INSTRUCTIONS FOR PREPARATION OF BUDGET/COST PROPOSAL

1. An offeror's cost data must be current and complete. The proposed funding plan will define the project's estimated costs by cost element for each period included in the plan (see transmittal letter). Proposed costs shall conform to the following principles and procedures:

   Educational Institutions: OMB Circular A-21
   Nonprofit Organizations: OMB Circular A-122*
   Industrial Organizations: Federal Acquisition Regulation (FAR) Part 31 and Defense FAR Supplement (DFARS) Part 231

   *For those nonprofit organizations specifically exempt from the provisions of OMB Circular A-122, FAR Part 31 and DFARS Part 231 shall apply.

2. Definition of Agreement: The term refers to research contracts, grants, and cooperative agreements.

3. The itemized budget/cost proposal must include the following:

   a. Direct Labor: Show the current and projected salary amounts in man-hours, man-months, or annual salary to be charged by the principal investigator(s), faculty, research associates, postdoctoral associates, graduate and undergraduate students, secretarial, clerical, and other technical personnel either by personnel or position. State the number of man-hours used to calculate a man-month or man-year. For proposals from universities, research during the academic term is deemed part of regular academic duties, not an extra function for which additional compensation or compensation at a higher rate is warranted. Consequently, academic term salaries shall not be augmented either in rate or in total amount for research performed during the academic term. Rates of compensation for research conducted during non-academic (summer) terms shall not exceed the rate for the academic terms. When part or all of a person's services are to be charged as project costs, it is expected that the person will be relieved of an equal part or all of his or her regular teaching or other obligations. For each person or position, provide the following information:

      (1) The basis for the direct labor hours or percentage of effort (e.g., historical hours or estimates).
      (2) The basis for the direct labor rates or salaries. Labor costs should be based upon current labor rates or salaries. Rates may be adjusted upward for forecast salary or wage cost-of-living increases that will occur during the agreement period. The cost proposal should separately identify the ratio applied to base salary/wage for cost-of-living adjustments and merit increases. Each must be fully explained.
      (3) The portion of time to be devoted to the proposed research, divided between academic and non-academic (summer) terms, when applicable.
      (4) The total annual salary charged to the research project.
      (5) Any details that may affect the salary during the project, such as plans for leave and/or remuneration while on leave.

   b. Fringe Benefits and Indirect Costs [Overhead, General and Administrative (G&A), Facilities and Administrative (F&A), and Other]: The most recent rates, dates of negotiation, the base or bases, and periods to which the rates apply must be disclosed and a statement included to identify whether the proposed rates are provisional or fixed. If the rates have been negotiated by a Government agency, state when and by which agency. A copy of the negotiation memorandum should be provided. If negotiated forecast rates do not exist, offerors must provide sufficient detail to enable the ARO to determine that the costs included in the forecast rates are allocable according to applicable OMB Circulars or FAR/DFARS provisions. An offeror's disclosure should be sufficient to permit a complete understanding of the content of the rate(s) and how it was established. As a minimum, the submission should identify:

ARO Form 56
(Revised June 1999)
(1) All individual cost elements included in the forecast rate(s);
(2) Bases used to prorate indirect expenses to cost pools, if any;
(3) How the rate(s) was calculated;
(4) Distribution basis of the developed rate(s);
(5) Bases on which the overhead rate is calculated, such as "salaries and wages" or "total costs;" and
(6) The period of the offeror's fiscal year.

c. Permanent Equipment and Facilities: If equipment or facilities are required, a justification why this property should be furnished by the Government must be submitted. State the organization's inability or unwillingness to furnish the facilities or equipment. An offeror must provide an itemized list of permanent equipment or facilities showing the cost of each item. OMB Circular A-110 defines equipment as "any article of tangible nonexpendable personal property including exempt property charged directly to the agreement having a useful life of more than one year and an acquisition cost of $5,000 or more per unit." However, consistent with recipient policy, lower limits may be established. FAR Subpart 45.3 defines facilities as property used for production, maintenance, research, development, or testing. The basis for the cost of each item of equipment or facilities included in the budget must be disclosed, such as:

(1) Vendor Quote: Show name of vendor, number of quotes received, and justification if the intended award is to other than the lowest bidder.
(2) Historical Cost: Identify vendor, date of purchase, and whether cost represents the lowest bid. Include reason(s) for not soliciting current quotes.
(3) Engineering Estimate: Include rationale for quote and reason for not soliciting current quotes.

If applicable, the following additional information shall be disclosed in the offeror's cost proposal:

(1) Special test equipment to be fabricated by the awardee for specific research purposes and its cost.
(2) Standard equipment to be acquired and modified to meet specific requirements, including acquisition and modification costs, listed separately.
(3) Existing equipment to be modified to meet specific research requirements, including modification costs. Do not include equipment the organization will purchase with its funds if the equipment will be capitalized for Federal income tax purposes.

The purchase of non-U.S.-manufactured equipment requires special authorization under the Buy American Act. Time required to process such approvals is approximately ninety (90) days.

Proposed permanent equipment purchases during the final year of an award shall be limited and fully justified.

Agreements may convey title to the institution for equipment purchases with project funds. At the discretion of the Contracting/Grants Officer, the agreement may provide for retention of the title by the Government or may impose conditions governing the equipment conveyed to the organization. The Government will not convey title to commercial/industrial contractors.

NOTE: It is the policy of the DOD that all commercial and nonprofit contractors provide the equipment needed to support proposed research. In rare cases where ARO approves specific additional equipment for commercial and nonprofit organizations, such approved cost elements shall be "non-fee-bearing." In addition, commercial/industrial contractors are precluded from using contract funds to acquire facilities with a unit acquisition cost of $10,000 or less (see FAR 45.302-1).

d. Travel: Forecasts of travel expenditures [domestic and foreign (defined as travel outside the continental U.S., its possessions, and Canada)] that identify the destination and the various cost elements (airfare, mileage, per diem rates, etc.) shall be submitted. The costs shall be in sufficient detail to determine the reasonableness of such costs. Allowance for air travel normally will not exceed the cost of round-trip economy air accommodations. Specify the type of travel and its relationship to the research project. Requests for domestic conference travel must not exceed $2,500 per year per principal investigator. Foreign conference travel requests must not exceed $1,800 each per year per principal investigator. Special justification will be required for travel requests in excess of the amounts stated above and for travel by individuals other than the principal investigator(s). Individuals other than the
principal investigator(s) are considered postdoctoral associates, research associates, graduate and undergraduate students, secretarial, clerical, and other technical personnel. Additional funds may be requested for travel to Army laboratories and facilities to enhance agreement objectives and to achieve technology transfer.

e. Participant Support Costs: This budget category refers to costs of transportation, per diem, stipends, and other related costs for participants or trainees (but not employees) in connection with ARO-sponsored conferences, meetings, symposia, training activities, and workshops. Generally, indirect costs are not allowed on participant support costs. The number of participants to be supported should be entered in parenthesis on the budget form. These costs should be justified.

f. Materials, Supplies, and Consumables: A general description and total estimated cost of expendable equipment and supplies are required. The basis for developing the cost estimate (vendor quotes, invoice prices, engineering estimate, purchase order history, etc.) must be included. If possible, provide a material list.

g. Publication, Documentation, and Dissemination: The budget shall include the costs of preparing, publishing, or otherwise making available to others the findings and products of the work conducted under an ARO agreement. These costs include report expenses; reprints; page charges; other journal costs (except costs for prior or early publication); necessary illustrations; cleanup, documentation, storage, and indexing of data and databases; and development, documentation, and debugging of software.

h. Consultant Costs: The nature of proposed consultant services shall be justified and information furnished on each individual's expertise, primary organizational affiliation, daily compensation rate, number of days of expected service, and estimated travel and per diem costs.

i. Computer Services: The cost of computer services, including computer-based retrieval of scientific, technical, and educational information may be requested. A justification/explanation based on the established computer service rates at the proposing organization should be included. The budget may also request reasonable costs for leasing automatic data processing equipment. The purchase of computers or associated hardware and software should be requested as items of equipment.

j. Subawards: A precise description of proposed services or materials that are subawards must be provided. For subawards totaling $10,000 or more, provide the following specific information:

   (1) A clear description of the work to be performed.
   (2) If known, the identification of the proposed subawardee and an explanation of why and how the subawardee was selected or will be selected.
   (3) The identification of the type of award to be used (cost reimbursement, fixed price, etc.).
   (4) Whether or not the award will be competitive and, if noncompetitive, rationale to justify the absence of competition.
   (5) A detailed cost summary (i.e., cost elements).
   (6) The results of the offeror's cost or price analysis of the subaward's proposed price (applicable only if the award exceeds $1,000,000).

k. Other Direct Costs: Itemize and provide the basis for proposed costs for other anticipated direct costs such as tuition remission, communications, transportation, insurance, and rental of equipment other than computer-related items. Unusual or expensive items shall be fully explained and justified.

l. Fixed Fee and Cost of Money: The fixed fee, if any, which the organization proposes to assess the research project must be included. If cost of money is proposed, a completed Contract Facilities Capital Cost of Money (FCCM) (DD Form 1861) is required.

m. Cost Sharing: Cost sharing shall be allowed in accordance with all federal assistance and acquisition policies and regulations. If the offeror proposes cost sharing, an explanation of the source, nature, and amount shall be provided. Contributions counted as cost sharing toward projects of another Federal agency shall not be counted as cost sharing on the subject proposal.