

# Spend-Down Rate ("Burn Rate")

*Sponsored Research Projects  
Contract Clauses*



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OFFICE OF RESEARCH &  
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# Spend-Down Rate Clause

- Most federal sponsors require some type of monitoring of the Spend-Down Rate or “Burn Rate” of funds obligated on awards
- FAR 52.232-22 Limitation of Funds
- Specific Contract Clauses
- Best Business Practice

# FAR 52.232-22

## Limitation of Funds

- FAR 52.232-22 requires written notice to the Contracting Officer when expenses in the next 60 days are expected to be **MORE THAN 75%**

# FAR 52.232-22

## Limitation of Funds

(c) The Contractor **shall notify** the Contracting Officer **in writing** whenever it has reason to believe that the **costs it expects to incur** under this contract **in the next 60 days**, when added to all costs previously incurred, will **exceed 75 percent** of

- (1) **the total amount so far allotted** to the contract by the Government or,
- (2) if this is a cost-sharing contract, the amount then allotted to the contract by the Government plus the Contractor's corresponding share.

The notice shall state the estimated amount of additional funds required to continue performance for the period specified in the Schedule.

# FAR 52.232-22

## Limitation of Funds

(d) **Sixty days before the end of the period specified in the Schedule**, the Contractor shall **notify** the Contracting Officer **in writing** of the **estimated amount of additional funds**, if any, required **to continue timely performance** under the contract or for any further period specified in the Schedule or otherwise agreed upon, and when the funds will be required.

# Specific Contract Clauses

- On federal flow-through contracts, sponsors often include specific burn rate clauses, rather than using a FAR clause.
- Once in a signed contract, UT is legally required to adhere.

# Example clause

“To ensure consistency with the approved budget timeline, **thirty (30) calendar days** before a subsequent funding option/increment is scheduled, the performer **is expected to have invoiced at least 60%** of the most recent option/increment to be favorably considered for the subsequent option/increment.”

# Award Action Form

## NCTE Request (Item #1)

- Estimated unobligated balance as of current project period end date, including direct and indirects (F&A):

Reason for unobligated balance:

- Are there sufficient unobligated funds to support the project through the extension? If not, please explain how the project will be supported financially.

- When requesting a NCTE extension, these two questions must be sufficiently answered on the Award Action Form.
- The award coordinator must be able to analyze any draw-down requirements in the contract with the current financial status of the project.
- This information is also required so the award coordinator can successfully negotiate the NCTE request with the federal contracting officer.



# Best Business Practice

- Consistent spend-down during the life of any sponsored project is important for audit purposes.
- Even where a contract does not contain a spend-down clause, OSP will consider how much funding has been spent when a NCTE request is made.
  - If little or no funds have been spent and the PI now requests a NCTE on the project, proper justification will be required.