Office of Sponsored Programs

Campus Correspondence

From: James L. Bates, Director
Office of Sponsored Programs

To: Deans, Directors and Department Heads
Administrators of Sponsored Projects (ASP)

Re: New Facilities and Administrative (F&A) Cost Rate Agreement

Please Distribute this Memo within your Units

As you read this memo, keep in mind the new F&A Rate will not reduce direct cost funding available in existing projects.

The purpose of this correspondence is to provide additional information concerning the F&A Cost Rate campus memorandum from Vice Chancellor Baudin dated August 12, 2005 (copy attached for your convenience), with respect to:

A. the new public service rate
B. the new definition of capital equipment expenditures
C. clarification of the exclusion of rental costs of off-site facilities from Modified Total Direct Costs (MTDC)
D. prizes and awards excluded from MTDC

The previous F&A cost rate of 47% budgeted in on-campus public service projects will continue to be applied to awards with a beginning date prior to July 1, 2005. However, due to the federal requirements discussed below, effective November 1, 2005:

A. Public Service Proposals

New proposals to (i) federal and private sponsors and (ii) state and local government sponsors for on-campus public service activities must use the on-campus rate of 33% and 16%, respectively. (The off-campus rates of 26% and 13% have not changed.)

(1) The impact of the new F&A rates on SC&E and the Sea Grant Program has been addressed in separate correspondence.
B. Equipment Definition

New proposals to all sponsors must use the new definition of capital equipment, i.e. equipment with an acquisition cost of $5,000 or more and a useful life of one year or more.

The new definition is a result of Federal requirements raising the acquisition price of equipment from $1,000 to $5,000 for F&A cost purposes. However, the state of Louisiana still requires us to inventory items valued at $1000 or more. Consequently, object codes have been created in the 7000 equipment object code category to identify and record inventoriable items between $1,000 and $4,999 as “expendable equipment.” While this “expendable equipment” category will be budgeted as supplies in proposals for the purposes of MTDC calculation and F&A cost recovery, “expendable equipment” will continue to be inventoried in compliance with state law.

Note: The new definition of equipment will not impact the direct costs available on existing projects nor will it affect new awards funding proposals submitted prior to November 1, 2005. Effective November 1, 2005, all new proposals will apply the new definition of equipment in the calculation of MTDC and budget “expendable equipment” in the supply category.

C. Rental Costs of Off-Site Facilities

Rental costs of off-site facilities are charged to object code 3440 Rentals and Leases – Buildings and Land not Owned by LSU. An example is rental of off-campus space to teach classes offered in sponsored instruction projects.

Examples of expenses chargeable to categories other than object code 3440 include lease of meeting space for conferences and seminars (object code 3400) and rental of an apartment due to extended travel (object code 2260).

D. Prizes and awards

Examples include rodeo awards, art show awards, etc., charged to object codes 6590, 6650, and 6670.

Finally, the new on-campus public service rate must be applied retroactively to awards with an effective date of July 1, 2005 and thereafter; this requirement is contained in Section G.7 of OMB Circular A-21, Cost Principles for Educational Institutions, which states:

b. When an educational institution does not have a negotiated rate with the Federal Government at the time of the award (because the educational institution is a new grantee or the parties cannot reach agreement on a rate), the provisional rate used at time of the award shall be adjusted once a rate is negotiated and approved by the cognizant agency.

What this means to LSU: New public service awards from government sponsors (including government funds “flowed down” by other sponsors) with a beginning date of July 1, 2005 and thereafter must apply the new rates; LSU may not recover F&A Costs in excess of that permitted by the new F&A Rate Agreement. However, new awards from private sponsors (that do not flow-down government funds) may continue to recover F&A Costs at the old rates.
The difference between the previous rate of 47% and the new rate of 33% will be “frozen” in the account and unavailable for expenditure; however, with written approval of the sponsor the “frozen” funds may be rebudgeted. Within the next two weeks, Sponsored Program Accounting will provide a list of all new federal and state/local government public service awards to the individual principal investigators. Within one week of receipt of the list, PIs should initiate requests for approval to rebudget the funds, and submit the request through channels for institutional approval to the sponsor (or the prime recipient if we are a subrecipient of government funds).

Please let me know if you have any questions.

Enclosure
To: Chancellor Sean O'Keefe  
Chancellor William Richardson  
Chancellor Costonis  
Dr. Claude Bouchard

Re: Facility and Administrative Rates Applied to Sponsored Projects

New Facility and Administrative (F&A) Rates have been negotiated with our cognizant audit agency, the Department of Health and Human Services. The following rates are effective from July 1, 2005 through June 30, 2007:

<table>
<thead>
<tr>
<th>F&amp;A Rates (1) to be applied to MTDC (2)</th>
<th>Non-State Agency</th>
<th>State or Local Government</th>
</tr>
</thead>
<tbody>
<tr>
<td>LSU, Pennington Biomedical Research Center, and Hebert Law Center</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Instruction On campus</td>
<td>49%</td>
<td>24%</td>
</tr>
<tr>
<td>Instruction Off campus</td>
<td>26%</td>
<td>13%</td>
</tr>
<tr>
<td>Research On campus</td>
<td>47%</td>
<td>23%</td>
</tr>
<tr>
<td>Research Off campus</td>
<td>26%</td>
<td>13%</td>
</tr>
<tr>
<td>Public Service On campus</td>
<td>33%</td>
<td>16%</td>
</tr>
<tr>
<td>Public Service Off campus</td>
<td>26%</td>
<td>13%</td>
</tr>
<tr>
<td>LSU Agricultural Center</td>
<td></td>
<td></td>
</tr>
<tr>
<td>All programs On campus</td>
<td>47%</td>
<td>23%</td>
</tr>
<tr>
<td>All programs Off campus</td>
<td>26%</td>
<td>13%</td>
</tr>
</tbody>
</table>

(1) Statutory requirements specific to certain federal programs may limit F&A recovery on some awards.
(2) F&A costs are calculated by multiplying the Modified Total Direct Cost (MTDC) by the appropriate F&A rate. MTDC is defined as total direct cost less:
   a. Each subgrant/subcontract in excess of $25,000 (i.e., the first $25,000 is included in the calculation)
   b. Capital equipment expenditures (i.e., items costing $5,000 or more with a useful life of at least one year)
   c. Alterations and renovations
   d. Rental costs of off-site facilities
   e. Scholarships and fellowships, prizes and awards
These F&A rates are applicable to all proposals for new sponsored projects. However, proposals for continuation of incrementally funded awards which maintain the same sponsor grant/contract number shall use the rates approved in the award. Ongoing projects with funds already awarded will also continue at the rates approved in the award.

As stated, these rates will be in effect until June 30, 2007. At this future date the University will have negotiated new F&A rates based on fiscal year 2005-06 information. To prepare for the next negotiation, the University will be conducting two special studies during fiscal year 2005-06 -- a facilities utilization analysis and a library survey – with the goal of matching research funding to the space generating such funds. More information about these two studies will be provided in the near future.

Please contact Mr. James L. Bates at 578-3386 if you have questions or need assistance.

Jerry J. Baudin
Vice Chancellor for Finance and Administrative Services
and Comptroller

Enclosure: Rate Agreement

cc: Vice Chancellor Silverman
    Associate Vice Chancellor Torres
    Mr. James L. Bates
    Deans, Directors, and Department Heads
    Mr. Mark Legendre
    Mr. Ralph Underwood
    Mr. William Wilkes
    ASP Members