To: Deans, Directors and Heads of Schools, Divisions, Departments and Offices

From: James S. Almond, Sr. Vice President for Business Services and Assistant Treasurer
      Richard O. Buckius, Vice President for Research

Date: March 18, 2014

Re: Facilities and Administrative (F&A) Cost Rates

The Federal government has approved new F&A cost rates for Purdue University sponsored programs conducted at the West Lafayette Campus which take effect July 1, 2014 and continue through June 30, 2017. The new rates are provided in the attached document along with implementation guidance.

The University has a long standing practice to not negatively impact the direct costs available to spend on sponsored projects awarded and proposed prior to the change in F&A rates. The implementation guidance provided follows that principle. In addition, the University plans to allocate additional revenue generated from the application of the new rates to the Research Incentive Fund allocation pool, so that researchers will benefit directly from the increase in F&A rates.

Please feel free to share this information with your faculty.

Attachment

cc: Principal Investigators
    Directors of Financial Affairs
    Business Managers
    Business Assistants
    Account Assistants
    SPS Staff
PURDUE UNIVERSITY
SPONSORED PROGRAM SERVICES

(Supersedes F&A Instruction dated January 6, 2010)

West Lafayette Campus Facilities and Administrative (F&A) Cost Rates

FACILITIES AND ADMINISTRATIVE COST RATES

The Federal government has approved the new F&A rates for Purdue University sponsored programs conducted at the West Lafayette Campus for the four (4) year period beginning July 1, 2013, and ending June 30, 2017. The rates for this period are the result of a detailed analysis of research costs recovered through the F&A rate during FY 11-12 and subsequent review by Federal officials. It is important to note that the final approved rates are less than the actual costs calculated due to a regulatory cap on administrative expenses and negotiations between the University and Federal negotiators regarding the facilities costs. The rates are:

<table>
<thead>
<tr>
<th></th>
<th>On-Campus F&amp;A Cost Rates</th>
<th>Off-Campus F&amp;A Cost Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Research</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>07/01/13 - 06/30/14</td>
<td>54.0%</td>
<td>26.0%</td>
</tr>
<tr>
<td>07/01/14 - 06/30/17</td>
<td>55.0%</td>
<td>26.0%</td>
</tr>
<tr>
<td><strong>Instruction</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>07/01/13 - 06/30/14</td>
<td>52.0%</td>
<td>26.0%</td>
</tr>
<tr>
<td>07/01/14 - 06/30/17</td>
<td>54.0%</td>
<td>26.0%</td>
</tr>
<tr>
<td><strong>Other Sponsored Programs</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>07/01/13 - 06/30/14</td>
<td>36.0%</td>
<td>26.0%</td>
</tr>
<tr>
<td>07/01/14 - 06/30/17</td>
<td>38.0%</td>
<td>26.0%</td>
</tr>
</tbody>
</table>

The above rates are expressed as a percentage of modified total direct costs (MTDC) and will remain in effect for the four (4) year period specified.
A. ADMINISTRATION OF CURRENT AWARDS

All awards made prior to January 31, 2014, will remain at their current rate until those projects are competitively renewed.

B. BUDGET PREPARATION

For budget proposal preparation purposes, effective immediately, project budgets should be prepared using the rates cited above.

1. Research Projects

   a. Research funding requests for new and competing renewals having a start date prior to July 1, 2014, will be budgeted using the current rate (54.0%) for those costs to be incurred prior to July 1, 2014, and using the new rate (55.0%) for those costs to be incurred after July 1, 2014.

   Sponsors may request revised budgets for new and competing renewal proposals submitted prior to the issuance of these instructions. F&A costs for these revised budgets will be calculated using the same budgeting principles as described above.

   b. Research funding requests for (1) non-competing continuations, (2) supplemental funding within a funded period and (3) incremental funded contracts will include in the budget an amount for F&A costs computed at the F&A cost rates used by the sponsor and University when establishing the recommended funding level for the period.

2. Instruction/Training Projects

   a. Proposals requesting funds for academic year training programs, summer institutes or the development and introduction of new or expanded courses and similar instruction-oriented undertakings should request funding for F&A costs budgeted using the current rate (52.0%) for those costs to be incurred prior to July 1, 2014, and using the new rate (54.0%) for those costs to be incurred after July 1, 2014.

3. Other Sponsored Projects

Other sponsored projects apply to those programs, which are neither of a research nor instructional nature but are for the support of service or technical assistance programs.

   a. Proposals prior to July 1, 2014 requesting funds for the support of Other Sponsored Projects should request funding for F&A costs budgeted using the current rate (36.0%) for those costs to be incurred prior to July 1, 2014, and using the new rate (38.0%) for those costs to be incurred after July 1, 2014.

4. Off-Campus Projects

   a. The off-campus rate of 26% should be used when the project is to be conducted at an off-campus site in facilities not owned by the University and to which rent is directly
allocated to the project(s). The off-campus rate is applicable to projects or parts of projects conducted at an off-campus site for a full semester or summer session. Projects which have both on-campus and off-campus activities lasting a semester or longer shall apportion the costs between on-campus and off-campus components. Each portion will bear the appropriate rate.

The above rates apply to Federal projects and to projects funded by non-Federal sponsors such as State, local, and foreign governments. These rates also apply to non-governmental Contract Support as defined by the Policy for Classification, Administration and Reporting of Non-Governmental Support (II.B.6). The rates set forth herein are not applicable to those awards classified as Voluntary Support in accordance with this same policy. Separate guidance is also applicable to corporate sponsored Applied Research.

If sponsor regulations limit F&A cost reimbursement, the limitation should be discussed with Sponsored Program Services before the budget is prepared and submitted through regular University channels for approval.

C. STATUS OF PENDING PROPOSALS PREVIOUSLY SUBMITTED TO A GRANTING AGENCY

The Department of Health and Human Services' Division of Cost Allocation will notify appropriate Federal, fiscal and administrative offices of the new facilities and administrative cost rate. Awards should be made based on the new approved rate. In the event an award is made using the prior rate, the University will accept and charge based on the rate included in the award.

If you have questions concerning these instructions, please contact either the appropriate Sponsored Program Services Account Manager or your Business Manager.