

**THE TEXAS A&M UNIVERSITY SYSTEM
HEALTH SCIENCE CENTER INTERNAL POLICIES**

15.01.01.Z1.04 Facilities and Administrative Cost-Description and Negotiated Rates

Approved May 13, 2009

Supplements System Regulation 15.01.01

1. PURPOSE

Facilities and Administrative (F&A as known as Indirect) costs are real costs that provide reimbursement for actual institutional expenses that support extramural activities but cannot be directly charged to a grant or contract. The costs result from shared services such as libraries, physical plant operation and maintenance, utility costs, general, departmental and sponsored projects administrative expenses, and depreciation or use allowance for buildings and equipment.

2. STATEMENT OF POLICY

It is the policy of the Texas A&M University System and the Texas A&M University System Health Science Center (HSC) to recover the maximum allowable F&A costs on all of its sponsored programs. The following rates apply to sponsored projects in the 4XXXXX account series:

Type of Activity	Location	Rate (Expires 8/31/2011)
Organized Research	On campus	46.5% Full federal rate as negotiated except where limited by statute, policy, or agency practice
Instruction	On campus	46.5%
Other Sponsored Activity	On campus	26.0%
All Programs	Off campus	26.0%
Interagency Personnel Agreement (IPA) Programs	On campus and off campus	7.0%

3. WAIVER/RATE REDUCTIONS

When the HSC 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.

- 3.1. 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 HSC rate. Such documentation may take the form of published agency guidelines or a letter on agency letterhead. To be acceptable, the waiver/reduction must apply to an entire program of awards within a sponsor's portfolio and not just to the individual award in question. Documentation of the sponsor's policy must be provided to the Office of Research Administration by the Principal Investigator/Project Director (PI/PD) or administrative unit at the time a proposal is routed for submission. 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. If a sponsor specifies a range of acceptable F&A rates, the HSC shall propose the maximum acceptable rate allowed by the sponsor.

- 3.2. Waiver/Rate Reduction in Cases of Incoming PI/PD's: Waived or reduced F&A rates may be accepted in cases where PI/PD comes to the HSC from another institution with existing awards. Typically, waived or reduced F&A recovery occurs when the F&A rate at the former institution is lower than the HSC 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 HSC. 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. Future year requests for funding that continue the transferred project are expected to carry the correct F&A rate for the HSC.

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

- 3.3. Fixed Price Agreements: If a residual balance exists at the conclusion of a fixed price agreement that has been accepted with less than full F&A cost recovery, the applicable F&A cost rate shall be calculated against appropriate direct cost expenditures. The residual balance shall be used to recover F&A costs not assessed during the life of the project. If a residual balance still remains, these funds will be transferred to the appropriate residual account.

4. REQUESTING AN INDIVIDUAL WAIVER/RATE REDUCTION

When a PI/PD wishes to submit a proposal or ask 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 endorsed by his/her department chair/director and Dean to the Office of Research Administration, 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. Office of Research Administration staff will review the request and

make a recommendation to the Vice President for Research and Graduate Studies. Approval can be granted by the Vice President for Research and Graduate Studies.

Factors that may be considered include, but are not limited to:

- 4.1. Rationale for the waiver—Is it in the best interests of the HSC 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 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?
- 4.2. Amount of the waiver—Since F&A costs are real costs to the HSC, to what extent is the HSC underwriting the project/program?
- 4.3. 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?
- 4.4. PI/PD's portfolio—Has the PI/PD made a good faith effort to obtain funding in the past but has been unsuccessful? 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? How important is the project for faculty development of the PI?
- 4.5. Timeliness of request—Is this request being submitted prior to the proposal being furnished to the sponsor?

5. REDUCTIONS OR WAIVERS WILL NOT NORMALLY BE CONSIDERED UNDER THE FOLLOWING CIRCUMSTANCES

- 5.1. When the sponsor's published rate is already lower than the established federally negotiated rate, a further reduction of the sponsor's rate will not be considered.
- 5.2. When the rate proposed, in the case of a sub-award, is not equal to the F&A rate allowable on the prime award;
- 5.3. When F&A recovery is not requested in the initial proposal or where there is no formal proposal;
- 5.4. In cases where the sponsor dictates a *not-to-exceed* total funding amount and faculty salaries are included as direct costs to the grant. Faculty salaries should be cost shared first if availability of direct cost funds is limited;
- 5.5. When the PI/PD or the HSC has a financial interest in the for-profit company providing project funding;
- 5.6. 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 may 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.

6. DEFINITIONS

On Campus: On-campus locations include: a) space in buildings owned by the Texas A&M University System and assigned to the HSC and b) space in buildings leased by some entity of the HSC. The on-campus rate applies to projects performed in space that HSC owns or leased space that is contiguous or nearly contiguous to campus. Rent may not be charged to projects applying the on-campus rate.

Off-Campus: Off-campus locations include space that the HSC does not own AND meets one or more of the following additional criteria: a) the space is remote from any of the HSC campuses; OR b) no HSC entity bears a lease cost for occupying the space. Factors indicating that a space is remote include significant physical distance from any of the HSC campuses indicated, and use of separate (non-HSC) services such as mail, telephone, network and other support services. A direct rent charge should be included in the proposal budget and charged to benefiting sponsored projects.

Instruction: Instruction (2 CFR Part 220 Appendix A, section B.1.a) includes the teaching and training activities of an institution whether offered on a credit or noncredit basis, and whether offered through regular academic departments or separate divisions, such as a summer school division or an extension division. Sponsored instruction and training (section B.1.a.1) includes specific instructional or training activities established by grant, contract, or cooperative agreement. *Instruction does not include the training of individuals in research techniques (commonly referred to as research training) as described below in section 3.1(3)(a) sponsored research.*

Organized Research: Organized Research (2 CFR Part 220 Appendix A section B.1.b) means all research and development activities of an institution that are *separately budgeted and accounted for*. It includes the following: (a) Sponsored Research (section B.1.b.1) means all research and development activities that are sponsored by federal and non-federal agencies and organizations. This term includes activities involving the training of individuals in research techniques (commonly called research training) where such activities utilize the same facilities as other research and development activities and where such activities are not included in the instruction function. (b) University Research (section B.1.b.2) means all research and development activities that are separately budgeted and accounted for by the institution under an internal application of institutional funds. University Research is not subject to this policy.

Other Sponsored Activities: Other Sponsored Activities (2 CFR Part 220 Appendix A section B.1.c) means programs and projects financed by federal and non-federal agencies and organizations that involve the performance of work other than instruction and organized research. Examples are health service projects and community service programs when these activities are undertaken with outside support. However, when any of these activities are undertaken without outside support, they should not be classified as Other Sponsored Activities, but rather Other Institutional Activities and therefore not subject to this policy.

Interagency Personnel Agreement: Agreement between the HSC and the federal government where HSC personnel work on an assignment at a federal agency.

Office of Responsibility

Vice President for Research and Graduate Studies