

NEW FACILITIES & ADMINISTRATION (F&A) RATE AGREEMENT EFFECTIVE JULY 1, 2015

The University of South Dakota completed its negotiation as of January 6, 2015 with the Division of Cost Allocation, and will use the following F&A rates (aka Indirect Costs) for the next three fiscal years.

Research		
Time Period	On-Campus	Off-Campus
7/1/15-6/30/18	47.00%	26.00%
Instruction		
Time Period	On-Campus	Off-Campus
7/1/15-6/30/18	46.00%	26.00%
Other Sponsored Activities		
Time Period	On-Campus	Off-Campus
7/1/15-6/30/18	28.00%	26.00%

- There are different rates for Research, Instruction, and Other Sponsored Activities (such as service), and different rates for projects that are conducted mainly on campus or primarily off campus.
- Although USD negotiated with the U.S. Department of Health & Human Services for these rates, they apply to all federal agencies.
- SD Board of Regents Policy 5:2 limits our F&A rates for state agencies to 60% of the federally negotiated rates.
- The federal rates are used for all other private and non-profit sponsors, unless the sponsor has a written, publically accessible, uniformly applied policy limiting reimbursement of indirect costs. In that case, the university may accept the standard F&A policy of the organization.

Frequently Asked Questions

What are F&A costs? These are the dollars spent by the University for externally sponsored projects, but that are not directly attributable to a specific project. Examples: maintenance, depreciation, interest, and utilities for buildings, and administrative personnel throughout campus, from departments to central administration. F&A costs have also been called "indirect costs".

Why are F&A rates called "reimbursements"? The university pays all the indirect costs of research, instruction and other sponsored activities; it then requests reimbursement for these costs from the sponsor based on a predetermined rate. The rates shown above are based on the costs from fiscal year 2013, and are not adjusted for inflation.

What are "capped" F&A rates? Some agencies or programs within an agency limit the F&A rate that can be applied. Certain federal training grants only allow 8% F&A, rather than the negotiated rate (46%) based on actual costs. The federal government caps reimbursement for administrative costs at 26%, although USD's actual costs are higher.

Can I waive F&A costs in a grant or contract proposal? No, only the vice president for research can waive indirect costs, and only in extraordinary circumstances. Voluntary cost-sharing of externally sponsored projects through waived F&A costs is strongly discouraged because it shifts payment of the actual indirect costs of the projects to other areas of the university.

Won't waiving F&A costs help me get a grant? No, there is no relationship between waived indirect costs and proposal success. Many grant review panels are not shown budget pages with F&A rates. Some agencies, such as the National Science Foundation, forbid voluntary cost-sharing including waived F&A.

Where is the university policy on F&A costs? [Link to Reimbursement and Distribution of F&A \(Indirect\) Costs](#) You may also contact the Office of Research and Sponsored Programs (ORSP) for a copy.

How do I tell if my project is research, instruction, or service? Most projects fall clearly into one category; if you have questions, please contact the ORSP.

How do I tell if my project is on-campus or off-campus...I do most of my work in the field (projects like teacher preparation or biology fieldwork). Only projects that are conducted in facilities that did not contribute to the "Facilities" portion of the F&A rate are off-campus. Please consult the ORSP if you have a question about this classification.

How are recovered F&A costs distributed at USD? Currently, 74% of the recovered F&A costs go to the dean of the college/school, and 16% goes to the PI's department for investment into research and creative activities, 5% to suspense (an "insurance" account), and 5% to the research incentive pool for mandatory grant match, negotiated start-up packages, and special research initiatives.

How are recovered F&A costs distributed when there are multiple PIs in different schools? When there are co-PIs or co-investigators dedicating more than 15% effort to a project (documented in the proposal approved by the sponsor), F&A distribution will be made to the cognate deans in proportion to the relative efforts of PIs and co-investigators.

Why are federal "earmarks" treated differently than regular grants and contracts for distributing recovered F&A? F&A costs recovered from federally appropriated dollars (earmarks) received after FY10 are not distributed to units, but are distributed 65% central, 5% deans, 5% suspense, and 25% research incentive pool. This recognizes that, in most cases, a significant amount of effort and cost associated with developing a successful federal appropriation request is not borne by the PI or his/her college or school.

Are USD's F&A rates higher than other universities? Yes, USD's rates are higher than some institutions, but also quite a bit lower than others. F&A rates vary widely by region due to variations in costs in operation per location. In a 2014 comparison of 50 universities with medical schools, only 4 (including USD) have F&A rates lower than 50%. In a 2014 comparison of 25 reporting colleges and universities in neighboring states (Montana, Wyoming, Colorado, North Dakota, South Dakota, Nebraska, Minnesota, and Iowa), USD ranked 13th highest, with rates on par with Creighton University, and lower than SDSU, Iowa State University, UNL, UNMC, and University of Minnesota.

How were F&A rates negotiated? To start, all FY13 expenditures for facilities and administration were calculated for research, instruction, and other projects (primarily public service). These and other relevant data were sent to the Division of Cost Allocation (DCA) of the Department of Health & Human Services. The DCA negotiator analyzed the data, and after a series of rate offers and counteroffers, a rate agreement was reached. The rates are lower than the actual rates calculated from university expenditures because of federal caps on administration and the discretion of the DCA negotiator.

Does USD recover most of its F&A costs? No, the "effective" or actual F&A rate is ~10%, much lower than USD's actual expenses or the negotiated rates (26 to 47% for FY16). This is due to a combination of subawards (which reduce the amount of F&A costs recovered by USD), waived indirect costs, and sponsors' limitations on F&A reimbursement.