



USDA Forest Service Update July 2007

SUBJECT: New Overhead Assessment Policy - FSH 1909.13, Chapter 40

SUMMARY: The new overhead assessment directives FSH 1909.13, effective September 2006, and amended November 2006, replaces the 1994 version that was of concern to partners, and limited our ability to increase accomplishments through contributions from partners. Under this new policy an overhead assessment (formally called the burden rate) will not be imposed on funds from a non-federal partner for work that is: authorized by law, consistent with the agency's annual appropriation, advances the agency's mission, and provides *mutual benefit*. The new directive is a substantial change from past direction; it streamlines administrative procedures and reflects our need to work collaboratively to achieve agency goals.

Mutual benefit occurs when, "All parties benefit in the same qualitative way from objectives of the instrument." The agency line officer authorized to sign the agreement instrument will decide whether or not mutual benefit exists.

BACKGROUND: When an activity is authorized by law, is consistent with the agency's annual appropriation, and advances the agency's mission, we can receive funds from outside sources. The new directive will facilitate partnerships that help us meet agency objectives, streamline administrative processes, make more efficient use of appropriate funds, and meet agency legal requirements.

Under this new directive the FS will not apply an overhead assessment to funds received from:

- a cooperator¹ when there are mutual benefits between the agency and cooperator,
- a Forest Service unit funded by the same appropriation (NFS - NFS),
- any source when the funds are obtained from a grant, donation, reimbursement for invitational travel, or pass-through funds that do not create significant additional indirect costs.
- any source when the contributed funds are \$25,000 or less (considered the cutoff for economical recovery of indirect costs)

The FS will assess overhead when the amount received is more than \$25,000 from:

- a cooperator when the Forest Service does not benefit in the same qualitative way from the objectives of the work,
- a federal agency under the Economy Act,
- a Forest Service unit funded by a different appropriation (NFS - RES), or
- pass-through funding when there are documented significant additional indirect costs.²

The vast majority of projects that the fish, wildlife and TES programs implement with cooperators will not have overhead assessments applied to partner contributions. If contributed funds are assessed for overhead, for example in cases when the line officer decides the cooperator and Forest Service do not benefit in the same qualitative way, the overhead assessed will be accompanied by written justification and sent to a FS finance office for approval. The cost to process agreements with cooperators may in some cases (depending on the amount of work and funding involved) be charged to the FS program area where the project is initiated, such as NFWF.

CONTACTS: Jina Mariani (jmariani@fs.fed.us) 202-205-0815, or Anne Zimmerman (azimmerman@fs.fed.us) 202-205-1167, Watershed, Fish and Wildlife Staff, Washington, DC.

¹ Does not include federal agencies under the Economy Act and other Forest Service units funded through different appropriations.

² Significant indirect costs – an excessive or material amount above the true costs to perform the services, such that this material amount may give cause for augmentation scrutiny.