Carnegie Mellon

F&A Waiver Guidelines

Purpose:
The purpose of these guidelines is to set forth circumstances and to establish a procedure for requesting a reduction in or waiver of indirect costs on a sponsored project. CMU's policy is to recover full F&A costs whenever possible. It is important to collect full F&A costs, especially from the federal government and private sponsors to offset the real costs of conducting sponsored projects. However, CMU recognizes that some sponsors require or strongly recommend a waived F&A rate. Therefore, a reduction in or waiver of F&A costs may be allowed under certain circumstances.

Background:
The practice of providing indirect cost return to recipients of research, training and demonstration grants originated with the United States government. Government officials recognized that it is not possible for prospective grantees to accurately proportion the organization's overhead costs among its various, and often numerous, activities and funded projects. F&A costs are those incurred by an organization which is necessary to the general operation of the organization. These are the costs of operating the facilities and may include costs of maintenance, depreciation, general and departmental administration, utilities, accounting and purchasing services, research and grants administration and accounting services, library operations, etc.

In recognition that such F&A costs are real costs of doing business, the process of negotiating indirect cost rates was developed as a means to provide reimbursement to grantees for these supportive services. Grantee organizational expenditures are grouped into indirect cost pools and then distributed to appropriate organizational activities in a cost allocation process. This information is presented by the grantee organization to one of several agencies empowered to negotiate a federal indirect cost rate. CMU's F&A rate is negotiated and established annually with The Office of Naval Research (ONR).

The Grantee's fiscal information is analyzed by federal officials to determine the allowable F&A rates, which are expressed as percentages. They are usually applied to the "modified total direct costs" (MTDC) base, which excludes certain expenditure categories such as certain subcontract expenses and capital outlay.

Although a grantee organization may negotiate an F&A rate, it is not guaranteed that rate on every project. The rate is negotiated at the federal level, but not all federal agencies reimburse the full amount for all federal funded projects. Further, policies on indirect costs vary widely among state, regional and local governmental agencies and public and private non-for-profit organizations. Often, both large and small private and
corporate foundations will not reimburse indirect costs. They may, however, pay an “administrative fee” to offset some of the overhead costs of the recipient institution. However, corporate sponsors who are expected to benefit financially from sponsored research should be willing to pay the institution’s full indirect cost rate.

Criteria for Indirect Cost Reduction or Waiver:
CMU may consider a reduction in or waiver of indirect costs in the following situations:
1. The sponsoring agency’s instructional policies restrict or prohibit payment of full indirect costs.
2. Approval provided by the CMU Provost (copy of written approval required.)

Procedure for Requesting F&A Cost Reduction or Waiver
1. The Office of Sponsor Programs (OSP) is responsible for processing F&A waivers.
2. Principal Investigators (PI) are not authorized to negotiate a reduction or waiver of F&A with the sponsor without the prior approval of the OSP. Should need for negotiation be anticipated, the investigator should contact OSP well in advance of budget development and proposal submissions.
3. If the sponsoring agency’s institutional policies restrict or prohibit payment of full F&A costs, a written copy of the restriction must be provided to OSP, at the time the proposal is submitted for institutional review and approval.
4. If the PI wishes to seek an internal, reduction in or waiver of F&A costs, he/she must submit a written request on the attached form to the Provost prior to finalizing the project budget. The Provost will review the justification, assess the potential impacts on the institution, consult with OSP as necessary, and determine if the request will be approved. The request must be submitted to the Provost five (5) working days before the sponsor submission date. The PI must include a copy of the approved waiver request with his/her proposal submission.
A suggested format for your F&A request:

To: Mark Kamlet  
Signature __________________________ Date: __________________________

Via: (Enter Dean/VP Name) Dean/VP  
Recommended: ___ Yes ___ No  
Signature __________________________ Date: __________________________  
(Enter Department Head/Director Name) Department Head/Director  
Recommended: ___ Yes ___ No  
Signature __________________________ Date: __________________________

From: (Enter PI Name) Principal/Lead Investigator  
Signature __________________________ Date: __________________________

Subject: F&A Waiver Request

All sponsored research projects are required to use the applicable federally negotiated Facilities and Administrative (F&A) rate. This policy was established to ensure that total costs of a sponsored project are budgeted and received from external sponsors. Waiver of this policy results in the university subsidizing externally funded projects and could result in the inability for the university to recover those subsidized costs in future years.

The following is my request for a waiver of full F&A cost and justification for the university subsidizing the following project:

Proposal number:

Proposal Title:

Funding Agency:

Activity Type: ___ Sponsored Research ___ Other Sponsored Project ___ Educational

The total full F&A dollar amount for this project would be: $

Dollar amount of the total F&A that sponsor will pay: $

Dollar amount of the total F&A that the college and/or department will be pay using alternative funds: $
Alternate funds come from these sources:  
Amount: $ is from account number ________  
Amount: $ is from account number ________
The dollar amount and % of the total F&A that sponsor will pay: $ %

Dollar amount of the total F&A requested for waiver consideration from Provost: $

Attach your budget justification to this form (no more than one page) and the proposal budget. Be sure to state the reason why CMU should subsidize/invest in this project.

Some examples:
1. The total funding available from the sponsor is relatively small or a predetermined, fixed amount and the full recovery of F&A from the dollars available would make implementation of the project extremely difficult.
2. The likelihood that an award would be seriously jeopardized without a waiver and the potential effect of the loss on the faculty member’s overall research program.
3. The waiver may significantly benefit new or junior faculty members or support research efforts in new directions which otherwise might not be sufficiently developed to attract typical peer-reviewed awards.
4. The effect of a waiver may increase direct costs available for student support.

Please note that historical precedence is not justification by itself for a waiver. CMU is primarily interested in learning how this work will to lead to growth or research activities and lead to future fully-burdened research proposals.