**Budget Justification Wording to Include in Grant Proposals**

Include one of these statements in your budget justification. It is recommended this statement be at the end of your budget justification.

**Standard Justification – Use one option**  
Option 1: The indirect cost rate applied to this proposal is the federally negotiated Facilities & Administrative (F&A) rate for the University of Wisconsin - Madison, as approved by our cognizant agency, the U.S. Department of Health & Human Services. This rate reflects the actual costs incurred by the institution to support research and sponsored activities, including administrative services, facilities, and compliance requirements necessary for project execution.

Option 2: Indirect costs are calculated as 55.5% of modified total direct costs (MTDC) for all years. MDTC excludes tuition remission, equipment and a portion of each subaward in excess of $25,000. This rate agreement, (effective 1/17/2025) was approved by our cognizant Federal audit agency, the Department of Health and Human Services (DHHS). A copy of this agreement may be found at <https://rsp.wisc.edu/rates/>. This rate reflects the actual costs incurred by the institution to support research and sponsored activities, including administrative services, facilities, and compliance requirements necessary for project execution.

**Clarification for Sponsors Unfamiliar with Facilities and Administrative (F&A)/Indirect Costs**  
Indirect costs represent the real expenses incurred by University of Wisconsin - Madison to maintain the necessary infrastructure for conducting research, including laboratory space, utilities, compliance, and administrative support. These costs are determined through a rigorous federal negotiation process to ensure fairness and consistency.