

## **Application of Facilities & Administrative Cost (F&A) Rates to Sponsored Projects**

F&A cost rates are applicable to all sponsored projects, i.e., grants, contracts, cooperative agreements, subgrants, and subcontracts funded by Federal and non-Federal sponsors, including state agencies, corporations, and foundations. Applying these rates allows UMD to recover the university's facility and administrative costs associated with externally funded activities that, although they are true costs that are incurred, cannot be identified specifically with a particular project or activity. The F&A rates negotiated with the Federal Government allows for the reimbursement of these costs from sponsored awards. Therefore, any reduction in the negotiated rates are considered cost sharing, and UMD must recover those costs from other sources.

### **How to Determine F&A Rates:**

#### **Step 1: Sponsor Program Guidelines**

The first step in determining the appropriate F&A rate is to read the sponsor solicitation. If there is a limitation on F&A, the program guidelines or announcement will list the rate that should be used. If there are no guidelines available, or they do not mention F&A or do not indicate that something other than the applicable federally-negotiated F&A rate should be used, then the federally-negotiated rate should be used.

#### **Step 2: Identify Award Type for Your Project**

The next step in determining the appropriate rate is to establish what type of project you have. The main award types are:

- Organized Research
- Instruction and Training
- Other Sponsored Activities
- Intergovernmental Personnel Act Agreements
- Department of Defense agency (DoD) is sponsor

### **Types of Awards:**

#### **A) Organized Research**

Organized Research is described as all research and development activities that are sponsored by Federal and non-Federal sponsors. Examples of sponsored research include:

- Awards to UMD faculty to support research activities.
- External funding to maintain facilities or equipment and/or operation of a center facility which will be used for research.
- External support for the writing of books, when the purpose of the writing is to publish research results.
- Data collection, evaluation, analysis and/or reporting

## **B) Instruction and Training**

Sponsored Instruction is defined as teaching and training activities (other than research training) at UMD funded by Federal or non-Federal sponsors.

Sponsored Instruction includes:

- Any project for which the purpose is to instruct any student at any location; recipients of the instruction may be UMD students, staff, teachers or students in elementary or secondary schools, or the general public
- Curriculum development projects at any level, including projects which involve evaluation of curriculum or teaching methods. Note that such evaluation may be considered “research” when the preponderance of activity is data collection, evaluation and reporting
- Projects which involve UMD students in community service activities for which they are receiving academic credit
- General support for the writing of textbooks or reference books, video or software to be used as instructional materials
- Instruction offered for credit toward a degree or certificate or on a non-credit basis,
- Instruction offered through regular academic departments or separate divisions, such as a summer school division or an extension division.

## **C) Other Sponsored Activities**

Other Sponsored Activities means programs and projects financed by Federal and non-Federal sponsors which involve the performance of work other than Instruction and Organized Research.

Examples of Other Sponsored Activities include:

- Travel grants
- Support for conferences, seminars or workshops
- Support for University public events such as “lively arts”
- Support for University extension activities
- Support for student participation in community service projects which do not result in academic credit
- Support for projects pertaining to library collections, acquisitions, bibliographies or cataloging
- Programs to enhance institutional resources, including computer enhancements, etc.
- Health services projects
- Fee-for-service agreements (unit provides a routine service as part of its normal business operations, i.e. testing samples)

#### **D) Intergovernmental Personnel Act Agreements (IPAs)**

IPAs allow for the temporary assignment of personnel between the Federal Government and UMD to facilitate cooperation between both parties.

#### **E) Department of Defense Agency (DoD) is sponsor**

The DoD F&A rates are specifically for Organized Research (not Instruction and Other Sponsored Activities) on **Contracts or Subcontracts**. This includes DoD flow through funds through another entity/sponsor with industry or other universities.

**If your project includes more than one of the activity types you should apply the rate based on the preponderance of the activity. For example, if you have a project that involves research and training, if the preponderance of the activities on the proposal are research, then the research rate would be used. A budget can only include an F&A rate for one activity type.**

#### **Step 3: On or Off Campus Rate Determination**

Next, determine if your project qualifies for use of the on campus, off campus or a combination of both on and off campus rate.

An on-campus project is one in which the PI and the project activities all occur on the UMD campus or in campus-owned facilities.

An off-campus project is one in which the PI or a significant and identifiable portion of the project will be away from the PI's campus facilities (i.e. office and laboratory) for the entirety of the project **AND** for at least three **consecutive** months. The project personnel will be performing work in accordance with the statement of work of the sponsored project while at the off campus location.

It is important to note that a project should not be considered off-campus simply to circumvent the proper recovery of applicable F&A costs. This also includes when a PI considers using the off-campus rate to conduct his/her project off-campus for convenience. Conferences, short-term collaboration travel, etc. are not sufficient reasons to use the off-campus rate. In most cases, working remotely (e.g. from a home office) does not qualify for use of the off-campus rate. If an employee permanently lives in an out-of-state location and their employment letter specifically names a location off campus, the off-campus rate may apply. For this situation, please check with your Contract Administrator.

An on/off campus project is one in which activities are occurring both on and off campus. To have an on and off campus budget, the off-campus activities must exceed 25% of the direct costs of the budget **AND** the PI or a significant and identifiable portion of the project will be away from the PI's campus facilities (i.e. office and laboratory) for a minimum of three **consecutive** months. If a project has both on and off campus components, the budget needs to be apportioned appropriately.

Currently, there are two types of off-campus rates applicable to projects conducted in facilities not owned by UMD. An off-campus “remote” rate at 26% Modified Total Direct Cost (MTDC) will be for activities performed outside the commuting area of College Park. An off-campus “adjacent” rate of 27.5% MTDC will be for activities performed within the commuting area (50 miles) of College Park.

Off-campus rates can only be used relative to the effort of a University employee. The performance of non-university personnel must be handled via a subaward to another institution or a consulting agreement. **Subawards** must include full on-campus F&A on the first \$25,000 of the subaward, unless an entire project is being conducted off-campus. **Consulting and Contracting** agreements and other procurement actions are charged the full on-campus F&A rate on the entire amount of the procurement action, unless an entire project is being conducted off-campus. If an entire project is being conducted off-campus, then the appropriate off-campus rate should be charged to subawards and procurements, including consulting agreements.

Once the project type and location are determined, the appropriate Federal negotiated rate should be applied. Current rates and information regarding the F&A waiver process can be found at <http://www.ora.umd.edu/resources/fa>

Federal rates should be used with all sponsors that do not specify a limitation of F&A in their guidelines, and must be used if UMD will be a subrecipient on a Federal prime award.

#### **Step 4: DoD agency is sponsor**

- Confirm that activity to be performed is for Organized Research
- If yes, use the appropriate DoD rate for on/off campus with the following language included in the budget justification: “In accordance with DFARS 231.303 UMD has used its uncapped DoD F&A rate to calculate the budget. Should the DoD agency decide to award UMD a grant or cooperative agreement instead of a contract, UMD will revise our budget to adjust the F&A rate to the capped Organized Research rate in accordance with 2 CFR 200”

#### **Questions?**

Questions can be directed to your ORA contract administrator. <http://www.ora.umd.edu/staff>