Dear colleagues,

Lehigh recently concluded negotiations with the Office of Naval Research (ONR) for our facilities and administrative (F&A) rates for fiscal years 2025 through 2027. Under the agreement with ONR, which negotiates with Lehigh on behalf of all U.S. federal funding agencies, Lehigh’s F&A rates are increasing from 61% to 65% for on-campus organized research and from 55.76% to 59.73% for on-campus instruction. Our rate for other sponsored activities has decreased from 44.6% to 38.39%. Indirect cost rates will remain the same for off-campus activities at 26%.

These new rates take effect beginning July 1, 2024, and will remain in place through June 30, 2027. The new rates are applicable to all future federal and non-federal awards. Existing awards continue to be assessed at the F&A rate in effect at the time they were received. All future proposals will be submitted using the new rates unless prohibited by the sponsor.

Lehigh has not had a rate increase since fiscal year 2010, when our 61% on campus organized research rate was negotiated.

The administrative component of the F&A rate is unchanged at the capped rate of 26%, while the facilities component is increasing from 35-39%, accounting for the increase in the overall rate. Rates increase for various reasons. Specifically at Lehigh, several factors have contributed to this 4% increase, including growth in the volume of our sponsored research along with the facility components of our research base (i.e. Operation and Maintenance of Plant, Depreciation, and Interest). For example, the new buildings for Health, Science, Technology, and Business Innovation that have been completed since our last rate negotiation, resulting in increased operating costs and depreciation.
With an emphasis on growing research within the university’s strategic plan, these components highlight the real and anticipated growth within sponsored research at Lehigh. They identify levels that reflect Lehigh’s actual costs to support research, including significant new investment in modernizing our facilities and enhancing our research environment.

We recognize that higher F&A rates can create challenges for Lehigh research programs; however it is important to understand that our actual indirect costs are 71%. That means that for every dollar spent directly on research at Lehigh, an additional 71 cents, (our actual cost), is spent supporting those activities. Indirect costs on grants cover most – but not all – of those additional costs.

Indirect costs represent essential expenses that the federal government acknowledges as necessary to foster strong research environments. Universities with higher F&A rates can offer higher quality or more specialized facilities, comprehensive administrative support, and extensive compliance services. These resources can significantly enhance the quality and impact of the research conducted, making proposals more attractive to funding agencies. Higher F&A rates do not make Lehigh less competitive. Funding agencies are accustomed to varying F&A rates and understand that these rates reflect the necessary support services required to conduct high-quality research.

If you have questions regarding budgeting indirect cost rates in proposals or regarding the assessment of the new rates on new and existing awards, please contact your Contract and Grant Specialist in ORSP. Additional helpful information will be communicated shortly.

Thank you,

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