

Facilities & Administrative (F&A) Costs Directives & Procedures

Responsible Office: UF Research | Sponsored Programs

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1. Background

All sponsored project budgets should include all costs needed to accomplish the objectives presented in the statement of work. The total cost of any project includes both direct costs (salaries for the researchers, lab supplies, travel, etc.) and facilities and administrative costs (F&A). The University's F&A rates are negotiated with the U.S. Department of Health and Human Services and reflect auditable expenses incurred in the conduct of sponsored activities.

1.1. Definitions

1.1.1. Direct Costs

Those costs that can be identified specifically with a particular sponsored project or that can be directly assigned to such activities relatively easily with a high degree of accuracy. Where an institution treats a particular type of cost as a direct cost of sponsored agreements, all costs incurred for the same purpose in like circumstances shall be treated as direct costs of all activities of the institution.

1.1.2. Facilities & Administrative (F&A) Costs (Indirect Costs)

Those costs that are incurred for common or joint University objectives and therefore cannot be identified readily and specifically with a particular sponsored project. "Facilities" include heating and air-conditioning, lights, custodial services in the lab, occupational safety, hazardous waste disposal, maintenance and repairs and depreciation costs of buildings and equipment. "Administration" is defined as "general administration and general expenses, sponsored programs administration, departmental administration and general administration (accounting, purchasing, legal services, personnel, and compliance), and all other types of expenditures not listed specifically under...facilities."

1.1.3. Off-Campus

Facilities that are not owned and maintained by UF and for which rent is charged. Off-campus F&A can only be charged to projects where rent (which may be in the form of janitorial services, building maintenance, etc.) is directly charged to the project.

Projects that merely include travel costs or field work do not qualify for the off-campus rate.

1.1.4. Other Sponsored Activity (according to 2 CFR 200, Appendix III)

Other Sponsored Activity (OSA) is defined as "programs and projects financed by federal and non-federal agencies and organizations which involve the performance of work other than instruction and organized research." Most sponsored projects at the University can be properly classified as Research or Instruction. The use of OSA rates must be limited to

activities similar in nature to the examples provided in Appendix III, Section A.1.c: health service projects and community service programs. When the work contributes to new knowledge whether to benefit the University, greater academia or the sponsor's mission or profit, research is the appropriate definition and not OSA. Generally, only when the constituents or beneficiaries of the work is the greater public and not the sponsor should this rate be utilized.

1.1.5. Sponsored Instruction

Sponsored Instruction is teaching and training activities funded by grants and contracts which support curriculum development and teaching activities whether offered for credit toward a degree or certificate, on a non-credit basis, or through regular academic departments or by separate divisions, summer school, or external division. The key indicator of instruction vs public service is the intended audience. If the audience is intended to be enrolled University of Florida students, the activity is instruction. If the audience is the public, the activity is Other Sponsored Activity.

1.1.6. Research (taken from the NSF Higher Education Survey and 2 CFR 200.87)

"Research" is the systematic study directed toward fuller knowledge or understanding of the subject studied. "Development" is the systematic use of knowledge and understanding gained from research directed toward the production of useful materials, devices, systems, or methods, including design and development of prototypes and processes.

For the purposes of this policy, "Research" includes all basic, applied, and development activities as well as the training of individuals in research techniques where such activities utilize the same facilities as other research and development activities and where such activities are not included in the instruction function.

1.1.6.1. **Basic Research** – Experimental or theoretical work undertaken primarily to acquire new knowledge of the underlying foundations of phenomena and observable facts, without any particular application or use in view.

1.1.6.2. **Applied Research** – Original investigation undertaken in order to acquire new knowledge. It is directed primarily towards a specific, practical aim or objective.

1.1.6.3. **Experimental Development** – Systematic work, drawing on knowledge gained from research and practical experience and producing additional knowledge, which is directed to producing new products or processes or to improve existing products or processes.

2. Applicability

The University recovers its costs for F&A expenses on sponsored projects by charging F&A as a percentage of the direct cost expenses of the funded projects. Unless otherwise provided in this document, all budgets for funded projects, regardless of funding source, should include F&A costs according to the applicable federally negotiated F&A rate. The applicable F&A rate may vary depending on the activity type. The definitions provided in this document should be used in making sponsored activity type and rate applicability determinations.

3. Exceptions to the Application of the Negotiated Rate

Some sponsors and programs limit their F&A cost reimbursement. University of Florida recognized exceptions and the process for documentation of each are outlined below:

1. Established rates for use with various US public entities will be charged as stated on the UF Research F&A website at: <https://research.ufl.edu/dsp/proposals/budgeting/fa-rates-ids/fa-exceptions.html>. No additional documentation is required to be included with each UFIRST proposal if the rate on this website is charged with these entities.

2. Non-federally sponsored NIH-defined Clinical Trials or prospective observational human subjects research where the University recovers costs largely on a per patient basis (rather than cost reimbursable or milestone basis) may be charged 30% on total direct costs (TDC). If the sponsor has a policy that qualifies them for exception 3 below, the lower of 30% or the rate under exception 3 may be charged. Accurate response to the questions in UFIRST regarding the nature of these studies and payments supplants the need for additional F&A documentation.
3. Some not-for-profit sponsors or US government programs prescribe F&A rates other than the University's federally negotiated rate. Examples include the American Heart Association, United States Department of Agriculture Specialty Crop Block Grant and National Institutes of Health Career Awards. When the program or sponsor publishes such a rate in their policies or guidelines (i.e. request for proposal, request for application, or broad agency announcement, the University will accept that rate. Reduced rates do not apply to for-profit entities or to growers, producers, or the foundations or associations that support them, which are expected to pay the University's full applicable F&A rate. In the case of a domestic not-for-profit sponsor who awards the University \$10,000 or less in a fiscal year and does not document their F&A policy, UF will accept 0%.
4. Unless sponsor policy precludes (i.e. National Science Foundation), if:
 - a. an award is being transferred to UF after a faculty member was awarded the funds at a prior institution;
 - b. the rate that would be charged under these procedures and directives exceeds those accepted at the previous institution; **and**
 - c. the sponsor will not adjust the funds awarded to UF to accommodate the increase,

DSP will attempt to mitigate the impact to the Principal Investigator by working to identify a path to the budget structure that makes available to the Principal Investigator the closest direct cost balance as possible. With college approval, this may include accepting the previous institution's F&A rate. Evidence of the previous institution's acceptance of the lower rate and the remaining balance (including direct and F&A costs), must be provided at the time of the transfer proposal.

4. Requesting a Waiver

Use of any F&A rate other than the negotiated rates or the itemized exceptions provided under Section 3 above must be approved by the Associate Dean for Research or Unit Director and a Director of the Division of Sponsored Programs. Review is based on assessment of the compelling nature of the request, the importance of the individual project, the best interests of the college, fairness to other investigators, and the ability of the department or college to financially forego the F&A that would otherwise have been recovered.

Note that failure of the Principal Investigator to submit the proposal via approved institutional channels (through department, college and DSP) prior to submission to the sponsor is not cause for a waiver. In these cases, the sponsor will be expected to pay the full applicable F&A rate.

In addition, all parties of the review should be attentive to the proper calculation of F&A costs in the budget. If a proposal includes an error in calculation, the appropriate F&A must still be recovered. Request to the sponsor or an adjustment in direct costs will be necessary to accommodate any error.