Welcome to Module 3B – Facilities and Administrative Costs. F&A is probably the most misunderstood and the single most problematic area when it comes to preparing proposal budgets. So, in this module you will learn what Facilities and Administrative Costs are, and guidance on how to calculate them. You’ll want to have your calculator handy for the practice exercises coming up.
If you recall in the Budget Basics module, OMB Circular A-21, Cost Principles for Educational Institutions, defines two basic budget categories – Direct and Indirect - the latter recently redefined by A-21 as “Facilities and Administrative” costs.
This illustration bears examining again, as it is a good visual of what type of costs constitute direct costs, and what type of costs constitute F&A costs.
Through the years there have been many names for F&A. It has, and is still often called, overhead or indirect costs. On occasion a program announcement will call the costs to support the infrastructure of the research “Institutional Allowance.”

OMB circular A-21 fairly recently renamed these costs “Facilities and Administrative costs”; because the name implies what the costs support, “Facilities” and “Administration.” Do you recall the A-21 definition of F&A costs?
A-21 Definition of F&A Costs

Costs that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored project, instructional activity, or other institutional activity

Here it is…
Some think of F&A as expenses that are restricting the scope of the work they could accomplish if they were able to use all available dollars to fund direct costs…

54% for F&A?

There is a general resistance to F&A costs. Actually, UCLA’s F&A rate is one of the lower rates. Some institution’s F&A rate exceeds 70%.
…but in reality, the recovered indirect costs are a pool that cover the full research costs of the University – to reinvest in research and faculty support

Quoting from the UC Regent's policy concerning F&A, “The Regents' policy on full cost recovery imposes a duty on all University administrators and Principal Investigators to perform sponsored projects on a full cost recovery basis. Administrators and Principal Investigators are obligated to ask for and recover indirect costs from all sponsors. In fairness to all faculty and researchers, the full cost burden should be shared equally. Full cost recovery is necessary to support the University's physical and administrative capacity to perform extramural projects.” A link to the UCOP Contract and Grant Manual, Chapter 8, Indirect Costs, is available in the resources tab. It is an excellent resource to bookmark.
What do F&A costs include?

- **Depreciation and Use Allowance (F-2 of A-21):**
  - Costs associated with the use of an institution's buildings, capital improvements to land and buildings, and equipment

- **Interest (F-3 of A-21):**
  - Interest on debt associated with certain buildings, equipment, and capital improvements

- **Operation and Maintenance (F-4 of A-21):**
  - Costs associated with the administration, supervision, maintenance, preservation, protection, and operation of the institution's physical plant

Within the two major categories of F&A, (facilities and administration), indirect cost components are identified and allocated to subcategories shown in the next few slides. This is a general summary. Details on the subcategories can be found in OMB Circular A-21, the specific references provided here.
What do F&A costs include?

- General Administration (F-5 of A-21):
  - Costs associated with the overall administration of the institution, and not related solely to any major function
  - Does not include expenses incurred within deans’ offices, academic departments, or organized research units
What do F&A costs include?

- **Departmental Administration (F-6 of A-21):**
  - Costs associated with the administrative duties of personnel in deans’ offices, academic departments, and organized research units

- **Sponsored Projects Administration (F-7 of A-21):**
  - Costs associated with the administration of sponsored projects are allocable to this component

- **Library Expenses (F-8 of A-21):**
  - Costs associated with the operation of the institution's libraries

- **Student Administration and Services (F-9 of A-21):**
  - Costs associated with the administration of student affairs and the provision of services to students (including student health)

Expenses for sponsored projects administration consist of the expenses of separate departments or organizations whose sole function is the administration of sponsored projects. These are typically units in the central campus administration such as Contracts and Grants and Extramural Funds Offices. With limited exceptions, sponsored project administration in a department is normally viewed as departmental administration.
UCLA Rate Agreement

- UCLA’s federally negotiated on-campus F&A rate is currently 54.0% of Modified Total Direct Costs (MTDC) - 26% MTDC off-campus
- MTDC = Total direct cost minus:

<table>
<thead>
<tr>
<th>Equipment</th>
<th>Space Rental Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alterations and Renovations</td>
<td>Fellowships, Scholarships</td>
</tr>
<tr>
<td>Patient Care</td>
<td>Balance of each Subaward in excess of $25K</td>
</tr>
<tr>
<td>GSR Fee and Tuition Remission</td>
<td>Total UC subaward (UC policy)</td>
</tr>
</tbody>
</table>

On February 28, 2007, the University of California and the United States Department of Health and Human Services (DHHS - the responsible Federal audit agency) entered into a new F&A cost rate agreement for UCLA. This agreement establishes the F&A cost rates for the period July 1, 2007, through June 30, 2010. These rates are recognized by all other federal agencies and applied to all projects regardless of the sponsor unless the UC Office of the President has approved an F&A cost waiver. More on waivers later. For now we are going to look a bit closer at this Rate Agreement.

Participant support costs used to be an item exempt from F&A, but that is no longer the case. HOWEVER, the National Science Foundation still exempts participant support costs from F&A on all standard grants.
The top portion of the Rate Agreement provides information regarding the date of the agreement and the institution the agreement pertains to – information often asked for in sponsor applications. It also states what the rates are to be used for – grants, contracts and other agreements with the Federal Government.
Section I provides on-campus and off-campus rates

- States the modified total direct cost (MTDC) base criteria

Section I is the heart of the Rate Agreement - providing the on-campus and off-campus rates and effective period for various activities. It also states the modified total direct cost (MTDC) base criteria. A mini-module on Section 1 is going to appear on next slide.
How to navigate the next mini-module

You can use this forward arrow to jump from button to button. This way, you’ll not accidentally skip any buttons.

To close a window, click here

Click on button to view information

You may wish to close the notes tab while viewing this mini-module.
You may wish to close the notes tab while viewing this mini-module
Closer Look at UCLA’s Rate Agreement

- **Section II, “Special Remarks”**
  - Treatment of fringe benefits and paid absence
  - UCLA’s definition of equipment
  - Definition of on- and off-campus rates, and other special rates

- **Section III, “General”**
  - Limitations, accounting charges, fixed rates, and use by other agencies
  - It also bears the binding signatures

Section II, addresses treatment of fringe benefits and paid absence, UCLA’s definition of equipment, the definition of on- and off-campus rates, and other special rates.

Section III addresses limitations, accounting charges, fixed rates and, use by other agencies. It also bears the binding signatures.
Closer Look at UCLA’s Rate Agreement

Exhibit A presents the distribution of the F&A costs:

The amounts in each category of indirect costs incurred by the University for both sponsored and unsponsored activities are allocated to the various functions of research, instruction, other sponsored activities, and other institutional activities.

This allocation process is carried out in accordance with the general guidelines found in A-21, Section G.2. (See 8-410). The financial data from a given fiscal year (called the base year) form the basis for an indirect cost rate proposal submitted to DHHS, which will lead to negotiated rates applicable to a stated number of future fiscal years. The overall objective of the F&A cost allocation process is to distribute the F&A costs described earlier to the major functions of the institution Exhibit A of the rate agreement presents the distribution of the F&A costs.

Note that total of General Administration and General Expenses, Departmental Administration, Sponsored Projects Administration, and Student Administration and Services is capped at 26%.
Facilities and Administrative Costs

- Real costs that support the research infrastructure
- F&A rate percentage applied to a direct cost base amount
  - challenges in calculations

So, in summary, F&A costs represent real costs that support the infrastructure of UCLA’s research activities. What makes F&A challenging in proposal preparation is not only the transparency of its costs, but the challenges in calculating it.
Real Life Applications of F&A

- UCLA’s federally negotiated F&A base is Modified Total Direct Costs (MTDC)
- MTDC = total direct costs minus:
  - equipment (defined as a tangible item with a useful life of at least one year and an acquisition cost of $5,000 or more per unit)
  - alterations and renovations
  - GSR fee and tuition remission
  - patient care costs
  - space rental costs
  - scholarships and fellowships
  - Balance of each subaward in excess of $25,000
    - Subawards issued to another UC campus are fully exempt from F&A

The total project budget is the sum of Direct Costs and F&A costs.
Exercise – Identify Exemptions

- Obtain the two budgets for this exercise from “Resources” tab

Clicking any of these buttons will take you out of the quiz.
identify exempts

Instructions

Budgets for this exercise are in the Resources tab. Click "next" when ready to proceed. After answering a question, click the "submit" button. Good luck!

PROPERTIES
On passing, "Finish" button: Go to Next Slide
On failing, "Finish" button: Go to Next Slide
Allow user to leave quiz: At any time
User may view slides after quiz: At any time
User may attempt quiz: Unlimited times
F&A on Outgoing Subawards

- F&A is assessed on the first $25,000 of each subaward for a project period
  - F&A on first $25,000 of each subaward is assessed again in renewal proposal
  - F&A is not assessed beyond first $25,000 on continuation proposals
- NO F&A is assessed on any subaward going to another UC sister campus
  - UC campus can ask for its F&A cost, but UCLA does not assess its F&A costs on ANY of the UC sister subaward costs

F&A is assessed on the first $25,000 of each subaward for a project period. When the renewal comes around, the F&A is assessed again, on the first $25,000 of each subaward. However, it is not assessed beyond the first $25,000 on continuation proposals.

UCLA assesses NO F&A on subawards going to sister UC campuses because all of the UC campuses are considered one entity, “The Regents of the University of California”. This doesn’t mean the other campuses cannot ask for F&A on their proposals, but UCLA doesn’t assess F&A on any subaward going to another UC campus regardless of the amount.
We have a two-year budget to NSF for $100,000 direct costs per year. Year 1 includes $5,000 for equipment, and a subaward to New York University (NYU) for $25,000. What is the modified total direct cost base (MTDC) for year 1?

- $70,000
- $75,000
- $95,000

Calculating the MTDC base
Question 1 of 5
Subrecipient’s F&A Rate

- If prime is federal, the subrecipient should use its federally-negotiated rate (if one exists)
- If prime is private or there is a special rate (e.g. training grants @ 8%), the subrecipient must use the program rate
  - May require the subrecipient to seek F&A waiver internally
- Be proactive!

There are certain basic considerations for subrecipients. The F&A rate that applies to the prime grant should flow-down to the recipient. In other words, the rate that applies to UCLA also applies to any subrecipients. The next two slides illustrate how the F&A rate flows down to subrecipients.
NIH

**UCLA submits its proposal to…**

UCLA

*Prepares a proposal budget utilizing its federally negotiated F&A rate of 54% MTDC*

**USC submits its proposal to…**

USC – (Subrecipient)

*Prepares a proposal budget utilizing its federally negotiated F&A rate of 63% MTDC*

NIH (Federal prime)

*allows full F&A recovery*

Here we illustrate how the subrecipient should use its federally-negotiated rate when the prime sponsor is federal. In this example, USC, a proposed subrecipient, prepares a proposal budget utilizing its federally negotiated F&A rate of 63% MTDC. USC submits its proposal to UCLA to incorporate into its proposal. UCLA’s proposal budget utilizes UCLA’s federally negotiated F&A rate of 54% MTDC. Note that the F&A rate in the USC’s budget differ from UCLA’s. Under this scenario, that is perfectly acceptable.
Here we illustrate how the subrecipient should use the F&A rate established by a private sponsor. In this example, UCLA is submitting a proposal to the American Heart Association, whose program guidelines limit F&A recovery to 10% of total direct costs. USC, the proposed subrecipient, prepares a proposal budget utilizing the American Heart Association’s 10% Total Direct Cost rate and submits it to UCLA to incorporate into its proposal. UCLA’s proposal budget also utilizes the American Heart Association’s 10% Total Direct Cost F&A rate in its budget. In this scenario, both UCLA and USC use the same F&A rate.
The application of F&A on budgets for non-profits can be confusing too.
Private, Non-Profit Sponsors

- Different F&A rates
  - UCLA may accept reduced F&A rates based on the non-profit, philanthropic status as documented in the organization’s written policy
  - Waiver must be processed by the OCGA Officer or Grant Analyst and submitted to UCOP for approval

- F&A bases vary
  - “Total Direct Cost” (TDC) doesn’t always mean there are no exclusions
    - One foundation might allow 9% of TDC, excluding fringe benefits, while another might allow 11% of TDC on all budget elements
  - “Total Direct Costs” (TDC) usually means the F&A costs are backed out of the total award cost
    - For example, a sponsor caps funding at $60,000 and the F&A is 10% of total direct costs: the F&A costs are calculated by dividing $60,000 by 1.10 = $54,545 total direct costs. 10% of $54,545 = $5,455 which added to $54,545 = $60,000

Private, non-profit sponsors often have reduced F&A rates which require a waiver from UCOP.

Not all F&A cost rates are applied to the modified direct cost base. Private, non-profit sponsors are notorious for varied and varying F&A bases that are often times, at best, confusing.
Here are some actual excerpts from a variety of foundations. Can you appreciate that the calculation of F&A for these budgets can be challenging?
Are you ready to do some serious number crunching? You’ll do that in the next exercise.
non-profit F&A

Instructions

Here instructions from two foundations. See if you can calculate the F&A correctly. Caution: They can be tricky! Give it your best shot. BUDGET FOR QUESTION 2 is in the Resources tab. Click "next" to continue. After answering a question, click the "submit" button.

PROPERTIES

On passing, "Finish" button:  
Goes to Next Slide
On failing, "Finish" button:  
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Allow user to leave quiz:  
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At any time
User may attempt quiz:  
Unlimited times
Clearing up Confusion

- F&A rates for State of California/Local Government and for-profit sponsors
- F&A rate for Clinical Trials
- When to use on-campus/off-campus rates
- When a project can have split F&A rates
- Equipment/fabrication and the application of F&A
- Leased equipment
- Special circumstances whereby F&A costs can be appropriately charged to a project as direct costs

We’re going to spend a little time discussing some of the applications of F&A that can be confusing, at best. You may not encounter all these situations, but it is good to be aware of them.
“Unless a State agency program has a published indirect cost policy stated in a funding announcement or federal regulation applicable to federal flow-through funds, campuses may use a 25% MTDC rate in State proposal budgets and not have to continue to request multiple individual indirect cost rate exceptions for State agencies.”

Excerpted from UCOP Operating Guidance Memo #03-02 dated May 9, 2003.

You should never send a budget to a sponsor without first consulting OCGA. An under-costed budget may not be able to be renegotiated, thus having to rebudget direct costs to cover the appropriate F&A. This has happened numerous times with State of California projects.
Local Government

Unless there is an existing class waiver from UCOP for the particular agency/program, the full applicable federally negotiated rate for the type of project being conducted must be requested

– Contact OCGA for information regarding waivers

If in doubt as to what F&A rate to use for any State or Local Government proposals, consult with OCGA. DO NOT assume the State or Local Government program officer is citing the correct F&A rate.
Private, for-profit sponsors
(Private Industry)

- Use the federally negotiated rate
- Industry-University Cooperative Research Programs (IUCRP) have different methods for calculating F&A
- Consult with the Contracting Team in the Office of Intellectual Property

In general, UCLA must protect against the use of public funds for private gain. Waiving or reducing F&A costs for profit-making entities while charging the Federal Government full F&A is unfair. UC policy requires that the full cost of work - both direct and F&A costs - be requested in every outgoing proposal.
UCOP has approved use of special clinical trial F&A rate of 26.00% Total Direct Costs (TDC) for certain clinical trials.

Criteria for application of this special rate:

1. The study must meet the clinical trial definition:
   - The controlled, clinical testing in human subjects of investigational new drugs, devices, treatments, or diagnostics, or comparisons of approved drugs, devices, treatments, or diagnostics, to assess their safety, efficacy, benefits, costs, adverse reactions, and/or outcomes. Such studies may be conducted under an industry-developed protocol or an investigator-developed protocol. Financial support for a clinical trial must be provided by a for-profit entity.

2. The study must be fully supported by an industry sponsor, and

3. A contract meeting University requirements for industry-supported clinical trials must be executed with the sponsor.

Clinical Studies (clinical trials with the Federal government or non-profits) use federally negotiated F&A rate.

As stated here, The University of California Office of the President (UCOP) has approved an exception to overhead policy to allow the use of a special clinical trial indirect cost rate of 26.00% Total Direct Costs (TDC as of November 1, 2005) for certain clinical trials. Criteria for application of this special rate is as stated in the slide.

Clinical trials with the federal government or non-profits are termed, “Clinical Studies” – and use the federally negotiated F&A rate.
On-Campus/Off-Campus rate

- If a project involves work at both on-campus and off-campus sites, either the on-campus or off-campus rate is generally applied, consistent with the location where 50% or more of the work is performed
  - Salary costs are generally accepted as the measure of work performed

- Link to additional information, including partial list of buildings owned by UCLA

Regarding the application of on-campus or off campus rate, let me share an example of how salary costs are used as the measure to whether a project should have the on-campus or off-campus F&A rate: there could be three undergrads working off campus and one tech working on campus, and if the tech’s salary is greater than the combined undergrads’ salaries, the on-campus rate would be used even though more people are off-campus. When in doubt, contact OCGA.
Split F&A Rates for a Single Project

**Scenario 1:** Split rates during a PROJECT period
- Years 1 and 2 off campus, years 3-5 on campus

**Scenario 2:** Use of both on-campus and off-campus rates for a given project may be justified if:
1. salaries and wages at each of the sites (on-campus and off-campus) each constitute at least 25% of the total project costs; and
2. the project’s total salary and wage costs exceed $250,000

Example: A project is $500,000 Total Costs:
- the on-campus site has $125,000 in salary costs
  ~and~
  - the off-campus site has $125,000 in salary costs

In general only one F&A rate can be used (either on-campus or off-campus), depending on where the majority of the work is to be performed. There are rare exceptions, however, when use of both on-campus and off-campus rates for a given project may be justified. An exception may just justified if:

1. salaries and wages at each of the sites (on–campus and off-campus) each constitute at least 25% of the total project costs and, 2) the project’s total salary and wage costs exceed $250,000.

This justification for split rates on a single project is made clearer by the example shown here. A project is $500,000 in total costs. If one portion of the project is going to be performed on campus and has at least $125,000 in salary costs, and the other portion that is off-campus also has at least $125,000 in salary costs, the project could qualify for a split F&A rate.
Equipment Fabrication

Fabrication is:

- An item manufactured from component parts
- Completed item should be considered inventorial equipment
  - Value of $5,000 or more, can stand alone, and, has a useful life of one year or more

Types of costs may include:

- Design, materials/components, non-UCLA labor, work conducted by University recharge units or core facilities

Fabrication is not:

- Components, software, or materials that do not meet all the criteria for equipment

Fabrication costs can be a great source of confusion. Keep a couple of principles in mind when budgeting fabrication costs: 1) fabricated items should meet the same criteria as equipment AND 2) the cost of UCLA labor can only be included in fabrication through University recharge or core facilities. The application of F&A on fabrication can be confusing. Basically, if the completed item meets the definition of equipment, and title will be retained by UCLA, portions of the fabrication costs are exempt from F&A. If, however, UCLA will not retain title to the fabricated item, it is subject to F&A. It’s best to get as much information as possible at the proposal phase to alleviate surprises after budget is approved by a sponsor and awarded. If uncertain, consult with OCGA, Equipment Management, or the UCOP Accounting Manual.
Equipment - Lease

- When preparing a proposal budget that will involve the leasing of equipment, as opposed to the outright purchase, please be aware of the following caveats as they pertain to the assessment of indirect costs:
  - If equipment is being leased with an option to buy, indirect costs are not assessed
  - If equipment is being leased/rented with no intention to buy, indirect costs are assessed

- In order to insure that sufficient costs have been included, (namely indirect costs, if applicable) lease vs. purchase option should be decided at the time of proposal preparation
  - If not, assess F&A on the item to avoid shortfall of direct funds

Here are the caveats when preparing a budget that will involve leasing of equipment. In order to insure that sufficient costs have been included, namely F&A, the lease vs. purchase option should be looked into and decided upon at the time of proposal preparation. If the decision has not been made by the time the proposal budget is prepared, it is safer to assess F&A on the equipment to avoid a shortfall of direct funds.
OMB A-21: Special Circumstances

- Can any of these F&A costs be budgeted as direct costs?
  - Clerical and administrative salaries and fringe benefits
  - Office-type supplies
  - Telephone instrument charges
  - General purpose equipment
  - Postage

- **ONLY** under *special circumstances* as defined by A-21

There are circumstances when costs such as these can be directly charged to a project and appropriately included in a proposal budget. We’ll examine these a little more closely in the next few slides.
OMB A-21: Special Circumstances

- At times it may be allowable to charge costs normally considered F&A as direct costs
  - Sponsored projects not supported, in whole or in part, by federal funds
  - Training grants
  - Remote field projects that cannot access normal departmental services
  - Major projects such as General Clinical Research Centers, center grants and program project grants
  - Survey projects

- See: Exhibit C of A-21 - Examples of “major project” where direct charging of administrative or clerical staff salaries may be appropriate

Here are a few examples of special circumstances.
OMB A-21: Special Circumstances

- If special circumstances exist, an F&A cost may be budgeted as a direct cost provided that the cost is:
  - Allowable
  - Identified with specific aims of a proposed project and will advance the proposed work
  - Attributed to the proposed project with relative ease and a high degree of accuracy

When in doubt about the appropriateness of charges in a proposal budget, consult with OCGA
Occasionally there are situations in which it appears that investigators view indirect costs as expenses that are restricting the scope of the work they could accomplish if they were able to use all available dollars to fund direct costs. In most of these cases, a waiver may be expedient, but is it is not prudent. Recovered indirect costs are critical for support of the campus research infrastructure.
F&A Waiver Requests

- When deemed appropriate, waiver requests are prepared by the Office of Contract and Grant Administration (or Industry Sponsored Research) staff, approved by the Vice Chancellor for Research and forwarded to the UC Office of the President for approval.

Waivers of partial or full F&A must be endorsed by the Vice Chancellor for Research at UCLA, before submission by OCGA for review and approval. Sponsor policy is not a reasonable basis for an exception when a proposal is submitted directly to the sponsor, without going through the campus Contracts and Grants Office, and without including the applicable indirect costs.
F&A Waiver Requests – Class Waivers

- F&A waivers for non-profit sponsors including
  - Domestic governmental agencies
  - International organizations
  - Foreign charitable foundations

- When sponsor limits indirect costs by:
  - Statute
  - Published agency regulation or policy
  - Non-negotiable condition for award

- Must be sponsor’s bona fide restriction, not an ad-hoc restriction

- When a sponsor provides a “maximum” F&A rate, UCLA is obligated to use the maximum

A class exception to an approved F&A rate may be requested for a non-profit sponsor, including domestic governmental agencies, international organizations, and foreign charitable foundations, when the sponsor limits its payment of indirect costs by statute, published agency regulation or policy, and when such a restriction is a non-negotiable condition for receiving the award. The sponsor's indirect cost rate must be a bona fide restriction initiated by the sponsor and not an ad hoc restriction based on a discussion between the PI and the sponsor. Please note: When a sponsor provides a “maximum” F&A rate, UCLA is obligated use that maximum.
F&A Waiver Requests - Individual

- A sponsor's policy restricting F&A sometimes imposed individually
  - an individual exception may be approved if the sponsor's policy appears to apply only to a specific award

A sponsor's policy restricting indirect cost recovery is sometimes imposed individually by program managers and provided in a letter from an organization official. An individual exception may be approved if the sponsor's policy appears to apply only to a specific award.
### F&A Waiver Requests – Vital Interest (Best Interest)

- **“Vital”** to UCLA to the extent that funding the project at a loss is more important than recovering the full F&A
  - small seed grants which may attract future larger awards
  - cases of hardship for a new investigator
  - awards which include contributions of equipment or building renovation funds
  - awards for a community relations interest vital to the campus
  - supplements for a student services activity which the campus must provide

- **Individual exception**
  - applies only to a specific project
  - not applicable to other projects or campuses

- **Delegation for vital/best interest waivers delegated to the Vice Chancellor for Research**

Although not commonplace, there are some times when development of campus research, training, or public service programs or infrastructure may best be served by accepting a sponsored award at less than the indirect cost rate normally paid by the sponsor. These are some examples of situations in which the Vice Chancellor for Research may be willing to ask for a “vital interest” or “best interest” waiver. Other types of supplemental funding for an established campus program such as for library holdings, performances, or exhibits may also qualify for vital interest waivers. An exception based on campus vital interest is an individual exception and applies only to the specific project for which the exception is being requested. It is not applicable to other projects or to other campuses.

An exception request based on campus vital interest must be signed by the Chancellor or designee. At UCLA this authority has been delegated to the Vice Chancellor for Research.
Let's Recap
Let’s Recap

- OMB Circular A-21 defines F&A as costs that are “incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored project, instructional activity, or other institutional activity.”

- F&A (oftentimes referred to as “indirect costs” or “overhead”) represent real costs that support the infrastructure of UCLA’s research activities
Let’s Recap

- Section I of the UCLA Rate Agreement with DHHS provides
  - the on-campus and off-campus rates
  - the effective period for various activities
  - the modified total direct cost (MTDC) base criteria
Let’s Recap

- Apply federally negotiated F&A rate to MTDC
- Items exempt from F&A
  - equipment (defined as a tangible item with a useful life of at least one year and an acquisition cost of $5,000 or more per unit)
  - alterations and renovations
  - GSR fee and tuition remission
  - space rental costs
  - patient care costs
  - scholarships and fellowships
  - Balance of each subaward in excess of $25,000
  - Subawards issued to another UC campus
Let’s Recap

- Private non-profit sponsors often have different F&A rates, and oftentimes confusing F&A rate bases
- If no F&A rate is published in any program announcement or sponsor guidelines, ask for federally negotiated rate
- If sponsor offers a maximum F&A rate, UCLA is obligated to request the maximum rate
- Be mindful of F&A rates applied to
  - State and Local Government
  - For-profit sponsors
  - Clinical Trials
Let’s Recap

- There are special circumstances when budget items generally considered F&A costs are appropriate in a proposal budget
  - Special circumstances are defined in OMB Circular A-21- Exhibit C
Let’s Recap

- Waivers (processed by OCGA and approved by UCOP) must be obtained for F&A rates different from the federally negotiated rate
  - Academic departments must provide rationale for vital interest/best interest waivers

- If you are unclear about the application of F&A, or if you believe you need an F&A waiver, consult with your OCGA Officer or Analyst
You’ve completed Module 3B!

Congratulations!

On to Module 4 – Internal Approvals and Special Considerations

Congratulations! You are over half way through the course!