

# MEMORANDUM

DATE: December 22, 2011  
 TO: The UMBC Community  
 FROM: Geoffrey P. Summers, Vice President for Research  
 SUBJECT: New Facilities and Administration (F&A) Rate

Every few years UMBC negotiates a Facilities and Administrative Costs Rate Agreement (also known as the indirect cost rate agreement) with our cognizant federal agency, the Department of Health and Human Services (DHHS). The first part of the process is for us to compute the actual costs to UMBC to support sponsored activity both on and off campus. The resulting computations are as follows:

Applicable To:	On-Campus Rate (%)	Off-Campus Rate (%)
Organized Research	66.77	27.05
Instruction	81.37	52.20
Other Sponsored Activity	32.61	22.51

UMBC then enters into discussion with DHHS, which typically leads to negotiated rates that are less than the computed rates, as was the case this time. Our previous F&A Costs Rate Agreement expired on June 30, 2010. At that time our rate became provisional while negotiations on the new rate agreement continued. Those negotiations have now been completed and we have a new F&A Costs Rate Agreement, officially signed and dated November 23, 2011 with the following results:

Applicable To:	From Date:	To Date:	On-Campus Rate (%)	Off-Campus Rate (%)
Organized Research	07/01/2011	06/30/2012	48.00	26.00
Organized Research	07/01/2012	06/30/2014	50.00	26.00
Organized Research	07/01/2014	06/30/2015	50.50	26.00
Instruction	07/01/2011	06/30/2012	55.00	26.00
Instruction	07/01/2012	06/30/2015	57.00	26.00
Other Sponsored Activity	07/01/2011	06/30/2012	26.00	22.00
Other Sponsored Activity	07/01/2012	06/30/2015	28.00	22.00

The 2 – 2.5% increase in the rates over the agreement time frame will provide much needed additional dollars to the University in support of our research infrastructure.

All of the above rates are based upon Modified Total Direct Costs (MTDC) which are the defined base of expenses to which the rate is applied. Those costs include all direct costs except:

- equipment (each item costing \$5,000 or more with useful life of one year or more);
- tuition remission;
- rental of off-site facilities;
- capital expenditures (includes alterations and renovations);
- scholarships and fellowships;
- the portion of each subgrant and subcontract in excess of \$25,000.

It should be noted that not all sponsored projects will automatically be charged with the new F&A rates as of July 1, 2012. Guidelines for the implementation and application of the new F&A rates are attached to this memorandum.

This memorandum, the implementation information and a copy of the Rate Agreement will be posted on both the Office of Contract & Grant Accounting and the Office of Sponsored Programs websites. Questions regarding the implementation may be directed to Tammy Ray, Director of the Office of Contract & Grant Accounting ([tross@umbc.edu](mailto:tross@umbc.edu)) or Jocelyn Klucar, Director of the Office of Sponsored Programs ([bauer@umbc.edu](mailto:bauer@umbc.edu)).

IMPLEMENTATION AND APPLICATION  
New UMBC Facilities & Administration (F&A) Rates  
December, 2011

**Existing Awards**

Grants, contracts and other agreements currently in effect will continue with the existing F&A rate and base as set up in our accounts for the duration of the award.

**New Proposals or Renewals**

All proposals received by the Office of Sponsored Programs (OSP) on or after **January 1, 2012** must budget for the new F&A rates:

1. Proposals for awards having a start date before July 1, 2012 are to carry the on-campus rate of 48% MTDC for Organized Research, 55% MTDC for Instruction, or 26% MTDC for Other Sponsored Activity.
2. Proposals for awards having a start date on or after July 1, 2012 are to carry the on-campus rate of 50.0% MTDC for Organized Research, 57% MTDC for Instruction, or 28% MTDC for Other Sponsored Activity.

**New Multi-Year Proposals or Renewals**

Multi-year proposals for awards having a start date before July 1, 2012 would be prorated as follows:

1. First, determine the start date of project. For example, a five-year \$1,000,000 Organized Research award is received with a start date of March 1, 2012, which will be funded at \$200,000 per year. Note that if the start date is changed, the F&A will need to be adjusted accordingly. When the start date is in doubt, use the latest possible start date to ensure sufficient funding for F&A.
2. Identify the number of months in the budget period that will be assessed at each Fiscal Year F&A rate. For our example, 4 months will be at the FY 2012 rate (48% MTDC) and 8 months at the FY 2013 rate (50% MTDC).
3. Divide the total modified direct cost amount of the project by the number of months in the budget period (e.g.  $\$200,000 / 12 = \$16,666$ ).
4. Multiply the number of months at the first F&A rate by the monthly modified direct cost amount and the number of months at the second F&A rate by the monthly modified direct cost amount. (e.g.  $[\$16,666 \times 4 \times 48\%] + [\$16,666 \times 8 \times 50.0\%] = \$31,999 + \$66,664 = \$98,663$ )
5. Repeat the calculation for the remaining budget periods.

**New Awards**

Awards based on pending proposals normally incorporate the proposed budgets. New awards that are made six months from now that are based on proposals signed off at the FY2012 rates will be set up at that rate and will be charged the F&A rate and base stipulated in the award agreement from the initial budget period through the project period awarded. For example, NSF awards often project a three-year grant based on a three-year proposal, but only fund one year at a time. As the funding level for all three years is based on the initial proposal, all three years would carry the rate in the approved proposal.

### **Subawards**

The first \$25,000 of each subgrant or subcontract is assessed the on-campus F&A rate. Per Federal regulations (OMB Circular A-110) the terms “subgrant” and “subcontract” refer to awards for a substantive portion of the work of a sponsored project. This covers research efforts involving collaborative or substantive contribution to the research. This does not include procurement of goods and services, such as analytical services and logistical support, which would be handled as procurements and carry full F&A.

### **Off-Campus Definition**

Off-campus activity is defined as those activities that take place in facilities not owned by UMBC **and** to which rent is directly allocated to the project(s). Projects will not be apportioned between on- and off- campus rates. If more than 50% of a project is performed off-campus, then the off-campus rate should be budgeted for the entire project. Conversely, if less than 50% is performed off-campus, the on-campus rate is to be applied. Justification for use of other than the on-campus rate should be included in the proposal’s budget justification.

### **Waivers**

Consistent with existing UMBC policies and procedures, the waiver of any part of the F&A recovery must route through the Office of Sponsored Programs for approval.

UMBC Policy [UMBC IV-2.00.01](#) - UMBC Consistent Application of Facility and Administrative (F&A) Costs can be accessed at: (<http://www.umbc.edu/research/Administration/policies.htm>)

The associated Facilities & Administrative Cost Waiver Form can be accessed at: ([http://www.umbc.edu/research/OSP/forms/osp\\_forms.html](http://www.umbc.edu/research/OSP/forms/osp_forms.html))