



AN HONORS UNIVERSITY IN MARYLAND

UMBC POLICY ON THE CONSISTENT APPLICATION OF FACILITY AND ADMINISTRATIVE (F&A) COSTS

UMBC Policy UMBC IV-2.00.01

I. POLICY STATEMENT

UMBC’s success in its externally funded sponsored projects requires appropriate and consistent application of Facility and Administrative (F&A) costs in order to support and grow its research enterprise.

II. PURPOSE FOR POLICY

This policy provides the basis for the consistent application of full and appropriate federally negotiated F&A cost rates on all Sponsored Project proposals and awards, regardless of funding source in consonance with federal regulations and applicable cost accounting standards.

III. APPLICABILITY AND IMPACT STATEMENT

This policy applies to all UMBC Sponsored Project proposals and awards.

IV. CONTACTS

Direct any general questions about this University Policy first to your department’s administrative office. If you have specific questions, call the following offices:

Subject	Contact	Telephone	Email
Policy Clarification	Director, Office of Sponsored Programs (OSP)	410-455-3140	ospa@umbc.edu

V. UNIVERSITY POLICY

UMBC requires the application of its full and applicable federally negotiated F&A cost rate on all Sponsored Project proposals and awards. UMBC may allow for the application of a rate lower than its full and applicable federally negotiated F&A cost rate under the following 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 Sponsored Project to the institution, traded off against the under-recovery of F&A costs that are incurred.

2. Sponsored Project proposals 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 proposals will be limited in duration and scope, and will promote future funding that will recover full F&A costs.

Any F&A rate negotiations with a Sponsor must only be undertaken by 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 (VPR) might recommend 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.

VI. DEFINITIONS

Term	Definition
<u>Sponsored Projects</u>	Sponsored 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 Projects are categorized as organized research, instruction, or other sponsored activities. Sponsored 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 both 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 through the Office of Sponsored Programs to a sponsor usually for competitive review.
<u>UMBC's F&A Rate Agreement</u>	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 federally funded Sponsored Projects. These rates are available in the Rate Agreement, which is provided under the UMBC Facilities & Administrative Cost Recovery section on the UMBC Office of Contract & Grant Accounting web page http://www.umbc.edu/accounting/grantacct.html .
<u>Principal Investigator (PI)</u>	A PI has primary institutional responsibility for providing scientific, technical, intellectual and scholarly leadership, and administrative and financial management of an external award. He/she may also be known as a Project Director or Project Administrator.

Term	Definition
<u>Facility and Administrative (F&A) Costs</u>	F&A costs are alternatively known as “indirect costs” or “overhead”, and represent the actual costs incurred by the campus in support of Sponsored Project activities that cannot be directly identified with a specific Sponsored Project. 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 Sponsored Projects allow the university to administer Sponsored Projects and build, maintain, and operate research facilities. UMBC negotiates the F&A cost rates with its cognizant federal agency. The specific Sponsored Project activity will determine the applicable F&A cost rate. Sponsored Project activities are categorized as organized research, instruction or other sponsored activity.
<u>Modified Total Direct Cost Base (MTDC)</u>	The MTDC base is the Direct Cost base upon which the F&A amount is calculated. MTDC is defined in the Rate Agreement. In UMBC’s F&A Cost Rate Agreement, MTDC includes salary/wage costs, including fringe benefits, materials, other direct expenses (such as supplies or services), travel, and the first \$25,000 of a subcontract, but excludes capital equipment, tuition remission, scholarships, fellowships, participant support costs, and that portion of a subcontract over \$25,000.

VII. APPROVAL AND PROCEDURES

The OSP is responsible for establishing procedures necessary to implement this policy. Any requests for F&A cost waivers must be submitted using the established procedures. The procedures will be available on OSP’s website or through contact with a staff member of OSP.

Final authority to accept an F&A rate lower than UMBC’s federally negotiated rate rests with the VPR in consultation with OSP, the PI, Department Chair, and respective Dean or direct reporting line authority. OSP will obtain approval from the VPR or a VPR designee.

VIII. DOCUMENTATION:

As required in the procedures associated with this policy

IX. RESTRICTIONS AND EXCLUSIONS:

None

X. RELATED ADMINISTRATIVE POLICIES AND PROCEDURES:

See the [Procedure for Approving Facilities & Administrative \(F&A\) Cost Waivers](#) on the OSP Policies and Procedures web page.

Administrator Use Only

Policy Number: IV-2.00.01

Policy Section: Research

Responsible Administrator: Director, OSP

Responsible Office: Office of Sponsored Programs

Approved by President: 11/2/2015

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Reason for Revision:

To remove the requirement for a form when limit is imposed by Sponsor policy.