



**UMBC POLICY ON THE CONSISTENT APPLICATION OF FACILITY AND
ADMINSTRATIVE (F&A) COSTS
UMBC IV-2.00.01**

I. POLICY STATEMENT.

It is the policy of UMBC to consistently apply the full and appropriate federally negotiated F&A cost rate in the proposal budget on all sponsored projects regardless of funding source in consonance with federal regulations and applicable cost accounting standards.

II. PURPOSE OF THE POLICY.


The purpose of this policy is to cause the consistent application of the full federally negotiated F&A rate to sponsored research projects except under only limited and special conditions.

III. APPLICABILITY AND IMPACT STATEMENT.

This policy applies to all sponsored research projects.

IV. DEFINITIONS.

Sponsored Research Projects - Sponsored research projects are externally-funded activities in which a formal written agreement, i.e., a grant, contract, or cooperative agreement, is mutually entered into by UMBC and a sponsor. Sponsored research projects are typically awarded to UMBC in response to a detailed description or statement of work and commitment to a specified project plan. A statement of work is usually supported by a project schedule and a line-item, fixed price or modular budget. The statement of work and budget are typically described in a written proposal submitted by UMBC to a sponsor usually for competitive review.

Facility and Administrative (F&A) Costs  Alternatively known as “indirect costs” or “overhead”, F&A costs are actual costs incurred by the campus in support of sponsored activities that cannot be directly identified with a specific grant or contract. These costs result from shared services such as the library, facilities operation and maintenance, utility costs, general, departmental, college and sponsored projects’ administrative expenses, and depreciation for buildings and equipment. The F&A costs recovered on grants and contracts allow the university to build, maintain, and operate research facilities. UMBC periodically negotiates the F&A rates with the Department of Health and Human Services (DHHS), which is the cognizant federal agency overseeing the administration of UMBC’s sponsored agreements. The established F&A rates, by federal regulation must then be applied uniformly and consistently to all sponsored research projects. Current rates and accompanying special remarks can be seen under UMBC

Facilities and Administrative Cost Rate Agreement at <http://www.umbc.edu/accounting/grantacct.html>.

Depending on what is to be performed, a sponsored project might be categorized as organized research, instruction, or other sponsored activity. If there is any doubt how the Cost Rate Agreement will be applied, especially if a PI thinks a project should be categorized as other sponsored activity, OSP should be consulted before the budget is prepared.

Modified Total Direct Cost base (MTDC) – MTDC base is the direct cost base upon which the F&A amount is calculated. MTDC is defined in the Rate Agreement. For UMBC, MTDC includes salary/wage costs, including fringe benefits, materials, other direct expenses (such as services), travel, and the first \$25,000 of a subcontract, but excludes capital equipment, tuition remission, scholarships, fellowships, foreign components of a grant or contract, and that part of a subcontract over \$25,000.

V. EXCEPTIONS TO FEDERALLY NEGOTIATED F&A RATES.

V.I. APPLICATION FOR AN F&A RATE LOWER THAN THE FEDERALLY NEGOTIATED RATE.

UMBC's policy allows for the application of lower than the full applicable federally negotiated F&A rate under only two limited and special conditions.

1. Limit Imposed by Sponsoring Agency Policy. Some federal, state, and private sponsors impose an F&A cost rate that is below the federally negotiated rate. Similarly, many private foundations limit or exclude F&A as a matter of policy. In effect, they are requiring the recipient institution to agree to share in the cost of performing the proposed work, even though this is not stated formally as "cost sharing". In all such cases, the decision to proceed with a proposal will depend on the non-monetary value of the grant to the institution, traded off against the under-recovery of F&A costs that are incurred.
2. Seed Funding. Small, pilot grants that are intended to get a new investigator started in a research area or help an established investigator begin working in a new field may call for a reduction or elimination of the F&A portion of the proposed cost. It may be in the institution's best interests in these cases to preserve the direct cost expenditures and reduce the recovery of indirect costs. It is expected that such grants will be no longer than one-year duration and will promote future funding that will recover full F&A costs. Renewal of any such project beyond the initial year will require application of the full, applicable F&A rate.

If a principal investigator (PI) thinks that either of these conditions is applicable a written waiver must be requested on the approved form, which can be downloaded from the OSP website, <http://www.umbc.edu/research/Resources/forms.htm>.



The waiver must be approved by the Department Chair, respective Dean or direct reporting line authority, and ultimately by the Vice President for Research prior to submission of a proposal. Approval of such a request will be on a case-by-case basis and will not establish a precedent for future applications. In those cases where a limit is imposed by the sponsoring agency, a copy of their written policy must accompany the request for a waiver.

In addition, if a PI thinks that the appropriate F & A rate might be impacted by customary or agency specific reasons, (s)he should contact OSP, who will consult with the Vice President for Research for a response.

Facility and Administrative rate negotiations with a sponsor must only be undertaken by OSP with the approval of the Vice President for Research. These discussions will occur after consultation with the PI, the Department Chair, and respective Dean or direct reporting line authority. Final authority to accept a lower F&A rate for the university rests with the Vice President for Research in consultation with OSP.

The ability of UMBC to absorb under-recovery of its F&A costs is limited. It is possible that after careful consideration, the Vice President for Research might recommend that UMBC not accept an award with reduced or no F&A costs. In those situations where the request for a reduced F&A cost rate is denied, OSP will explore other options with the principal investigator and originating department or unit.

V.II. APPLICATION FOR AN F&A RATE HIGHER THAN THE FEDERALLY NEGOTIATED RATE.

In some instances a sponsoring entity such as a corporation may be willing to pay an effective F&A rate higher than UMBC's federally negotiated rate. In these cases the maximum rate that can be applied is the actual F&A cost rate determined by the Office of Contract and Grant Accounting prior to its negotiations with DHHS.

VI. RESTRICTIONS AND EXCLUSIONS.

None.

VII. RELATED ADMINISTRATIVE POLICIES AND PROCEDURES.

This policy revises the policy approved by the President's Council on January 17, 2001, the purpose of which was to define special conditions and procedures for exception to recovery of federally negotiated overhead rates.

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