

POLICY

Purpose: To define special conditions and procedures for exception to recovery of SURA's federally negotiated overhead rate.

Effective Date:

Definitions:

Federally Negotiated Overhead Rate – SURA annually negotiates an overhead rate with the Office of Naval Research (ONR) which is applied uniformly to all sponsored programs. All proposals, contracts, and grants must include the applicable negotiated overhead rate within the total estimated cost or fixed price. The current rate agreement is available on the Office of Sponsored Programs website ().

Modified Total Direct Cost base (MTDC) - Defined in the Rate Agreement. For SURA, MTDC includes salary/wage costs, including fringe benefits, materials, other direct expenses (such as services), travel, and the first \$25,000 of a subaward, but excludes capital equipment and that part of a subaward over \$25,000.

Overhead Rates or Facility and Administrative (F&A) Costs – These are costs associated with the expense of doing business and are essential to the support and expansion of SURA activities. They include items such as rent, utilities, depreciation, administrative and clerical salaries and supplies, local phone calls, and individual memberships and subscriptions.

Necessity for Policy: Ideally, the federally negotiated rates will be applied uniformly to all federal and private funding sources. However, the federal government does not **require** that negotiated rates apply to all agencies and agreements but suggests that they **should** apply "...subject to any statutory or administrative limitations..." Occasionally, special circumstances apply to a sponsored project that require a reduction in the overhead recovered.

Special Circumstances for Exception to Federally Negotiated Rates:

1. Limit Imposed by Sponsoring Agency Policy. Some federal, state, and private sponsors impose an F&A cost rate that is below the federally negotiated rate. Many private foundations limit or exclude overhead as a matter of policy. In effect, they are requiring the recipient organization to agree to share in the cost of performing the proposed work, even though this is not stated formally as "cost sharing".

2. Competitive Reduction. Some sponsors may ask for consideration in the form of a lowered indirect cost rate, even though this may not appear in a stated policy. It may be stated or implied by the sponsor that other competitors for the funding are willing to accept a lower rate and that SURA must also be willing to give up something in this area to remain competitive
3. Seed Funding. Small, pilot grants that are intended to get a new PI started in a research area or help an established PI begin working in a new field. It may be in the SURA's best interests to preserve the direct cost expenditures and reduce the recovery of indirect costs.

Procedure for securing a reduced overhead rate:

When a staff member feels there is a justification to propose an F&A cost rate at less than SURA's negotiated rate in effect at the time, a written waiver must be requested. The waiver must be approved by the Program Director, the CEO, and ultimately by OSP **prior to submitting the proposal**. In those cases where a limit is imposed by the sponsoring agency, a copy of their written policy on this issue must accompany the application. Rate negotiations with a sponsor will be undertaken by OSP in conjunction with the PI and final authority to accept a lower rate remains with OSP.