Research projects and University programs sponsored by external funds greatly enhance the regular University activities supported through the normal State of Washington budgetary process. The external funding contributes toward maintaining the University as an outstanding educational institution, often allowing our World-Class faculty to work in a face-to-face educational environment. This support increases faculty expertise, attracts outstanding researchers and instructors to the University, provides employment opportunities for staff and students, supplements instructional programs, and provides facilities and equipment which may be utilized for instruction as well as research purposes. In conducting and administrating these program activities, costs are incurred by the University to provide services that cannot be readily identified as a direct cost and associated with individual projects or programs. Such costs include operation of OGRD, libraries, Radiation Safety, laboratory animal services, and Sponsored Program Services, depreciation of equipment and buildings, etc. These costs are considered facilities and administrative costs and must be borne through the sponsored program activities process and not through the state provided budget allocation.

Examples of the facilities and administrative cost components are:

- **General Administration and General Expense** - Costs incurred for general executive and administrative offices such as the Payroll Office and Purchasing Office.

- **Sponsored Projects Administration Expense** - Costs incurred by organizations or administrative units established solely to administer sponsored activities including Office of Grant and Research Development and Sponsored Programs Services Office.
Physical Plant - Costs incurred for operation, maintenance and protection of the institution's physical plant. This includes janitorial and utility services, and building and equipment use allowances relating to this activity.

Departmental Administration Expense - Costs incurred for the salaries of deans, or associate deans or heads of colleges, departments, divisions or organized research units, along with their staffs.

Building and Equipment Use Allowance - Compensation for the use of buildings, capital improvements and usable equipment on hand.

Library Expenses - Costs that have been incurred for the operation of the library including the costs of books and library materials, plus library administration costs.

Formulas for Recovering Facilities and Administrative Costs:

The rates used to recover facilities and administrative costs are a product of negotiations between the institution and the Department of Health and Human Services and are determined in accordance with federal government cost principles as set forth in federal Circular A-21 published by the Office of Management and Budget.

Federally negotiated on-campus rate for Organized Research…………..46.8% MTDC
Federally negotiated off-campus rate for Organized Research…………..26% MTDC
Federally negotiated on-campus rate for Instruction…………………….55% MTDC
Federally negotiated off-campus rate for Instruction…………………….26% MTDC
Federally negotiated on-campus rate for Other Sponsored Activities….30.2% MTDC
Federally negotiated off-campus rate for Other Sponsored Activities….22.3% MTDC

MTDC = Modified total direct costs, consisting of all salaries and wages, fringe benefits, materials, supplies, services, travel and subgrants and subcontracts up to the first $25,000 of each subgrant or subcontract (regardless of the period covered by the subgrant or subcontract) Modified total direct costs shall exclude equipment, capital expenditures, charges for patient care, tuition remission, rental costs of off-site facilities, scholarships, and fellowships as well as the portion of each subgrant and subcontract in excess of $25,000.

Determining On vs. Off Campus F&A Rates:

On Campus- any facility owned and/or leased by the University and the maintenance and operations of that facility serviced by the University’s Physical Plant.
**Off Campus**- any facility not owned and/or leased by the University and the maintenance and operations of that facility not serviced by the University’s Physical Plant.

Where a project supported by a single grant or contract is conducted at two or more physical locations, the following principles should normally be observed for determining the appropriate F&A cost provision:

1. Where the total annual amount (direct costs only) of the grant or contract is less than $250,000, a single F&A cost rate will be applied. This rate will be the one currently applicable to the location where the preponderance (more than 50%) of project salaries, wages, and benefits are located.

2. Where the total annual amount (direct costs only) of the grant or contract is $250,000 or more, provision should be made for use of appropriate rates to be applied to project costs at each location. Using the salaries, wages, and benefits as a basis for applying the rates to the other MTDC project costs, the rates can then be applied to MTDC project costs at each location.

**Proposal Preparation**

The projected facilities and administrative cost amount is calculated and included within the budget for each proposal being submitted to an external agency. The percentage rate and amount is also listed within the budget block on the Request for Approval of Application of Extramural Support forms (REX).

Facilities and administrative costs rates are calculated as follows:

All sponsored programs are to include facilities and administrative costs at the rates as approved by DHHS and listed above for on and off campus activities except for the following agencies.

- Those federal and non-federal sponsors that publish a rate that cannot be exceeded and is followed by all institutions submitting to that source of funds. This information will be found in printed sponsor guidelines or procedures and may vary from program to program within a sponsor. Consideration will be given on WSU’s ability to support those unrecovered costs prior to the submission of the proposal or request for funding.

**Policy Exceptions**
A. All commodity commission funding derived through the collections of funds from user groups or growers is accepted by the University without facilities and administrative costs.

B. The College of Agriculture accepts limited funding from a select group of private sponsors who provide unrestricted grants to the College of Agriculture. Memoranda of Agreement (MOAs) for these blanket research accounts, regardless of source or value, will be subject to an indirect cost charge of 5% of total direct costs. Brief agreement formats for the above are available in the Agricultural Research Center and must be followed to qualify for this type of award. Certain conditions are explained within the documents that include advance payment, unrestricted funding, patent and publication freedom, and complete flexibility on expenditures processed.

As noted above, F&A costs are extremely important to the Institution to support the research infrastructure and WSU central administration expects full F&A reimbursement for all sponsored projects unless the exception criteria is met as noted above. Therefore, F&A waiver requests are not often approved and substantive justification must be provided for waiving F&A to industrial sponsors and foreign governments. OMB Circular A-21, Cost Principles for Educational Institutions, under section G(1)(a)(3) communicates that “Each Institutions F&A cost rate process must be appropriately designed to ensure that Federal sponsors do not in any way subsidize the F&A costs of other sponsors, specifically activities sponsored by industry and foreign government.” This approval can only be granted by the central administration through the OGRD. Questions should be directed to the OGRD at 335-9661.
Original March 1999
Revised April 2003