

Facilities and Administrative (F&A) Costs Policy:

7/1/2019

Definition - Facilities and Administrative (F&A) costs are those costs associated with providing and maintaining the infrastructure that supports the research enterprise (buildings and their maintenance, libraries, etc.) and which cannot easily be identified with a specific project. "Facilities" includes depreciation and use allowances, interest on debt associated with certain buildings, equipment and capital improvements, operation and maintenance expenses, and library expenses. "Administration" includes general administration and expenses, departmental and college administration, sponsored projects administration, and all other types of expenditures not listed specifically under Facilities.

The OSU F&A rate agreement is negotiated by the University and the Department of Health and Human Services. It is based upon actual expenditures incurred by the university in its research programs. Administrative costs are capped at 26%. The F&A rate is calculated by dividing the indirect expenses allocable to organized research by the modified total allowable expenses related to organized research.

Basis for Policy – This policy on F&A serves two purposes: to clarify the College of Arts and Sciences (ASC) position and expectations of F&A rates, and to clarify the manner in which F&A revenues are distributed within the college. Indirect costs are real costs associated with conducting research; their recovery is critical to the financial health of the college and its ability to maintain and grow the research enterprise. Each sponsored project that is accepted with less than the standard indirect cost rate results in a reduction in future federally negotiated F&A rates by increasing the modified total allowable expenses, which affects the long-term financial health of the college and the entire university.

F&A Rate Policy Statement – The College of Arts and Sciences requires the use of the appropriate federally negotiated rate for all sponsored projects. Prior written approval from the ASC Executive Dean for Research or designee is required to use a lower F&A rate than the current, appropriate federally-negotiated F&A rate. Standard exceptions to the requirement may include the following:

- If a solicitation or sponsor's published guidelines specify an F&A rate less than the current federally negotiated rate, the reduced rate will be permitted without a waiver.
- Industry sponsored or funded clinical trials will be subject to a 26% Total Direct Cost (TDC) rate. Federally sponsored clinical trials are subject to the federally negotiated F&A rate. Industry sponsored research that does not meet the definition of a clinical trial is subject to at least the full F&A rate.

The policy also outlines procedures for requesting a reduction or waiver from the standard F&A rate for a specific project. Very few F&A rate waiver requests will be approved, and none will be approved that do not follow the exemption request procedure.

Procedure for Requesting a Waiver – The College of Arts and Sciences expects that faculty proposals to external sponsors will include the applicable approved University F&A cost rate in the proposed budget. If an investigator wishes to request a waiver of F&A costs, prior written approval from the ASC Executive Dean for Research or designee is required and must be attached to the PA005 – OSU Authorization to Seek Off-Campus Funding form.



To request approval from the College, send an email explaining the circumstances to the Director for Research Services Jared Port (port.4@osu), copying the Executive Dean for Research Dr. Morton O'Kelly (okelly.1@osu.edu) and Kimberly Kinsel (kinsel.21@osu.edu). The college will review the request, coordinating with other colleges as needed, and the decision will be communicated via email. Importantly, the request for approval must be submitted to the college at least one week before the proposal's deadline.

F&A waivers that will be accepted (prior approval not required):

- Waivers as the result of statute or regulations.
- Waivers as the result of program terms published in the sponsor's funding announcement or solicitation.
- Waivers as the result of changes in our federally negotiated rate that result in an increased rate after a project begins.

Waivers that may be accepted (prior approval required):

- Waivers for awards that support conferences.
- Waivers for new investigators transferring grants to the University from other institutions, at the prior institution's rate for a limited transition period.

Waivers that normally will be denied:

- Waivers requested solely because an award does not provide adequate direct costs for completion of the full scope of the project.
- Waivers requested because the investigator thinks this will increase the competitiveness of the application or because the total award amount is capped.
- Waivers that will not provide equitable treatment to all University researchers applying to the same sponsor.
- Waivers for awards under which intellectual property rights do not remain with the University.
- Waivers based solely on precedent.

Additional Guidance

Authorized Official - Investigators are reminded that while they are encouraged to discuss the scope of work with a potential sponsor, they are not authorized to negotiate F&A costs. Any 'prior understanding' between an investigator and a sponsor regarding F&A rate is not binding for the university or college. Furthermore, any negotiations of the F&A rate between the sponsor and the Office of Sponsored Programs are conducted only with the full knowledge and consent of the college. The investigator is not authorized to approve any F&A rate on behalf of the college. It is an expectation that industry sponsors will be subject to at least our negotiated F&A rates. All such negotiations should be conducted by the Office of Sponsored Programs (OSP) or the Technology Commercialization Office (TCO), and not by the investigator.

Please consult with the ASC Director for Research Services and/or the Executive Dean for Research early and often to ensure that any F&A rate discussions that deviate from the above guidance are clearly communicated and agreed in advance of a proposal submission.

