

**MEMORANDUM**

To: Directors, Department Heads, Principal Investigators  
 From: Deans Council  
 Date: June 22, 2006  
 Re: Overhead (F&A) Rates for FY 07 and estimated rates for FY 08

Stevens has just completed negotiations with its cognizant audit agency, the Office of Naval Research, with respect to Stevens' overhead rates for FY 07. There are increases in each of the rates that reflect actual expenses of the Institute. The final rates for FY 06 and FY 07 and estimated rates for FY 08 are as follows:

**FY 06**

<b>Steeple*</b>	<b>Capped</b>	<b>34.8% MTDC**</b>
	<b>Uncapped</b>	<b>34.8% MTDC</b>
<b>Non-Steeple</b>	<b>Capped</b>	<b>35.6% MTDC</b>
	<b>Uncapped</b>	<b>43.0% MTDC</b>

**FY 07**

<b>Steeple*</b>	<b>Capped</b>	<b>45.1% MTDC</b>
	<b>Uncapped</b>	<b>49.2% MTDC</b>
<b>Non-Steeple</b>	<b>Capped</b>	<b>45.1% MTDC</b>
	<b>Uncapped</b>	<b>49.5% MTDC</b>

**FY 08 (estimated)**

<b>Steeple*</b>	<b>Capped</b>	<b>51.1% MTDC</b>	OSR recommends that these rates be used for outyears of proposals being submitted on or after 7/1/06
	<b>Uncapped</b>	<b>55.2% MTDC</b>	
<b>Non-Steeple</b>	<b>Capped</b>	<b>51.1% MTDC</b>	
	<b>Uncapped</b>	<b>55.5% MTDC</b>	

**Implementation**

For all current awards, the rate charged in FY 06 will continue to be charged through the end of the award or competitive segment of the award, whichever comes first. All new awards negotiated or effective on or after 7/1/06 will be charged at the FY 07 rate, even though the proposal used the lower rates. Where possible, OSR will endeavor to negotiate additional funds to offset these increased costs. This implementation adheres to the requirements of OMB Circular A-21 (Cost Principles for Educational Institutions). The excerpt from A-21 is attached. Please note that if additional funds are not available from a sponsor, there will need to be rebudgeting or a reduction in scope. In extraordinary hardship situations **only**, investigators may seek partial relief through application to the appropriate dean and then OSR official.

\*Steeple: Rates for sponsored agreements performed by Stevens' Research Centers, which include Highly Filled Materials Institute, Center for Environmental Engineering, Center for Improved Engineering and Science Education, Design & Manufacturing Institute, Davidson Laboratory and Advanced Telecommunications Institute.

\*\*MTDC (Modified Total Direct Costs) consists of salaries and wages, fringe benefits, materials and supplies, services, travel, and subgrants and subcontracts up to the first \$25,000 of each subgrant or subcontract (regardless of the period covered by the subgrant or subcontract). Equipment, capital expenditures, charges for patient care and tuition remission, rental costs, scholarships, and fellowships as well as the portion of each subgrant and subcontract in excess of \$25,000 are excluded.

Fixed Overhead Rate requirement of OMB Circular A-21:

Funding agencies shall use the negotiated rates for F&A costs **in effect at the time of the initial award throughout the life of the sponsored agreement.** “Life” for the purpose of this policy means each competitive segment of a project. A competitive segment is a period of years approved by the funding agency at the time of the award.

Definition and Interpretation:

“Time of the Initial Award” is the effective date of the agreement, not the execution date

“Life of the Sponsored Agreement”

- (a) If the federal agency has committed to a multiyear award and has provided the allocations and/or estimated funding for the individual outyears, then the rate should be fixed for the life of the agreement.
- (b) If the federal agency has committed to a multiyear award but only provides funding for the first year and then requires/requests a proposal for the next year, then only the first year is fixed and the next is established at the rate in effect at the time of the next year’s award.
- (c) If submitting a proposal for a supplement to an existing award that does not extend the period of performance, then the proposal for the supplement should contain the rate established for the existing award.