

**HEALTH SCIENCE CENTER HANDBOOK OF OPERATING PROCEDURES**

Chapter 7	Research and Sponsored Programs	Effective:	September 2006
Section 7.1	Office of Sponsored Programs	Revised:	January 2008
<b>Policy 7.1.2</b>	<b>Facilities and Administrative (F&amp;A) Cost Policy</b>	Responsibility:	Vice President for Research

## **FACILITIES AND ADMINISTRATIVE (F&A) COST POLICY**

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### **Policy**

It is the policy of the Health Science Center to recover F&A (Facilities and Administrative, aka indirect) costs on all of its sponsored programs, including unsolicited corporate gifts. The following rates apply to projects housed in the Fund Group 4xxxx series:

Federally funded projects or pass-through federal funds from other entities except SBIR/STTR awards <sup>1</sup>	Full federal rate as negotiated except where limited by statute, policy, or agency practice
Agreements with for-profit sponsors (research, clinical studies)	26% total direct costs
All other non-federal programs (including unsolicited corporate gifts <sup>2</sup> , fees received for services, etc.)	Agency rate or 26% total direct costs

<sup>1</sup>For federally-funded SBIR/STTR awards made through a for-profit company, the F&A rates are as follows: (a) Phase I – 26% total direct costs and (b) Phase II – full federal research rate.

<sup>2</sup>The following unsolicited gifts are not subject to F&A recovery: (a) all gifts from employees, students, alumni, and any gifts of less than \$500; (b) memorials regardless of the purpose; (c) gifts for scholarships, loan funds, endowment funds, special lectureship support, and designated equipment purchases; and, (d) other specific gifts as determined by the President.

### **Waiver/Rate Reductions**

When the Health Science Center accepts a project with no F&A reimbursement or with a reduced F&A rate, it is agreeing to a substantial subsidy of real costs associated with the sponsored activities. However, in select cases and with proper documentation, an award may be accepted with waived or reduced F&A recovery. These circumstances are set forth below.

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1. Waiver/Rate Reduction When Mandated by the Sponsor: Reduced or waived F&A reimbursement is acceptable when mandated by the

sponsor, provided that the sponsor is a non-profit organization or a specific federal, state, or local governmental agency with a mandated F&A reimbursement limitation. To be eligible for a waiver or reduced F&A rate, documentation must be provided that F&A will not be paid, or will be paid at a rate lower than the applicable Health Science Center rate. Such documentation may take the form of published agency guidelines or a letter on agency letterhead. To be accepted, the waiver/reduction must apply to an entire program of awards within a sponsor's portfolio (i.e., not just to the individual award in question).

Documentation of the sponsor's policy must be provided to the Office of Sponsored Programs (OSP) by the Principal Investigator/Project Director (PI/PD) or administrative unit at the time a proposal is submitted. The policy must be verified by OSP staff prior to providing institutional endorsement of the proposal. If sponsor policy mandates use of a reduced F&A rate, that rate should be applied to all budgeted direct costs with no exclusions unless the sponsor's published guidelines eliminate designated categories of direct cost from the rate application base.

The Health Science Center will not accept an F&A rate lower than the sponsor's established policy and does not waive F&A reimbursement when the sponsor is a for-profit organization.

2. Waiver for Certain Salary Only Agreements or Honorariums: F&A costs are not charged on salary-only agreements with government or non-profit sponsors where direct non-project specific services are provided. Examples include the Health Science Center's agreements with affiliated hospitals where we provide certain staffing and/or other services. This waiver does not include payments received for performance of testing or other services charged at a fixed rate. In addition, where honorariums are received by faculty and are required by institutional policy to be deposited into institutional accounts, no F&A will be charged.

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3. Waiver/Rate Reduction in Cases of Incoming PI/PD's: Waived or reduced F&A rates may be accepted in cases where PI/PD's come to the Health Science Center from other institutions and bring their existing awards with them. Typically, waived or reduced F&A recovery occurs when the F&A rate at the former institution is lower than the Health Science Center rate, when the former institution accepted the award without F&A or at a reduced rate, or when it is not reasonable from a budgetary perspective to expect a PI to incur the same type of cost twice on the same budget (e.g., application of F&A on the first \$25,000 of an existing sub-agreement). In these cases, an F&A rate waiver or reduction is accepted solely to ensure that the PI is not disadvantaged in the relocation to the Health Science Center. The available direct cost balance from the former institution is honored and the amount of F&A relinquished by the former institution is accepted as the amount available for F&A through the end of the current budget period or, in rare cases, through the end of the current project period.

Future year requests for funding that continues the transferred project are expected to carry the correct F&A rate for the Health Science Center.

When faculty relocate to another institution, F&A rate waivers or reductions will not be considered for project-related work remaining at the Health Science Center and requiring a sub-agreement from the faculty member's new institution.

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**Requesting an  
Individual  
Waiver/Rate  
Reduction**

When a PI/PD wishes to submit a proposal or asks the institution to accept an agreement with waived or reduced F&A recovery that is not sponsor-mandated, the PI must submit a letter of request that is also endorsed by his/her department chair/director to the Vice President for Research via the OSP, in advance of proposal submission to the sponsor. The written request should specify the project, the rationale for the waiver or reduction, and the dollar value of the F&A waiver/rate reduction request.

OSP will review the request and make a recommendation to the Vice President for Research. Factors that will be considered include:

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1. Rationale for the waiver - is it in the best interests of the Health Science Center to conduct this project without receiving full F&A reimbursement? Is there something unusual or special about the project that warrants it being treated differently from other worthwhile projects? What is the likelihood of more significant funding for this project from this same agency in the future? What will be the specific impact on the project if the waiver is not granted? Has the PI/PD taken all appropriate measures to recover F&A and/or to make budgetary adjustments to make the project viable?
2. Amount of the waiver - what is the estimated loss to the Health Science Center?
3. Sponsor category and history - has this sponsor previously received a waiver? Does this sponsor primarily receive its funding from public donations? Does this sponsor have a regulatory or statutory obligation to provide full F&A? Is this a sponsor that provides significant funding to the institution via other means?
4. PI/PD's portfolio - has the PI/PD made a good faith effort to obtain funding in the past but has been successful? Is there a pattern of requesting F&A waivers/rate reductions? If a previous waiver has been granted, did the PI/PD comply with instructions to obtain full funding in the future? What is the status of the PI?
5. Timeliness of request - is this request being submitted prior to the proposal being furnished to the sponsor?

Reductions or waivers will not normally be considered under the following circumstances:

1. when the sponsor's published rate is already lower than the established Health Science Center's rates for the category of project;
2. when the rate proposed, in the case of a sub-award, is not equal to the F&A rate allowable on the prime award;
3. when F&A recovery is not requested in the initial proposal or, where there is no formal proposal, the quotation provided to an agency; or

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4. when the PI/PD or the Health Science Center has a financial interest in the for-profit company providing project funding.

If an F&A waiver/rate reduction is approved, it should not be viewed as precedent setting. Requests are evaluated and determinations will be made on a case-by-case basis. Annual reports of waiver/reduction

requests approved over the fiscal year will be prepared and evaluated for the number of requests approved and their aggregate financial impact, the PIs/departments receiving approvals, and the rationale for the approvals.

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