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SUBJ: New F&A rates for research proposals and awards

CSM recently received notification from the Office of Naval Research of our new F&A Cost Rates (F&A = Facility and Administration - previously called overhead or IDC) for fiscal year 2008-09. Our return to centers and individual PIs is based on the "Department Administration" portion of the ONR calculation, so the return rate also is affected.

Where allowed by federal regulations, it has been CSM's practice to implement new F&A Cost Rates on dates that are most favorable to PIs. For example, we generally apply new rates to existing awards when the rates are decreased but apply them only to new proposals when the rates are increased. That practice has been continued in this case.

Following is a brief summary of the changes and implementation dates:

- I. Awards based on proposals that were granted special exceptions for reduced F&A Cost Rates will not be affected.
- II. For federal awards, the new F&A rate is 46.35% of modified total direct costs, and the return rate is 16.02% of the total F&A paid.
 - A. For awards received prior to 1 July 2007, the F&A rates and return rates will not change.
 - B. The new rates will apply to cost-reimbursable awards received after 30 June 2007.
 - C. The new rates will apply to fixed-price awards received after 30 June 2008
- III. For awards from all other sponsors, the new the new F&A rate is 52.95% of modified total direct costs, and the F&A return rate is 17.58% of the total F&A paid.
 - A. For awards received in response to proposals submitted before 1 August 2008, there will be no change in F&A rates or return rates.
 - B. Proposals submitted after 31 July 2008 will use the new F&A rates, and awards received in response to those proposals will use the new return rate.

Consortia of non-federal sponsors that normally negotiate research agendas and costs for the next project year prior to October may use their previous F&A and return rates for FY2008-09. Negotiations that take place after the date of this memo will use the new rates.

Faculty who feel they have a legitimate reason for not using the new non-federal rate should submit a request under the Budget Exception Policy.

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In order to (1) begin IDC return on individual PI research as well as Center research, and (2) provide a mechanism for increasing the amount of IDC available for research development in the future, CSM's IDC Return policy and practices have been changed as follows effective retroactively to 1 January 2008:

1. For the period 1 July 2007 through 31 December 2007, IDC return will be distributed to pre-existing (as of 30 June 2007) centers and institutes on the same basis as in previous years.
2. Effective 1 January 2008, CSM will calculate IDC return on the basis of all fully-overhead research (both centers and non-center projects) at a rate which would have resulted in the same total IDC return in FY07. The IDC return rate for the second half of FY08 will be 19.2% of IDC paid and will be distributed as follows:
 - a. Return on center/institute accounts will be distributed to the director.
 - Sub-distribution to project PIs (if any) will be done by the director.
 - b. Return on non-center/institute accounts will be distributed:
 - 50% to the Principle Investigator (PI)
 - Sub-distribution to Co-PIs (if any) will be done by the Principle Investigator
 - 25% to the PI's department head or division director (DHDD)
 - 25% to the VPRTT
3. For FY08 and future years, the portion of the IDC that is allocated to the CSM general fund will be the amount contained in the FY08 budget, subject to an inflation adjustment after FY08 in proportion to the increase in all other general-fund expenditures.
4. Beginning January 2008, IDC collected in excess of that committed to the general fund and to designated IDC return will be available to the Vice-President for Research and Technology Transfer (VPRTT) and RMC for research-related expenditures.
5. In FY08, IDC return must be used by Center Directors and PIs for operational and/or administrative support of centers or research projects which were the basis for the return, and IDC return to DHDDs must be used for research development and support in their departments or divisions. No later than 20 August 2008, all centers and PIs receiving IDC return during FY08 must report to their DHDDs on their use of the IDC return, and DHDDs must submit summary reports (including departmental expenditures) to the VPRTT no later than 31 August, 2008.

In future years, it is the intent of this proposal that:

1. IDC return and additional IDC generated by growth in fully-overhead research should be invested in research infrastructure and research development under guidelines developed by the VPRTT and RMC.
2. DHDDs should be given greater management responsibility and authority over research conducted in their departments or divisions by both individuals and centers.
3. The distribution formula should provide both incentives and rewards to faculty and DHDDs for increasing fully-overhead research.

To fulfill that intent:

1. The VPRTT and RMC will review and change the center reporting structure as appropriate by the end of the current semester.
2. By the end of March 2008, the VPRTT and RMC will develop guidelines and formulae for distribution of IDC return in FY09 and beyond.