



TEXAS TECH UNIVERSITY

Operating Policy and Procedure

OP 65.01: Facilities and Administrative Cost Recovery

DATE: March 14, 2017

PURPOSE: The purpose of this Operating Policy/Procedure (OP) is to set forth institutional policy for the recovery of facilities and administrative (F&A) costs on sponsored projects.

REVIEW: This OP will be reviewed in August of even-numbered years by the Managing Director of Accounting Services with substantive revisions forwarded to the Senior Associate Vice President for Research, the Vice President for Research, the Assistant Vice President and Controller, and the Vice President for Administration and Finance and Chief Financial Officer.

POLICY/PROCEDURE

1. Policy Statement

Facilities and administrative (F&A) rates are determined in accordance with cost principles promulgated by the federal government (2 CFR 200 Subpart E and Appendix III) and as a result of audit and negotiations conducted by the university's cognizant agency, the Department of Health and Human Services (DHHS).

Additionally, the use of F&A recovery funds will comply with Texas Education Code §145.001. Specifically, funds must be separately accounted for and used to further encourage research at the institutional or department level.

It is the policy of Texas Tech University to provide for the full recovery of F&A costs in all proposals submitted to prospective sponsors unless a waiver has been approved in accordance with the policy herein.

2. Definitions

- a. Facilities and administrative (F&A) costs – institutional costs that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity.

F&A costs include an allotted share of such items as operation and maintenance of the physical plant; department, college, and institutional administration; library operations; charges for use of equipment and facilities; and certain general expenses attributable to sponsored projects.

- b. Modified total direct costs (MTDC) – the basis for distributing F&A costs to sponsored projects consisting of salaries and wages, fringe benefits, materials,

supplies, services, travel, and subawards up to the first \$25,000 of each subaward (herein referred to as the base).

Excluded from the base are capital equipment (equipment with an acquisition value of \$5,000 or greater and a useful life of more than one year), other capital expenditures, charges for patient care, student tuition remission, rental costs of off-site facilities, scholarships, fellowships, and the portion of each subaward in excess of \$25,000, as well as any additional sponsor exclusions.

- c. On campus – projects that are predominantly conducted in facilities provided by Texas Tech University and for which the facilities costs (operation and maintenance, depreciation, or lease of building equipment and improvements, etc.) is applicable.
- d. Off campus – projects that are predominantly conducted in facilities not provided by Texas Tech University and to which rent is directly allocated to the project.
- e. Predetermined rate – a negotiated F&A rate, usually for a two- to four-year period, which is based on historical costs rather than actual F&A costs incurred during the period billed. Texas Tech University negotiates on a predetermined basis.
- f. Provisional rate – an agreed-upon rate used for billing purposes until a negotiated, predetermined rate is approved. Provisional rates could result in under- or over-recoveries for the provisional year if the final rate is different from the provisional rate.
- g. Sponsored Research – research and development activities that are sponsored by Federal and non-Federal entities.
- h. Sponsored Instruction – specific instructional or training activity established by a grant, contract, or cooperative agreement.
- i. Other Sponsored Activities – programs and projects financed by Federal and non-Federal entities which involve the performance of work other than instruction or research.

3. Current Rates

Texas Tech University has formally negotiated rates, both on and off campus, for sponsored research, sponsored instruction, and other sponsored activities. Rate proposals and negotiations are facilitated by Accounting Services (AS). Below are the current rates to be applied to awards from both federal and non-federal sponsors.

| Fiscal Year | Rate Type | Sponsored Research | | Sponsored Instruction | | Other Sponsored Activities | |
|-------------|---------------|--------------------|-----|-----------------------|-----|----------------------------|-----|
| | | On | Off | On | Off | On | Off |
| FY 14 | Predetermined | 47% | 26% | 47% | 26% | 35% | 26% |
| FY 15-FY 18 | Predetermined | 49% | 26% | 49% | 26% | 37% | 26% |
| FY 19-FY 20 | Provisional | 49% | 26% | 49% | 26% | 37% | 26% |

The rate in effect at the time of the initial proposal and award shall be used throughout the life of the sponsored project unless a new budget is negotiated or a new increment in funding allows an increase in the rate. For awards made in a provisional year, the provisional rate should be adjusted once a predetermined or final rate is negotiated and approved by DHHS.

4. Facilities and Administrative (F&A) Waivers

All proposals must include budget requests for F&A costs using the university's full negotiated rates unless: (a) the sponsor is a governmental agency or non-profit organization with an established limit on F&A, or (b) a reduced rate is approved in advance by the Vice President for Research (VPR).

a. Sponsor Limitations

The university will accept a rate lower than its negotiated rates if a governmental or non-profit sponsor has an official, written, publicly disclosed policy in this regard that is applied in a consistent manner or defines the limit on F&A recovery as a condition of award in a public solicitation for proposals.

b. Voluntary Reductions or Waivers

After careful consideration of the institutional costs and benefits, the VPR may approve reduced F&A rates in limited circumstances and only for compelling reasons. Reductions in F&A for for-profit companies will be granted rarely.

Any requests to the VPR for this purpose should use the form on the Office of Research Services (ORS) website. The form must be signed by the principal investigator(s), the department chair(s)/center director(s), and the dean(s) or associate dean(s) of the college(s). If the request is approved, the VPR will forward his/her approval to ORS.

5. Procedures

a. Proposal Budgets

At the time the proposal is submitted, ORS will determine the appropriate F&A rate for the project. The determination will be based on a review of the program announcement or guidelines, information on the *Internal Routing Sheet for Proposals*, and discussion with the principal investigator.

b. Budgeting and Charging F&A Costs

AS establishes the sponsored project budget based on the approved F&A cost rate and base. As funds are re-budgeted, AS recalculates and adjusts the F&A budget as needed. Each month, AS charges F&A costs to sponsored projects and credits the F&A designated recovery fund (18B000).

c. Allocation of F&A Recovery

The VPR is responsible for the annual allocation plan for F&A cost recovery revenue. Revenue may be allocated to seed new faculty projects, fund cost sharing commitments, or build the university's sponsored research, instruction, and public service programs. It is also recognized that a portion of the F&A recovery must be committed to support the administration of sponsored projects through allocations to specific administrative support functions, colleges, and departments.

d. Use of F&A Recovery

Separate F&A FOPs (within funds 18B001 and 18B002) are established within each college/department to ensure accountability. The VPR's office monitors charges to ensure distributed funds are expended in compliance with state and institutional guidelines and in support of activities that increase the research capacity of the institution.