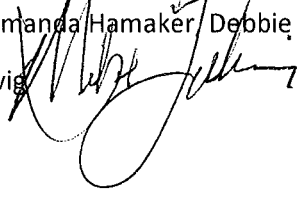


Sponsored Program Services

To: Randy Bryant, Amanda Hamaker, Debbie Horton, Mary Millsaps, Becky White, Stephanie Willis
From: Michael R. Ludwig 
Date: January 4, 2010
Re: DOD F&A Cap

The DOD appropriations Act for FY 2008 included a restriction on paying indirect costs on contracts, grants and other agreements in excess of 35% of the total cost of a project. Previously, this cap did not affect Purdue University since our rate of 52.5% was already below the 35% cap. However, with the recently announced increase to 54%, there may be situations where the cap must be considered. The following provides instructions for managing the DOD cap.

- Projects with F&A rates of 54% may be affected by the cap depending on the composition of direct costs that are F&A eligible (e.g., salaries, supplies) versus F&A non-eligible (e.g., equipment, fee remissions, subawards > 25K)
- The cap is applicable to DOD funded contracts, grants and cooperative agreements funding "basic research". This includes funds from "Budget Activity 1" (i.e. 6.1 funds). Awards made from DOD budget activities 6.2 (applied research) and 6.3 (development) are not affected.
- Proposals requesting funds from DOD should be prepared based on the guidance provided in SPS Instruction No. 1 dated January 4, 2010 (i.e., there should be no special budget considerations made to adjust for the cap).
- The awarding agency will be responsible for any adjustments to the budget proposal due to the cap restrictions. In situations where the award amount is not adjusted, the institution is still responsible for managing the award within the cap. The institution may rebudget F&A costs in excess of the cap to an allowable direct cost category.
- In cases where the cap is applicable, the F&A rate on the award should be established at 53.8% MTDC.

Please let me know if you have any questions regarding the DOD cap.

cc: Lucia Anderson
Peter Dunn
John Shipley
Ken Wilson