

FACILITY AND ADMINISTRATIVE (INDIRECT) COSTS
September 2007
Policy 1.3.06

Policy:

The Vice Chancellor for Research is responsible for ensuring that appropriate Facilities and Administrative (F&A) Costs, or Indirect Costs, have been included in every proposal.

Purpose:

Facility and Administrative overhead revenue plays a vital role in the administration and conduct of research and sponsored programs. It is awarded as a means of offsetting a portion of the expenses inherent in the operation of an organization and the performance of its programs. These expenses include such items as plant operations, maintenance, accounting, administration, core facilities and services (safety operations, library, etc.) and general and departmental administration. Therefore, it is important that these costs be included on all grants and contracts unless specifically prohibited by the funding source as a condition of the award. Most federal and nonfederal funding agencies allow a stipulated rate for calculating these costs.

Departmental administration is defined in Office of Management and Budget (OMB) Circular A-21 as expenses that have been incurred for administrative and supporting services that benefit common or joint departmental activities or objectives in academic deans' offices academic departments and divisions, and organized research units.

Procedures:

All sponsored projects are subject to the University's Negotiated Rate Agreement unless there are instructions that specify differently.

Federal rates are negotiated and information concerning the rates, base, and the date of agreement is available on the KUMC Research Institute website:

http://www2.kumc.edu/researchinstitute/spa/documents/IndirectRateAgreement7.21.11_001.pdf

Current Rates:

Rate (%)	Locations	Applicable to:
51.0	On Campus	Organized Research
26.0	Off Campus	Organized Research
33.0	On Campus	Other Sponsored Activities; Most Clinical Trials are categorized here
26.0	Off Campus	Other Sponsored Activities
39.0	On Campus	Instruction
26.0	Off Campus	Instruction

The Principal Investigator must include F&A (indirect) costs as a line item in a proposed budget. Assistance can be obtained from the KUMC Research Institute Division of Sponsored Programs Administration.

Until the agreement is amended, these rates should be used in proposals that seek funding beyond June 30, 2015.

Definitions:

Direct Costs: Costs that can be specifically identified with a particular project(s) or activity. Examples of research project-specific expenses include expenses for equipment, personnel, travel, and other expenses necessary to carry out a research project.

Facilities and Administrative (Indirect) Cost: A broad category of costs that are common to all research projects.

"Facilities" is defined in OMB A-21 as depreciation and use allowances, interest on debt associated with certain buildings, equipment and capital improvements, operation and maintenance expenses, and library expenses. "Administration" is defined in OMB A-21 as general administration and general expenses, departmental administration, sponsored projects administration, and student administration and services.

"Off-Campus": For all activities performed in facilities not owned by the institution and to which rent/lease is directly allocated to the project(s), the off-campus rate will apply. Sponsored project agreements may not be subject to more than one F&A cost rate. If 50% or more of a project is performed off-campus (exclusive of any subcontract performance sites), the off-campus rate will apply to the entire project.

OMB A-21: Federal circular establishing principles for determining costs applicable to grants, contracts, and other agreements with educational institutions.

Research: A systematic, intensive study intended to increase knowledge or understanding of the subject studied, a systematic study specifically directed toward applying new knowledge to meet a recognized need, or a systematic application of knowledge to the production of useful materials, devices, and systems or methods, including design, development, and improvement of prototypes and new processes to meet specific requirements.

Responsible Parties:

Vice Chancellor for Research, Associate Vice Chancellor for Research Administration, and all KUMC Principal Investigators.

Exemptions:

Unless the funding source specifically excludes such expenses for the grant program, the Principal Investigator (P.I.) must include such expenses as a line item in the proposed budget. In some cases, funding agencies will allow a direct cost for administrative overhead rather than indirect costs. If this is the case, the P.I. must include this cost.

If a sponsor has a "written and universal" policy of paying a specific F&A rate for all similar agreements regardless of which institution or site is the recipient of the funds, the KUMCRI will accept that rate. A "written and universal" policy means the sponsor has as a matter of organizational policy or procedure, a single F&A rate that applies at all times for all similar awards, situations, or conditions. In practice, this means that the sponsor does not pay a more generous F&A rate to other institutions or sites for the same or similar awards or agreements.

To accept an F&A rate different from the federally negotiated rate, the PI or sponsor will need to supply a copy of the sponsor's policy to the KUMCRI at the time of proposal review or agreement negotiation. This policy, if not published in a Request for Proposal or sponsor guidelines, must be on the sponsor's letterhead and signed by the sponsor's authorized official.

In cases where KUMCRI's agreement to accept a lower F&A cost rate is based on our understanding of the sponsor's policy, and where KUCRI becomes aware of a higher indirect cost rate paid by that sponsor to another recipient, the KUMCRI reserves the right to apply the higher rate to that sponsor's KUMCRI projects.

Case-by-Case Exemptions:

The Associate Vice Chancellor for Research Administration will consider other requests for indirect cost waivers only in very limited circumstances. Special requests are initiated by the PI and must be approved by the PI's department chair before being sent for approval to the Associate Vice Chancellor for Research Administration. The decision whether to grant or deny an exception request is at the sole discretion of the Associate Vice Chancellor for Research Administration. In determining the institutional costs and benefits of such requests, the Associate Vice Chancellor for Research Administration may take any or all of the following into consideration:

- the equity of granting the waiver when the projects of other faculty carry full overhead;
- the total cost to KUMC;
- the likelihood that an award would be seriously jeopardized without a waiver, and the potential effect of the loss on the faculty member's overall research program;
- the benefit of the waiver to new or junior faculty members or in support of research efforts in new directions which otherwise might not be sufficiently developed to attract typical peer-reviewed awards;
- the effect of a waiver to increase direct costs available for student support.

If an exemption is granted for a specific project, the exemption is applicable to that project alone and is not to be taken as a precedent for future submissions, similar or otherwise.

Related Policies and Links:

KUMC Research Institute Division of Sponsored Programs Administration <http://www2.kumc.edu/researchinstitute/spa/>

KUMC Research Institute Division of Sponsored Programs Administration, F&A Rate Agreement
http://www2.kumc.edu/researchinstitute/spa/documents/IndirectRateAgreement7.21.11_001.pdf

KUMC Research Institute Policy 1.1.01: Principal Investigator Eligibility:
http://www2.kumc.edu/researchinstitute/spa/SPA_Forms/PI%20Eligibility.pdf

OMB A-21 http://www.whitehouse.gov/omb/circulars/a021/a21_2004.html

Contacts:

Vice Chancellor for Research: 913-588-7068

Associate Vice Chancellor for Research Administration: 913-945-6636

Director of Sponsored Programs Administration: 913-588-1259

History:

Original Issue Date: 3/1/95

Current Issue Date: 8/10/11

RAC approved 10/31/07, 02/24/2010

Effective Date: 11/16/07