University of Maine
Office of Research Administration
Application of the Appropriate Facilities and Administrative (F&A) Rates
Sponsored Research, Instruction and Other Activities

Introduction

The University of Maine’s (UMaine) policy is to request and recover full Facilities and Administrative (“F&A”, “indirect”, or “overhead”) costs, whenever possible. UMaine will apply the full F&A rate(s) based on our federally negotiated <F&A Rate Agreement> on all proposals unless the prime sponsor has a published policy limiting or disallowing F&A costs. The full F&A agreement rate(s) will be used regardless of whether UMaine is the primary applicant or subrecipient. UMaine’s subrecipients will be subject to the same F&A rate conditions that pertain to the overall UMaine project.

What are F&A costs?

Facilities and Administrative (“F&A”, “indirect”, or “overhead”) costs are those costs associated with providing and maintaining the infrastructure that supports the research enterprise and which cannot be easily identified with a specific project. F&A costs are classified into two broad categories: “Facilities” and “Administration.” “Facilities” include libraries, buildings, grounds and buildings upkeep, etc. “Administration” is defined as general administration and general expenses such as the director's office, accounting, personnel and all other types of expenditures not listed specifically under one of the subcategories of “Facilities”.

Why are F&A Costs Necessary?

Full cost recovery is necessary to support the University’s physical and administrative capacity to perform research. When indirect costs are not fully recovered, maintaining the University’s research capabilities and infrastructure is compromised. All sponsored agreements should share the burden of the cost of sponsored projects.

How Are F&A Costs Established?

F&A rates for proposals to agencies of the Federal government are set forth in the agreement between the University of Maine System (UMS) and the U.S. Department of Health and Human Services. A copy of which may be found on the University of Maine System website at http://www.maine.edu/about-the-system/system-office/finances/facilities-and-administrative-cost-rates-and-benefit-rates/.

Current F&A Rates 7/1/2018 – 6/30/2019 (FY19)

<table>
<thead>
<tr>
<th>Sponsored Activity</th>
<th>Project Location</th>
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<tbody>
<tr>
<td></td>
<td>On-Campus</td>
<td>Off-Campus</td>
</tr>
<tr>
<td>Organized Research</td>
<td>44%</td>
<td>26%</td>
</tr>
<tr>
<td>Instruction</td>
<td>51%</td>
<td>26%</td>
</tr>
<tr>
<td>Other Sponsored Activities</td>
<td>33%</td>
<td>26%</td>
</tr>
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July 1, 2019 – until amended (FY20+)

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<td>On-Campus</td>
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<tr>
<td>Organized Research</td>
<td>46%</td>
<td>26%</td>
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**Basic Principles**
- UMaine expects that F&A costs will be recovered to the maximum extent allowable.
- The Office of Research Administration (ORA) is responsible for determining applicability of the appropriate F&A rate.
- ORA will apply the appropriate F&A on all proposals unless the prime sponsor has a published policy limiting the F&A rate.

**Application of F&A Rates to Sponsored Activities**

Principal Investigators (PIs) and campus administrators are responsible for submitting proposals that provide for full indirect cost recovery unless an exception is granted by a University official with the authority to do so. Every effort should be made to recover all costs of extramurally-funded projects by applying an appropriate federally-negotiated rate.

To determine the applicable F&A rate for a specific project the following factors must be considered, which are described in more detail below: 1) the project type (research, instruction, or other sponsored activity; 2) whether the project is on-campus or off-campus; and 3) the funding source.

**Organized Research & Development (R&D)**

Organized Research is research and development (R&D) activities of an institution that are separately budgeted and accounted for, including federally sponsored R&D, federally supported research training activities that occur in conjunction with, and in the same facilities as, the federally funded R&D activities, and university research and development that is supported by institutional funds (2 CFR § 200 Appendix III.1.b). “Research” is defined as a systematic study directed toward fuller scientific 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.

R&D activities include the following subcategories:
- Basic research is undertaken primarily to acquire new knowledge without particular application or use in mind.
- Applied Research is conducted to gain the knowledge or understanding to meet a specific, recognized need.
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.

Additionally, the training of individuals in research techniques (e.g. externally-funded research training grants) that occur in the same facilities in which R&D is conducted is categorized as Research (rather than Instruction). Characteristics of R&D include systematic investigation; contributions to generalized knowledge; supporting, refining or refuting other research studies; production of research outcomes; intent to publish or disseminate results, etc. R&D varies greatly by field.

The following are examples of sponsored research projects:
- Scientific laboratory or field research
- Searching for applications of new research findings or other knowledge
- Conceptual formulation and design of possible product or process alternatives
- Statistical studies
- Literary interpretations or criticisms
- Health-related studies
- Research on teaching effectiveness
- External funding to develop and maintain facilities or equipment and/or operation of a center or facility which will be used for research
- Creation of academic and professional publications

**Instructional**

Instruction means the teaching and training activities of an institution financed by federal, state and private agencies and organizations. Except for research training as described above, this term includes all teaching and training activities, whether they are offered for credits toward a degree or certificate or on a non-credit basis, and whether they are offered through regular academic departments or separate divisions, such as a summer school division or an extension division. It includes activities that are part of the University’s instruction program to communicate educational content for-credit and not-for-credit courses (2 CFR § 200 Appendix III.1.a).

Examples include:
- Teaching
- Course and curriculum development
- Academic advising and development
- Instructional or training workshops for participants not enrolled as University students

**Other Sponsored Activities**

Other Sponsored Activities are programs and projects financed by federal, state and private agencies and organizations which involve the performance of work other than instruction and organized research (2 CFR 200 Appendix III.1.c).
Examples include:
- Purchases for infrastructure that do not impact any research
- Travel grants
- Support for University public events
- Support for teachers or students in elementary or high schools for outreach purposes
- Support for library collections or art museums, etc.
- Support for activities where there is no training of students, data collection or evaluation of any kind

Public Service is one of the more common activity types that generally falls under Other Sponsored Activities. It is characterized as the delivery of professional (non-instructional) services to individuals and groups external to the University.

Examples of public service include:
- Health service projects
- Community service projects
- Community health clinics
- Public broadcasting services
- Museum and gallery exhibits
- Conferences, seminars and workshops
- Special events open to the public
- Summer camps

When distinguishing between Public Service and Research and Development, consider if the PI would conduct the project or work without an evaluation of outcomes or any academic recognition for the project such as publication of results and/or presentation of results at an academic meeting, then the project would be categorized as Public Service.

**Use and application of the Off-Campus Rate**

UMaine's negotiated F&A rate agreement recognizes that federally funded research, instruction, and service activities may occur either on-campus or off-campus or a combination of locations, and that the University's entitlement to recovery of overhead costs varies depending on where the majority of the funded activities take place. The following definitions should be used to assure accurate application of off-campus F&A rates to federally funded projects, including subawards made to UMaine by prime recipients of federal grants, contracts, and cooperative agreements.

Off-Campus is defined as research that is conducted in space not owned by the University and not otherwise paid for by the University from University funds. For space used for off-campus research, an external source (typically, a research sponsor) provides funding, either paying directly for space or reimbursing the University for its costs in renting or leasing the space, or otherwise directly providing space for research at no charge to the University.

There is a significant difference between the rates for on-campus and off-campus activities. This differential represents the overhead costs of campus facilities, equipment, maintenance, utilities,
communications and IT systems, and library operations that are available to the faculty investigator/project director and may be utilized in the conduct of the sponsored project.

The off-campus rates may be applied for federally sponsored grant, contract, or cooperative agreement activities when the project activities occur in facilities not owned by UMaine and when rent for those facilities is treated as a direct cost in the project budget and reimbursed by the sponsor or provided by the sponsor at no charge. Additionally, the off-campus rate only applies if more than 50% of the project activities are performed in or out of such rented facilities. If 50% or less of the project activities is performed in such rented facilities, the on-campus rate prevails.

Activities that do NOT constitute the use of the off-campus rate:
- Routine field work, such as data and sample collection for environmental research
- Collection of observational data in local public schools for educational research
- Manuscript review at an out-of-state library for historical research
- Conference or meeting travel
- Short-term rental of space in the community for delivery of project services or activities do not qualify a project for the off-campus F&A rate unless facility rental costs charged to the project are substantial. In these cases, project personnel typically retain office space on-campus and access to university infrastructure and resources from which they develop their projects, conduct experiments and analyze samples and data, and prepare reports and manuscripts. Significant use of these on-campus resources likely entitles the University to collect F&A to cover facilities costs.

Because the Federal government does not provide detailed guidance on how to determine the portion of project activities being conducted off-campus, determining the applicable F&A rate is not an exact science. In its review to determine if the >50% threshold is met for off-campus designation, ORA will take into consideration where project personnel effort will be expended, where expenditures will be incurred, the facilities rental payment in comparison to total direct costs of the project, the duration of the rental agreement in relation to the project period, whether project personnel have assigned space on-campus, with access to library and research facilities, while work is performed in the rented facility, and other pertinent factors. Federal intent of an off-campus rate and ability of the rate decision to withstand audit will also be considered.

If the PI/PD wishes to make a case for a lower F&A rate based on project location, he/she should clearly explain the nature, location, and duration of the off-campus work and its proportion of the total project. Details of ownership to any off-campus facilities to be utilized and rental or use agreements for those facilities should also be included. (Note that hotel sleeping rooms and rented residential space when an individual is in travel status are not considered off-campus facilities.)

**Application of F&A Rates to Specific Funding Sources**

Although F&A rates are federally negotiated, UMaine applies these rates to all sponsored activity, regardless of sponsor type. Thus, the appropriate federally negotiated F&A rate should be applied to all sponsored projects based on performance location unless the sponsor has a
published policy that limits F&A recovery (e.g., the 8% training limit applied by some agencies). In particular, full F&A must be included in research proposals for business and industry sponsors. Fixed price agreements with these business and industry sponsors that are based on fully burdened costs may be particularly appropriate. Researchers are strongly encouraged to consult with ORA prior to initiating or participating in any discussions of project cost and F&A application with sponsors to ensure appropriate project costing.

Exceptions

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<tr>
<th>State of Maine Government</th>
<th>Two Options:</th>
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<td></td>
<td>1) No less than one-half of the federally negotiated rate for the specific type of project being proposed, i.e. research, instruction, or other sponsored activity. This reduction in rate only applies to Agreements for which the State makes the funding decision and has control of the funds (State tax revenues, Federal block grants to the state or the University is a contractor under a Federal award).</td>
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<td>2) Full negotiated rate if funded with Federal pass-through dollars and the University is a subrecipient under the Federal award, unless the F&amp;A rate is capped by Federal statute as described above under Federal exceptions. If the F&amp;A is capped by Federal statute the capped rate would apply.</td>
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| Master Agreements | If the UMS and a sponsoring agency have entered into a master agreement that allows for recovery of less than full F&A costs, include the cooperative agreement number from which the task order or work order is to be written within the proposal. All conditions of the Master Agreement must be met in order to use the F&A associated with that agreement. Copies of the Master Agreements are available upon request. Please contact ORA for additional details. |

Current Master Agreements:

1) National Park Service:
   Cooperative Ecosystem Studies Unit (CESU)
   Cooperative Agreement # P17AC01009
   Period of Performance: 7/17/17-11/1/22
   F&A: 17.5%. Non-CESU sub-recipients may be asked to follow the rate, but may not be required.

2) North Atlantic Coast Cooperative Ecosystem Studies Unit (CESU) / Cooperative and Joint Venture Agreement.
The following Federal sponsors, with corresponding agreement numbers, participate in this agreement:
   USGS # G14AC00185
   NPS # P14AC00888
   USFWS # F14AC00282
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<td>USACE-CW # W912HZ-08-2-0007</td>
<td>DOD ODUSD (I&amp;E) # W9126G-14-2-0016</td>
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<tr>
<td>NOAA # no number issued</td>
<td><strong>Period of Performance:</strong> 6/19/14-6/18/19</td>
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<td><strong>F&amp;A:</strong> 17.5%, with the exception of NRCS which is limited to 10% of total direct costs.</td>
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3) **Maine Cooperative Fish and Wildlife Unit**  
   Agreement for Establishment and Operation of the Maine Cooperative Fish and Wildlife Research Unit by the US Geological Survey, Department of the Interior and the University of Maine System / Maine Department of Inland Fisheries and Wildlife / Wildlife Management Institute / U.S. Fish and Wildlife Service, US Department of Interior  
   **Cooperative Agreement No.:** 1434-06HQRU1557  
   **Period of Performance:** 5/27/2016 – 5/26/2021  
   **F&A:** 15%

4) **The Nature Conservancy**  
   **Memorandum of Understanding**  
   **No Award ID number assigned to MOU**  
   **Period of Performance:** 3/5/2018 – 12/31/2022  
   **F&A:** 32% unless a federal or state regulation requires a lesser rate

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**F&A Waiver Requests**

Requests to waive any or all of the applicable F&A or use of the off-campus F&A rate for projects that do not meet the federal definition of "off-campus" in UMaine's F&A rate agreement will not be approved by ORA. Any reduction in the applicable F&A rate requires advanced approval by the Vice President for Research and Dean of the Graduate School. This approval must be granted within 15 business days of the submission date.

**Additional Considerations**

**Continuation Proposals**

All current awarded projects will continue to have the F&A rate applied under which the award was made. This rate will be used until the award expires. This includes non-competing continuation requests when the continuation year for which you are requesting funds was awarded in the original award document.

*Example:* If the award is from January 1, 2017 through December 31, 2019 at a rate of 44% MTDC, the 44% MTDC will be used for the life of the award, unless supplemental funding is
If supplemental funding is requested or awarded, the F&A rate used should be the current rate in effect.

Supplemental Requests

When a request is made for supplemental funding, the F&A rate used should be the current rate in effect.

Failure to Adhere to F&A Principles

Failure to adhere to the principles and processes in this guidance may result in the adjustment of budgets or the use of departmental funds to ensure the appropriate F&A costs are collected.

References


Uniform Guidance, 2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards: https://www.ecfr.gov/cgi-bin/text-idx?SID=2764b3f4e109551b4ef0803c473319c5&mc=true&node=pt2.1.200&rgn=div5

Other Institutions Reviewed:


Arizona State University https://researchadmin.asu.edu/fa