

## **EHE Facilities and Administrative (F&A) Costs Policy**

Facilities and Administrative (F&A) or indirect costs are real costs associated with conducting research. These costs are associated with providing and maintaining the infrastructure that support research (buildings and their maintenance, libraries, etc.) and which cannot easily be identified with a specific project. Their recovery to the maximum extent possible 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 OSU federally-negotiated F&A rate results in a reduction in future federally negotiated F&A rates by increasing the modified total allowable expenses. The current OSU federally-negotiated F&A rate and additional information about F&A rates can be found on the OSU Office of Sponsored Programs website (<http://osp.osu.edu/development/budgets/fa-costs/>).

"Facilities" includes depreciation and use allowances, interest on debt associated with certain buildings, equipment and capital improvements, operation and maintenance expenses (e.g., space renovations; relocations; furniture), and library expenses. "Administration" includes general administration and expenses, departmental and college administration, sponsored projects administration, college research support (e.g., Office of Research; Research Methodology Center), and all other types of expenditures not listed specifically under Facilities.

This college-level policy on the OSU federally-negotiated F&A rate serves to clarify the EHE position and expectations of the use of F&A rates on all externally-funded research. The policy also outlines procedures for requesting a reduction or waiver from the OSU federally-negotiated F&A rate for a specific project. It also includes sections on how the rate is negotiated, the role of the principal investigator in this process, and how F&A costs are calculated in a proposal budget.

### **Exceptions to the Use of the OSU Federally-Negotiated F&A Rate**

EHE requires the use of the OSU federally-negotiated F&A rate for all sponsored projects with the following exceptions:

- 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.
- If the sponsor is not federal and does not allow for full indirect cost recovery, costs normally charged as F&A costs should be charged directly, if not prohibited by sponsor policy. These charges may include equipment and capital improvements, operation and maintenance expenses (e.g., space renovations; relocations; furniture), and library expenses, general administration expenses, hardware and software, departmental and

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college administration, sponsored projects administration as well as college research support (e.g., Office of Research, Research Methodology Center).

## **Transferring Grants from another University to the College of Education and Human Ecology**

The pre-existing F&A rate used with the grant will be honored by EHE. Copies of the award notices, award terms and conditions, the most recent monthly financial statement, and the name, email address and phone number of the grants administrator in the grants office of the other institution are required. Please contact EHE Office of Research Grants Managers Michael Moses ([moses.42@osu.edu](mailto:moses.42@osu.edu)) or Ann Smith ([smith.12699@osu.edu](mailto:smith.12699@osu.edu)) at least 90 days in advance of the transfer date to ensure a smooth transition.

## **Procedure for Requesting a Waiver**

If an investigator wishes to waive the use of the OSU federally-negotiated F&A rate, prior written approval from the EHE Associate Dean for Research or designee is required and must be attached to the ePA-005 – OSU Authorization to Seek Off-Campus Funding form. To request approval from the College, send an email explaining the circumstances to the Associate Dean for Research, Natasha Slesnick ([slesnick.5@osu.edu](mailto:slesnick.5@osu.edu)).

The College will review the request, coordinating with other Colleges as needed, and the decision will be communicated via email. It is critical that the request for approval be submitted to the College at least one week before the proposal deadline.

## **Role of the Principal Investigator in Negotiating F&A Rates**

Investigators are not authorized to negotiate F&A rates. 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 Licensing and Commercialization Office (TCO), and not by the investigator.

Please consult with the EHE Associate Dean for Research early to ensure that any F&A rate discussions that deviate from the above guidance are clearly communicated and agreed upon in advance of a proposal submission.

## **Negotiating the OSU F&A Rate**

The OSU federally-negotiated 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

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university in its research programs. Administrative costs are capped at 26%. The F&A rate is calculated by dividing the indirect expenses allocated to organized research by the modified total allowable expenses related to organized research. Most federal sponsors pay the full F&A rate for most of their grant programs, with the notable exception of training or career development awards.

### **Details on Calculating the F&A Costs in Budgets**

F&A is calculated by multiplying the F&A rate by the “base,” which is all or a portion of the direct costs. There are two common bases:

#### *Total Direct Costs (TDC)*

The F&A is calculated on all direct costs. This is the base that is appropriate when the F&A rate is less than the full, federally negotiated rate, unless the sponsor specifically excludes items from the base in its written policy. EHE expects that this base be used whenever appropriate and allowable. This is the appropriate base for industry-sponsored clinical trials. All costs are included in the base.

#### *Modified Total Direct Costs (MTDC)*

The F&A is calculated on all direct costs, less equipment, capital expenditures, charges for tuition, off-campus space rental costs, scholarships and fellowships, and the portion of each subaward exceeding \$25,000. This is the appropriate base when the full, federally negotiated F&A rate is used. Many federal awards, regardless of the F&A rate, require the use of the MTDC base. When a project includes a subaward, F&A is charged on the first \$25,000 of the subaward. For smaller multiyear subawards, this first \$25,000 may be spread over multiple years.

In some cases the sponsor will not support the full F&A rate. The difference between the full F&A rate and the sponsor supported rate is known as unrecovered F&A. If the sponsor also requires that the grantee institution share in the support of the costs of a sponsored project, then the amount of unrecovered F&A can often be counted as cost share. When calculating the unrecovered F&A for purposes of cost share, the total F&A costs are calculated using the MTDC base. The amount the sponsor is willing to pay is subtracted from that total, and the difference is the cost-shared F&A.

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