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TO: All Deans, Faculty and Business Managers
FROM: Michael J. Pazzani
DATE: September 8, 2006
RE: Tuition and Facilities and Administrative Costs in Proposal Budgets

This memo is intended to clarify Rutgers' policy for including tuitions and facilities and administrative costs in budgets for sponsored research/service grants and contracts. This policy insures that Rutgers processes are in compliance with various federal regulations that require consistent application of costs to all sponsored activities .

Facilities and Administrative Costs

Facilities and Administrative (F&A) costs, also known as indirect costs or overhead, are those costs associated with the infrastructure that supports the research enterprise (e.g., buildings and their maintenance, accounting, libraries, etc) and which cannot easily be determined for each project. F&A rates are negotiated with the U.S. Department of Health and Human Services. Rutgers requires that F&A costs are included in all grant and contract proposal budgets, including contracts and grants from corporate sponsors.

A few federal government agencies, and many state government agencies and non-profit organizations, have a cap on indirect cost rates that is stated clearly in their published guidelines. The university may accept a lower F&A cost rate, including no F&A charges, under the following conditions:

- The sponsor is a federal, state or local government agency that, by agency policy or legislation, will not pay the university's F&A rate, and this policy is published in agency guidelines and is applied uniformly to all award recipients.
- The specific call for proposals requires a lower F&A rate and the rate is applied uniformly to all award recipients.

- The sponsor is a private, not-for-profit organization, that has an official written policy of paying an F&A cost rate lower than the university's rate, and the rate is applied uniformly to all award recipients.

When a sponsor's F&A rate is lower than the University's approved rate, the rate is applied to all costs (Total Direct Costs, not Modified Total Direct Costs), unless the sponsor specifically excludes certain categories.

Tuition and Fees for Graduate Assistants

Tuition and fees for all graduate assistants must be included in the proposal budget as a direct cost.

All Funds Budgeting

With the inception of all funds budgeting, a portion of the tuition is returned to the unit(s) in which a student is enrolled and takes courses. Similarly, a portion of the indirect costs is returned to the PI's unit. Both of these returns are designed to create incentives for sponsored research and to support local administrative costs needed by sponsored research.