

**College of Engineering**  
**Indirect Costs (F&A/Overhead) Rates Policy**

**Federal**

All projects to Federal sponsors are expected to recover the full, federally negotiated indirect costs rate unless the rate is limited by a specific program. We will accept the reduced rate as long as the rate is published and applicable to all applicants.

**Industry/For-Profits**

All projects to Industry sponsors are expected to recover the full, federally negotiated indirect costs rate. We will accept a reduced rate only when there is a competitive announcement in which all applicants are held to the same published rate.

**Foundations and Non-Profits**

A Non-Profit's standard published rate will be acceptable as long as it is accessible in the terms and conditions, guidelines, and/or entity by-laws. If there is no published rate, 20% should be applied. Emails, phone calls, letters, or other communication from the sponsor will not be accepted as a standard published rate.

**Standard Exceptions** *(do not require an indirect cost waiver)*

- **Phase 1 SBIR/STTR** projects will be waived to 21.4%. *(SBIR/STTR phase 1 projects submitted to NSF are charged the full federal rate as NSF considers the lower rate to be unallowable cost share)*
- **Chip Fabrication** will be waived to 21.4% when the fabrication costs are \$5,000 or greater. *"Integrated circuit fabrication (chip fab) is a specialized sequence of processing steps used to create integrated circuits. Each unique integrated circuit design is created in one of our research labs and shipped to a highly specialized fabrication facility for processing. Fabrication facilities each specialize in unique processes that typically require two to three months to complete. IC designs are tailored to a specific fabricator, chosen at design time, as performance is highly dependent upon the fabrication process. Once a design is fabricated, the IC cannot be changed and will only implement the one designated function."*

**Notes:**

*If the standard expected rate cannot be used, an indirect cost waiver request will need to be submitted prior to the PAF being routed. The Waiver Request can be found on the ADRGE website <http://adrqe.engin.umich.edu/>*

*Awards solicited by faculty who contact the sponsor directly must still adhere to this policy. Sponsors may often call an award a "gift" but if there is a set time frame, itemized budgets, and/or deliverables, the University will consider this a sponsored project and indirect costs will be applied. Therefore, faculty should include indirect costs when discussing budgets with sponsors.*