

Facilities and Administrative Rates FAQs

Beginning no later than January 1, 2020, any **new** proposal with an industry sponsor will need to charge the full, uncapped Facilities and Administrative (F&A) rate. Any proposal with a federal agency sponsor and any proposal that originates with a federal agency and flows to Ohio State through industry will still use the negotiated F&A rate.

Charging the full, uncapped F&A rate for industry-sponsored research allows Ohio State to fully recoup its actual costs for supporting the research and creative inquiry enterprise and remain competitive. Further, it allows colleges to maintain consistent treatment of costs across the university and prevents confusion for the industry sponsor.

If the full F&A rate is not charged on these grants, it could be seen as subsidizing for-profit work with public funds.

What are F&A Costs?

These costs, also known as indirect costs, are the cost of conducting research and are associated with providing and maintaining the personnel and infrastructure that supports the research and creative inquiry enterprise (buildings and their maintenance, libraries, etc.) and which cannot easily be tracked and accounted for down to a project-by-project level.

Facilities (F)

Costs that include depreciation and use allowances, interest on debt associated with certain buildings, equipment and capital improvements, operation and maintenance expenses, and library expenses

Administrative (A)

Costs that include general administration and expenses, departmental and college administration, sponsored projects administration, and all other types of expenditures not listed specifically under one of the subcategories of Facilities

Are F&A Costs “Real” Costs?

F&A costs are real costs incurred by Ohio State to build and maintain buildings and equipment and to provide operational support. These support services include maintenance and operations (utilities, janitorial services, police services, etc.), library operations and administrative services, which all support the research and creative inquiry enterprise.

How are the F&A Rates Determined?

Because Ohio State receives research funds from the federal government, the university follows policies from the Office of Management and Budget (OMB) outlined in Uniform Guidance, 2 CFR §200 (<https://www.ecfr.gov/cgi-bin/text-idx?SID=0eaded54c2f0f6e6b02f2bfc591ddd9b&node=pt2.1.200&rgn=div5>) to determine the F&A rate.

Every four years, the university collects information from across our campuses to determine the actual cost of conducting organized research and other university functions. This information, which is referred to as an F&A rate proposal, is submitted to the U.S. Department of Health and Human Services (HHS). HHS auditors comprehensively review the rate proposal and negotiate F&A rates based upon specific costs that have been deemed allowable expenses by the OMB. The current F&A rate schedule took effect in July 2016 and will remain in effect through the end of Ohio State Fiscal Year 2020 (June 30, 2020). Ohio State is currently in the process of preparing our submission to HHS for a new rate submission.

What is the current full, uncapped F&A Rate for Ohio State as calculated by Ohio State based on actual costs incurred?

Activity	On-Campus	Off-Campus
Research	64.8%	28.25%

The full, uncapped F&A rates are based on actual costs incurred and do not reflect federal limitations on administration costs or additional reductions negotiated with HHS. Please note that the negotiated F&A rate is lower than the full F&A rate.

Why is the full, uncapped Research F&A rate different from the negotiated F&A rate?

The federal-sponsored research F&A rate is negotiated with the federal government and does not capture all costs to the university. The federal government places a cap on the amount the government will reimburse universities for administrative and compliance related expenses. Universities are the only sector with such a cap imposed by the federal government. In addition, HHS typically negotiates reductions in proposed facilities costs, based on their review of the full F&A proposal.

What are the components that make up Ohio State's full F&A Rate for Research?

Component	FY 2019-20 On-Campus	Off-Campus
Building Depreciation (F)	6.92%	
Equipment Depreciation (F)	8.16%	
Interest (F)	2.54%	
Operations & Maintenance (F)	16.56%	
Library (F)	2.07%	
General Administration (A)	3.57%	3.57%
Departmental Administration (A)	20.18%	20.18%
Sponsored Project Administration (A)	4.50%	4.50%
Total	64.8%	28.25%

What are the components for Ohio State's federally negotiated F&A rate?

Component	FY 2019-20 On-Campus	Off-Campus
Building Depreciation (F)	5.7%	
Equipment Depreciation (F)	6.7%	
Interest (F)	2.1%	
Operations & Maintenance (F)	13.8%	
Library (F)	1.7%	
Administration (A)	26%	26%
Total	56%	26%

How is the F&A Rate applied to contracts and grants?

When the federal or any higher F&A rate is used, the rate is applied to the modified total direct costs (MTDC) base. To determine the MTDC base, add all direct costs of the grant and subtract the following:

- Equipment
- Capital expenditures (alterations and renovations)
- Charges for patient care
- Tuition remission, scholarships and fellowships
- Off-campus space rental costs
- Participant support costs
- The portion of each subaward in excess of \$25,000.

When an F&A rate lower than the federally negotiated rate is used, the rate is applied to the total direct cost (TDC) base (i.e., F&A is applied to all direct costs regardless of budget category), unless the sponsor specifically excludes certain categories.

Are there any exceptions to charging the full F&A rate for industry-sponsored research?

There are two exceptions to charging the full F&A rate for industry-sponsored research:

- Industry-sponsored clinical trials, which charge 26 percent
- Industry-sponsored fellowships

Who is responsible for ensuring the full F&A rate is applied to industry-sponsored research?

It is the responsibility of the Principal Investigator on the project as well as the appropriate college to ensure that the full, uncapped rate is charged for industry-sponsored research. If the full F&A rate is not charged on these grants, it could be seen as subsidizing for-profit work with public funds.

How will the additional funding for charging the full F&A rate for industry-sponsored research be allocated?

Charging the full F&A rate simply reimburses the university for actual costs incurred. F&A recovered above the negotiated rate will be returned to the colleges in accordance with the expenditure allocation specified on the approved ePA-005 via the current University F&A distribution process.