**Definition of a Budget**
A categorical list of anticipated project costs that represent the Principal Investigator's best estimate of the funds needed to support the work described in a proposal. A budget consists of all direct costs, facilities and administrative costs, and cost sharing commitments proposed.

**Project Costs**
All proposed costs must clearly benefit the project and must be allowable under OMB Circular A-21, sponsor policies, and University policies.

**Budgeting Facilities and Administrative Costs as Direct Costs**
Do not propose as a direct cost any expense that is normally treated as a facilities and administrative cost without adequately documenting in the budget justification the project-specific needs regarding the expense.

**Cost Estimation**
Use generally accepted cost estimation methods such as catalog prices, price quotations, or historical or current costs appropriately escalated.

**Escalation Factors**
Use inflationary or escalation factors as appropriate. The current escalation rate for almost all cost categories is 3%.

**Cost Assignment and Allocation**
When developing a budget, it is necessary to estimate how the project will incur costs during each phase or year. The budget must itemize costs by major cost category for each project year as required by the sponsor's guidelines.

When assigning costs to budget categories, use TAMUCC's major cost categories (i.e., salaries, fringe benefits, supplies, equipment, travel, other direct costs, and facilities and administrative costs), unless a sponsor's budget form or policies require more detailed categorization.

**Documentation**
The principal investigator and/or department must maintain supporting documentation related to project cost estimates (on a proposal-by-proposal basis) for negotiation and audit purposes. This documentation should clearly describe or demonstrate the processes, methods and data used to estimate project costs.
Examples of supporting documentation include:
- Current University salary and wage scales
- Projected merit increases for personnel costs and the periods to which they apply
- Source of the benefit rate used (composite or actual rate)
- Vendor quotes
- Catalog prices
- Historical records indicating the supply/material costs incurred for like projects