for cost sharing of direct costs (including equipment) is always the responsibility of the PI. The PI may not utilize funds from another federal award as the source of cost sharing, except as authorized by the statute. The PI may utilize funds from non-federal awards as the source of cost sharing only when specifically allowed to by the non-federal sponsor. Funds for cost-shared expenditures are typically identified from among gift endowment income, operating budget, or other department designated funds.

#### **4.7.5 Third Party Cost Sharing**

If cost sharing obligations are met by a third party, as in the case of in-kind contributions (volunteer services), documentation in the form of a letter from the sponsoring individual or organization should be obtained by the PI. Each letter should include the following information: Period of effort; amount and value of effort for each individual or labor category; a breakdown of salary and benefits; and a statement that the source of support for the effort is not federal and not identified as cost sharing for another project. The PI must approve these letters, indicating that the contribution was received.

Donated supplies, equipment, buildings, land, loaned equipment or space, and other contributions should be valued at the current fair market value or in accordance with the applicable cost principles. The PI is responsible for providing acceptable documentation.

#### **4.7.6 Documenting Cost Sharing**

The University must document all cost sharing whether mandatory or voluntary. The OGA will use the accounts identified on the cost sharing form to keep track of the amount of cost sharing spent during the project period. All cost sharing, whether mandatory or voluntary must be listed on the cost sharing form (the last page of the Intent to Apply for External Funding form).

#### **4.8 Future Years and Revised Budgets**

The period of performance for a proposal routinely consists of the first year and any additional (future) years. It is prudent and advisable to incorporate an increase to the budget categories overall to ensure that there will be adequate funds throughout the life of the project. After

preparing the budget for the initial year, the individual budgets for any future years can be escalated by escalating all of the categories by a flat percentage rate of 3%.

Please note that some agencies, such as the National Institutes of Health (NIH), limit future increases in awards to no more than 3%. Thus, Departments/OGRS may choose to limit categorical requests for future years in proposal budgets for such agencies to 3%.

If you have been asked for a revised, reduced budget, it is wise to also adjust the proposed objectives. If the initial budget is well thought out and justified, it is unrealistic and unwise to try to achieve all objectives on a restricted, downsized budget. You should determine which goals can be achieved realistically within the new funding parameters of the sponsor and explain any adjustments in the budget justification. Revised budgets are to be approved by OGRS before they are submitted to the sponsor.

#### **4.9 General Grant Budgeting Tips**

Budget planning and project planning should proceed hand in hand. Do not wait until you have completed the final draft of the grant narrative to begin the first draft of the budget. If you feel overwhelmed by the task, ask OGRS for help.

Always submit a grant budget that matches your sponsor's instructions in as much detail as requested. Typically, public sponsors will require a budget based on basic line item cost categories, such as salaries, benefits, supplies, equipment, indirect costs, etc. Use the form supplied by the sponsor.

Always draft budgets in Excel; do not develop them in a Word chart using a calculator.

It is important to take the time to develop the budget in detail, whether or not all details are submitted to the sponsor (although most grant applications will benefit from submitting the detail). Detailed planning ensures that important items are not omitted or over-budgeted.

Indirect costs must be budgeted unless the sponsor has disallowed them in writing.

Remember that the University is the grantee. This means that the PI/PD and other University representatives are responsible for spending any funding received according to any and all University, sponsor, and federal and state laws and regulations. This process begins when the grant is developed. OGRS is here to assist in all of these grant management responsibilities.

When a draft budget and budget narrative is ready, email them to OGRS for a review and feedback. Do not wait until the last minute! OGRS will help in finalizing the budget and submitting the Intent to Apply for External Funding Approval Form.

OGRS is happy to assist in budget preparation. Please contact us as early as possible in the proposal preparation process.

#### **4.10 Budget Justification Documents**

Most sponsors require a budget justification to be included with the proposal package and budget. Some require very little detail while others require highly detailed explanations of

every expense. In general, each expense should be explained based on a combination of the project's needs, the sponsor's requirements and University policy.

An example justification for the summer salary payment for a PI example shown above might read: 1-month summer salary is requested for the PI. This is based on 1/9 of an \$81,000 annual salary for a monthly payment of \$9,000. Fringe benefits are calculated per university policy at 9% or \$810, for a total of \$9,810. This will allow to PI to devote one month of time over the course of the year to completing the project.