MEMORANDUM

To: Deans, Directors, Faculty, and Administrators

From: Glenn Ford, Associate Vice President for Business and Finance
       George A. Hedge, Vice Provost for Research

Date: March 29, 2002

Subj: Facilities and Administrative Costs (formerly Indirect Costs)

As many of you know, the federal government periodically renegotiates the Facilities and Administrative rate agreement with each research university. This rate agreement is the mechanism by which the federal government reimburses some of the university-wide expenses incurred in providing resources to support federal research conducted by faculty. On July 7, 2000 we sent a memorandum to you explaining the process for the creation of our Facilities and Administrative (F&A) cost proposal that had to be submitted to Department of Health and Human Services (DHHS) by December 31, 2000. Although we did achieve this goal and met the deadline, it took an additional fifteen months to respond to various DHHS questions, site visits, negotiations, and agreements. We are pleased to announce that after nearly two years of effort, much of it coming from your staff, our F&A proposal has been submitted, reviewed, negotiated, and now accepted.

The results of our negotiation are as follows:

New Negotiated F&A Rates (effective 7/1/2002)

- On-campus 46.8% modified total direct costs
- Separate rates for Instruction and Other Sponsored Activity that will rarely be used
- Off-campus 26% modified total direct costs
- Equipment Capitalization threshold increased to $5,000
- Sub-contracts – the first $25,000 at the on-campus rate

Rate Period - Technically our new rate agreement covers the period July 1, 2001 through June 30, 2006. However, our previous rates remained unchanged through June 30, 2002, while our new rates cover the period July 1, 2002 through June 30, 2006. This means that without an extension of our new rate, our next F&A proposal is due December 31, 2005 for the base period July 1, 2004 through June 30, 2005.
**Transition** – All new proposals submitted as of this announcement will be budgeted with the new rates. All F&A costs and equipment capitalization levels on awards submitted prior to this announcement shall retain their existing composition until funding is added that requires a detailed budget from the Sponsor. This detailed budget shall include the new rates and new capitalization levels set forth in the new rate agreement. For example, NIH does not require a detailed budget for continuation (non-competitive) funding; therefore, the rates shall stay the same as originally submitted.

**Qualified Tuition Reduction (QTR)** - Although this fringe benefit was originally included in the modified total direct cost base, a reversal by DHHS caused them to exclude the QTR from F&A. Future consideration will be given to addressing other alternatives.

**Surveys and Support** - We again would like to thank all the departmental administrators who provided information about space utilization and operations and maintenance distribution. Without the efforts of your staff this process could not have succeeded.

The approved agreement can be found at http://www.wsu.edu/Esponsor/pdf/2002FARateAgreement.pdf

If you have questions, please contact Dan Nordquist (nordquis@wsu.edu or 509-335-9661) or Vince Hutnak (vhutnak@wsu.edu or 509-335-2046).

cc: Robert Bates, Provost and Academic Vice President  
Greg Royer, Vice President for Business Affairs  
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