APPLICATION OF F&A RATES

Scope

This policy applies to all University of Alaska Anchorage personnel involved with extramural funding.

Purpose

The purpose of this policy is to set forth circumstances and to establish the procedure for requesting a partial or full waiver of F&A costs on sponsored projects.

Policy Statement

It is the policy of the University of Alaska Anchorage to charge the allowable federally negotiated F&A cost rate on all sponsored projects regardless of funding source unless a sponsoring agency's written policy will not allow full recovery of F&A costs. For-profit entities are always charged full F&A costs.

If a solicitation or agency's written guidelines specify an F&A rate less than the rate currently approved by the Office of Naval Research, the rate is accepted as the maximum rate allowed by the funding agency. For example, certain Federal training grant program guidelines allow only an 8% F&A rate, as specified in the relevant training grant program announcement.

Background

Facilities and Administrative (F&A) costs are infrastructure and administration costs associated with the conduct of research and other sponsored projects that cannot be readily and specifically identified with a particular project. F&A costs are also referred to as “indirect costs” and “overhead” and are incurred for expenses such as utilities, buildings, operation and maintenance, library-related expenditures, infrastructure costs associated with telephones and IT, department, college, and service unit administrative costs and federally mandated research compliance.

In recognition that indirect costs are real costs of doing business, the process of establishing F&A rates was developed as a means to provide reimbursement to grantees for these services. UAA’s F&A rate is established with our cognizant federal agency, the Office of Naval Research. The F&A rate is renegotiated periodically to allow for inflation, changes in facilities and the associated operations costs, and variations in the level of sponsored activity.

The established rates are applied to the "modified total direct costs" (MTDC) base unless otherwise directed. MTDC consists of all direct costs with the exception of certain subcontract expenses, capital equipment, patient care, tuition remission, scholarships, and fellowships.

F&A Exception

If a non-profit sponsor does not specify the maximum amount it will allow, or if its policy states the F&A rate as "negotiable," any application to such a program must include F&A costs at the fully negotiated rate or a waiver should be requested per the guidelines below.

Exceptions

Requests for partial or full reduction of F&A should be very rare. However, UAA may consider a reduction or full waiver in the following circumstances:

- Reductions or Waivers to Meet Mandatory Cost-Sharing - Contributing some or all recoverable F&A costs to meet cost-sharing requirements is highly discouraged. However, if all other cost sharing options have been exhausted and a compelling argument can be made that the project has strategic benefit for the overall institution an exception may be considered. The Vice Provost for Research will consider such requests on a case-by-case basis, and waivers will only be approved with compelling justification.
- VPR Approved Discretionary Reductions – Exceptions to the policy to charge full F&A, especially for sponsors willing to allow full recovery including industry, will be extremely rare. The Vice Provost for Research will consider such requests on a case-by-case basis, and waivers will only be approved with compelling justification.
- In the instances where full F&A can be recovered but a voluntary waiver is requested, the unit waiving the recoverable F&A will be required to "make whole" those units included in the standard distribution who would otherwise recover, if it weren't for the voluntary waiver of allowable F&A.

Procedures

- All exception requests must be reviewed and approved by OSP Pre-Award and/or the VPR with the proposal packet or budget discussions with the sponsor.
- For sponsor required F&A restrictions the Principal Investigator (PI) must provide documentation of the sponsor policy or RFP/solicitation restriction to OSP Pre-Award as part of the complete proposal to proposal and budget review.
- For discretionary reductions or waivers to meet mandatory cost share requirements, the PI must submit written or electronic justification providing a compelling argument for the waiver, including any strategic benefits to the university. The documentation should be submitted to OSP Pre-Award, and following internal review and data collection, the request will be forwarded to the VPR's office for final determination.
- Principal Investigators are not authorized to negotiate a reduction or waiver of F&A with the sponsor. If the need to negotiate the F&A rate is anticipated, the PI should contact OSP Pre-Award well in advance of budget development and proposal submission.

Definitions

Coming Soon…

Non-Compliance

Failure to comply with this policy could result in withdrawal of the application from sponsor consideration, forfeiture of award, audit findings and cost disallowances.

Upon Project Expiration

For fixed-price awards or other awards where the University is allowed to retain the unexpended balance, all reductions are granted with an understanding that if there is a balance at the end of the project, the F&A rate reduction will be rescinded. The published rate will be charged to the entire project and the value of the reduction will be subtracted from the remaining balance, which will then be distributed in accordance with the fixed-price residual policy.

Contacts and Subject Matter Experts

Personnel who made contributions to this policy were the Vice Provost for Research and Graduate Studies, the Associate Vice Provost for Research, the Director of the Office of Sponsored Programs and the Vice Provost's Research Council.

Thank you to our colleagues at the University of Alaska Fairbanks, University of Nevada Las Vegas, University of Minnesota, University of Wisconsin, Indiana University and Dartmouth for modeling best practices governing the recovery of indirect costs.