January 25, 2012

Memorandum to: University of Oregon Research Community

From: Moira Kiltie, Assistant Vice President for Research and Interim Director Sponsored Projects Services (SPS)

Re: Clarification on the application of Facilities and Administrative (F&A) Cost Rates

As announced by Vice President Espy last week, the University of Oregon recently negotiated and accepted an F&A agreement with the U.S. Department of Health and Human Services, Division of Cost Allocation with new rates are effective for the period July 1, 2012 through June 30, 2014.

We have received some excellent questions and suggestions from the community and the following information is intended to provide guidance on the implementation of these new rates and how to incorporate these new rates into active awards, pending proposals and proposals in development.

1. New federal awards with a **project period start date of July 1, 2012** or later will automatically receive the newly negotiated federal rate, and this new rate will also apply to any pre-award costs incurred for the project. Supplements to existing grants will be treated as new awards.

2. Non-federal awards of pending proposals will remain at the rate approved in the award or the original application/proposal rate. Supplements to existing awards will be treated as new awards.

3. The F&A rate for all existing projects, including non-competing continuations, will be the rate in effect at the time the initial award was made and will remain the same throughout the competitive segment of a project. The “competitive segment” is the period of years approved by the federal funding agency at the time of the award.

4. Proposals being submitted in the upcoming months with an anticipated **project period start date of July 1, 2012** or later should incorporate the new rates.

5. Proposals being submitted in the upcoming months with an anticipated **project period start date prior to July 1, 2012** should use the rates currently in effect.
6. Be advised, for federal awards received in the upcoming months with a **project period start date of June 1 through June 30, 2012** (in other words within 30 days of the effective date) that is within 30 days of the effective date of the new rate, we will request that the federal sponsor accept and apply the new rate. If you receive an award with a start date in June 2012, please work with your SPS SPA team to address the applicable rates with the sponsoring agency.

7. Proposals and awards that have specific limitations on the level of F&A allowed should follow the sponsor’s documented guidance and use the maximum rate the sponsor allows. For further information see: [http://orsa.uoregon.edu/index.cfm?toplevcat=proposals&page=pp_fa_less](http://orsa.uoregon.edu/index.cfm?toplevcat=proposals&page=pp_fa_less)

We appreciate the feedback we have received to date. For additional information or assistance concerning the new rates, please contact Sponsored Projects Services (SPS) at 346-5131.
Dear Colleagues:

I am pleased to announce that the University has finalized its negotiations with the Department of Health and Human Services (DHHS) on our approved Facilities & Administration rate (F&A; previously known as indirect cost rate) for use on grants and contracts. Please join me in recognizing the hard work of our internal team led by Business Affairs Director Kelly Wolf, along with staff members from Business Affairs, Budget and Resource Planning, Facilities, Campus Planning and Sponsored Projects Services (SPS). Our campus negotiating team received wise counsel from Huron Consulting Group.

The new F&A rate is 45% for all on-campus, organized research. Although this new rate reflects a 3 percentage point increase from our previous rate, our actual F&A costs submitted to DHHS were much larger. Indeed, our F&A rate remains significantly lower than that of other AAU and/or Research I institutions (i.e. Arizona, Davis, Irvine, Michigan, Nebraska, and Santa Barbara are at 50% or greater). Furthermore, F&A funds earned by the university are derived from past expenditures and thus, by definition, are lower than current F&A costs. The low rates and correspondingly smaller recovered F&A costs impact UO’s ability to expand and grow our research capacity, infrastructure and service. Also due to our diverse sponsored projects portfolio that includes a significant number of awards with mandated lower F&A rates, our effective F&A cost recovery is 17% - nowhere close to the negotiated 45% or the actual F&A cost.

To address some of these challenges, we negotiated a very short turnaround for the next F&A cost survey application to DHHS, so that we can quickly demonstrate our true costs to the federal government in support of a higher rate. Our “base” year is FY13, and my office and that of the VPFA office under Jamie Moffitt’s leadership will again team up to implement a number of changes in methods and processes that should provide us with more robust data on actual research spending for FY13, especially as related to facilities and infrastructure. The focus is on facilities and infrastructure because the F&A costs related to administration are capped at 26%, regardless of how much UO spends. In the coming months, for example, our offices will be attending to metering/costing energy use in research intensive buildings; space utilization reporting; and enhanced accounting techniques to fully capture all relevant expenditures. Jamie and I will communicate more specifics on these efforts over the coming months.

Under federal rules, for PI’s submitting awards with an expected start date after June 1, 2012, the new rates posted on our website shall be used. For those awards coming in now and where work is to begin before May 31, 2012, please use the current rates.

Please note that there are other changes involved in the final agreement other than the on-campus, organized-research rate increase noted above; including rate changes applicable to other categories of sponsored activity and a change to the definition of off-campus research. As is our practice, the full rate agreement can be found on the Sponsored Projects Services’ (SPS) website for those who want to review the detail of the agreement: [http://orsa.uoregon.edu/web/proposals/F_A_Rate_Agreement_12_08_2011.pdf](http://orsa.uoregon.edu/web/proposals/F_A_Rate_Agreement_12_08_2011.pdf). Pre-award Sponsored Projects Administrators in SPS will assist PIs and their department grants administrators to implement the rate changes in their budgets.

Please join me in congratulating our colleagues on our successful negotiation and in working together on our upcoming efforts in the next negotiation process.

Sincerely,

Kimberly Andrews Espy
Vice President for Research and Innovation; Dean of the Graduate School

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