



THE FLORIDA STATE UNIVERSITY

Office of the Vice President for Research
3012 Westcott North
Tallahassee, Florida 32306-1330
Telephone: (850) 644-9694, FAX: (850) 645-0108

March 8, 2013

Dear Colleagues,

On January 14, 2013, the National Science Foundation (NSF) revised its Grant Proposal Guide to reflect changes in operational policies relative to the award of grants and agreements to Institutions of Higher Education. The change that will have the most significant impact to some programs at FSU addresses the indirect cost rate which must be used when submitting new proposals to NSF. The new guidance requires NSF to use an Institution of Higher Education's federally negotiated indirect cost rate when awarding projects.

In addition, there is currently an initiative being coordinated among federal agencies and the Office of Management and Budget (OMB) to combine, revise, and simplify all circulars governing expenditures of federal funds for research and other activities funded by the federal government. A part of this initiative is the adoption of the standard requirement that all federal agencies use a recipient's federally negotiated rate when making awards to that recipient.

The applicable section from the new NSF guide is highlighted below:

Except as noted in [GPG II.C.2.g.\(v\)](#) and [II.D.9](#), or in an NSF program solicitation, the applicable indirect cost rate(s) negotiated by the organization with the cognizant negotiating agency must be used in computing indirect costs (F&A) for a proposal. The amount for indirect costs should be calculated by applying the current negotiated indirect cost rate(s) to the approved base(s). To read this section in its entirety, see GPG Chapter II.C.2.g. at: <http://www.nsf.gov/pubs/policydocs/pappguide/nsf13001/gpgprint.pdf>.

The rationale behind these changes is that some universities have been perceived by federal agencies (and others) as having an unfair advantage when submitting proposals using a rate lower than their negotiated rate. Also, when a lower rate is used, the NSF views the difference between the negotiated rate and the applied rate as voluntary cost-sharing which is prohibited in most of its programs. From the NSF perspective, this new policy will level the playing field and individual proposals will be evaluated on the basis of scientific merit.

Ever since FSU last negotiated its rate agreement with our cognizant audit agency (Department of Health and Human Services, (DHHS)), we have been using an applied rate which is lower than our federally negotiated rate. We have, for the purposes of indirect cost calculations in proposals, also been defining equipment as items with a value of \$1,000 or higher. After consulting with the NSF and a number of other universities, it is clear that we have no choice but to move forward by modifying our current practices.

Due to the recent mandate by the NSF and to bring FSU in line with the new OMB circular initiative, **effective immediately**, indirect costs should be calculated using FSU's federally negotiated rates applied to the approved base for all new federally funded proposals leaving the university. The change in indirect cost rates will be applied to all federal or federal flow-through proposals, regardless of agency. In practical terms, this means that for on-campus research projects at FSU the indirect cost rate will be 51.3% modified total direct costs (MTDC). For all FSU negotiated rates go to:

<<http://www.research.fsu.edu/contractsgrants/documents/rateagreement.pdf>>. In addition, for +the purposes of MTDC calculations equipment items excluded from indirect costs should be those items only costing \$5,000 or more.

I fully appreciate that we are in a very challenging federal contract and grant environment and I regret we are forced to deal with these federal directives at this time. However, failure to comply may result in proposals being returned without review for technical reasons. We will make every effort to mitigate the impact of these changes, consistent with agency policy and regulations.

As always, I am available to discuss this issue or any other matters.

Best wishes,

A handwritten signature in black ink, appearing to read "Gary K. Ostrander". The signature is fluid and cursive, written over a light gray rectangular background.

Gary K. Ostrander
Vice President for Research and Professor