Application of the FY11 Provisional Rate Agreement

On August 25, 2010 the University announced that Stanford and the Office of Naval Research (ONR) have signed a provisional agreement for Facilities and Administrative (Indirect Cost) rates for University fiscal year 2011. Below is additional information on the application of the rates. As a reminder, these provisional rates are temporary rates. We expect the final F&A rates for both FY2011 and FY2012 to be in place in the near future. Please note that the final rates may be different than the provisional rates.

COMPETITIVE AWARDS: Performance start date September 1, 2010 – August 31, 2011 and beyond

1. Projects with period of performance start dates in FY2011 (September 1, 2010 -August 31, 2011) will use the provisional FY11 rates (for example 58% for on campus research; 60% for on campus sponsored instruction, 40% for on campus other sponsored activity). The rate used applies to the entire awarded period. For start dates beyond FY11, continue to use the FY11 rates until the FY12 rates are negotiated.

Example 1 -Competitive awards issued on or after August 23, 2010 for projects with performance start dates in FY11 (Sept 1, 2010 – Aug 31, 2011): These awards should reflect the FY11 rates. The rate used applies to the entire competitive segment. In the cases where the rates increased (for example, on campus sponsored instruction increased from 54% to 60%, or on campus other sponsored activity increased from 32.5% to 40%), investigators should work with their institutional representative (OSR or RMG) to contact the sponsor to request the award be revised to reflect the higher F&A rates. If the sponsor does not award the higher rates, rebudgeting from direct costs into indirect costs will be necessary to support the higher F&A costs. In the cases where the rate decreased (for example, on campus research decreased from 60% to 58%), consult with your institutional representative on the terms of the award and the sponsor’s guidelines to determine if rebudgeting the excess indirects to direct costs is allowable. This may require prior approval from the sponsor.

Example 2 -Competitive awards issued before August 23, 2010 for projects with performance start dates in FY11 (Sept 1, 2010 – Aug 31, 2011): These awards will need to be corrected to reflect FY11 rates. OSR will automatically make an adjustment in Oracle Financials to burden the awards with the new provisional FY11 rates. In the cases where the rates increased (for example, on campus sponsored instruction increased from 54% to 60%, or on campus other sponsored activity increased from 32.5% to 40%), investigators should work with their institutional representative to contact the sponsor to request the higher F&A rates. If the sponsor does not award the higher rates, rebudgeting from direct costs into indirect costs will be necessary to support the higher F&A costs. In the cases where the rate decreased (for example, on campus research decreased from 60% to 58%), consult with your institutional representative on the terms of the award and the sponsor’s guidelines to determine if rebudgeting the excess indirects to direct costs is allowable. This may require prior approval from the sponsor.

Performance start date before September 1, 2010 with an award issue date on or after August 23, 2010

2. For competitive awards received after August 23, 2010 that reflect a start date before September 1, 2010, the SoM has agreed to a waiver that allows both the FY 10 and FY 11 rates to be applied.

Example: A research proposal is submitted on 11/5/2009 with a start date of 7/1/2010. There is a delay by the sponsor in issuing the award. The award is finally issues by the sponsor on 9/15/2010. Given that the start date is 7/1/2010, the budget should reflect 60% for on campus research for the life of the award. However, SoM has agreed to a waived rate of 58% for FY 11 and onward (because we do not have a rate in place for FY12 and beyond). This rate is in effect for the life of the award. This waiver only applies to the research on campus rate which decreased in FY11 as compared to FY10. IMPORTANT NOTE: As mentioned at the beginning of this document, the current rate agreement reflects provisional rates for FY11. When the final FY11 rates are negotiated, the final rates may be different than the provisional rates. If that is the case, the rates applicable to competitive awards with start dates in FY11 will need to be adjusted accordingly.