



Office of Research and
Economic Development

To: All Deans, Faculty, and Business Managers

From: Diane Ambrose
Director, Research and Sponsored Programs
Office of Research and Economic Development (ORED)

Date: July 10, 2019

RE: Application of F&A Costs on Sponsored Programs

This memo is a restatement of longstanding Rutgers policy regarding inclusion of facilities and administrative (F&A) costs in budgets for externally sponsored projects. This policy ensures that Rutgers processes comply with federal regulations that require consistent application of allowable, allocable and reasonable costs to all sponsored program 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 that cannot be easily determined for each project. These costs include buildings and their maintenance, libraries, and administrative services, such as payroll, human resources, and research office services. The F&A rates, along with Rutgers' fringe rates, are negotiated with the U.S. Department of Health and Human Services (DHHS). Rutgers requires that the appropriate F&A rate and fringe rates be applied to all grant and contract budgets, including contracts, cooperative agreements, and grants from federal sponsors, corporate (for profit / private) sponsors, foundations, state sponsors, and any other non-profit sponsors, and that F&A costs be recovered to the maximum extent possible. The F&A rate applied to each budget will depend on the type of work being done (e.g. research, training, other sponsored activity) and where the majority of the expenditures will occur (e.g. on- or off-campus).

Current rate agreements are available on the Division of Cost Analysis and Reporting website at <https://costanalysis.rutgers.edu/federal-rate-agreements>. In addition, Research and Sponsored Programs has budget templates available to assist in the development of a budget that apply the correct F&A rates, as well as a helpful matrix to assist preparers in determining which F&A rate is appropriate for the proposed work. These tools are available at: <https://orsp.rutgers.edu/budget-preparation-0>

Acceptance of Lower F&A Rates

Rutgers will accept a lower F&A rate when the sponsor has clear, published guidance imposing restrictions on F&A (or "indirects"/ "overhead") and such restrictions are uniformly applied by the specific sponsor to all award recipients. Note that "published guidance" may appear on a sponsor's website, within the sponsor's opportunity announcement, or within the award notice or agreement itself. When a sponsor's published rate is lower than Rutgers' approved rate, the allowable F&A rate is

applied to all costs (Total Direct Costs, or TDC), unless the sponsor specifically excludes certain categories. In these cases, a formal F&A waiver or reduction request is not required.

New Jersey State-sponsored projects are subject to a modification of the above policy, depending on the source of the funds supporting the work. If the primary source of funding is state funds, then Rutgers can accept an F&A rate of 10% or more on TDC, unless the sponsor excludes certain categories. However, if the primary source of funding is federal funds flowed down through the state, then Rutgers' federally negotiated rate(s) must be budgeted.

Waiver Process

In the absence of a sponsor's published policy that is uniformly applied to all awardees, a Principal Investigator (PI) may request a waiver of Rutgers' federally negotiated F&A rate by completing the "Request for Reduction or Waiver of Indirect Costs Associated with a Sponsored Research Program" form available at <https://orsp.rutgers.edu/sites/orsp.rutgers.edu/files/Documents/Forms/IDC/IDC%20Reduction-Waiver%20140708%20Final.pdf>. The form must be completed in its entirety and must be signed by the PI, the Department Chair/Institute Director, and the Dean before being sent to the Office of Research and Economic Development (ORED) for review and approval. The form must include an acceptable justification for the reduction or waiver of F&A along with a proposed budget. The complete package may be submitted to proposal_exception@rutgers.edu for consideration. Please allow at least 10 business days for review. No proposal and/or agreement involving reduced F&A costs will be submitted or signed, respectively, with any sponsor prior to approval by ORED.

Contacts for Questions

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