Campus Correspondence

From: James L. Bates
Director
Office of Sponsored Programs

Date: September 28, 2005

To: Vice Provost Wilson
Dean Laws

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

The purpose of this correspondence is to provide additional information concerning the F&A Rate campus memorandum from Vice Chancellor Baudin dated August 12, 2005 (attached for your convenience), as it affects the Sea Grant Program and the School of the Coast and Environment. As you read this, keep in mind the new F&A Rate will not reduce direct cost funding available in existing projects.

LSU will honor the previous F&A cost rate of 34% included in funded on-campus projects, i.e. the new on-campus rate of 47% for research projects and 49% for instruction projects will not be applied to existing awards funding proposals submitted with the 34% F&A cost rate. Further, through October 15, 2005 OSP will continue to approve new proposals which apply the old rates of 34% or 17% for on-campus research projects. However, due to federal requirements discussed below, effective immediately:

(i) new proposals to federal sponsors for all off-campus projects must use the off-campus rate of 26%;
(ii) new proposals to state and local government agencies for all off-campus projects must use the off-campus rate of 13%; and
(iii) new proposals to federal and state/local government sponsors for on-campus public service projects must use the new rates of 33% and 16%, respectively.

Since on and off campus rates are new for Sea Grant and SC & E, a brief explanation of the application of these rates follows. The on-campus vs. off-campus rate is determined on the basis of the preponderance of the expenses. In proposals in which the appropriate rate is not obvious, we will ask for a breakdown of the budget. All direct costs (less subawards) that will be incurred for on-campus activities will be listed in one column, and all direct costs (less subawards) that will be incurred for off-campus activities will be listed in another column. The column with more than 50% of the expenditures will determine the rate to be applied to the proposal. Sponsored projects cannot be subject to more than one F&A cost rate.
Another question that may arise concerns research vessel charges. Ship time is included in MTDC and the F&A cost rate is applied. However, ORGS has been receptive to reviewing requests to waive F&A on costs for ship time in excess of $25,000 per cruise; however, decisions are made on a case by case basis.

Now for a discussion of the federal requirements that complicate the application of the new F&A cost rates. Since our Provisional (now Final) Rate expired June 30, 2005, we must refer to 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 the time of the award shall be adjusted once a rate is negotiated and approved by the cognizant agency.

What this means to LSU: New awards with a beginning date of July 1, 2005 and thereafter cannot recover F&A costs in excess of that permitted by the new F&A Rate Agreement; however, a reduced rate is acceptable.

The impact of the new F&A Cost Rate Agreement on SC&E and Sea Grant is as follows:

**Research and Instruction Projects**

**Federal Sponsors (including federal flow through funds, i.e. subcontracts and subgrants)**

New awards for off-campus projects with a beginning date of July 1, 2005 and thereafter must recover F&A at the off-campus rate of 26%. Off-campus projects funded by Federal sponsors must be identified by investigators, in order for the appropriate rate to be applied.

**State or Local Government Sponsors**

The new research rates for state or local government funded projects is 23% and 13% for on and off-campus projects, respectively; and 24% and 13% for on and off-campus instruction projects, respectively. New awards with a beginning date of July 1, 2005 and thereafter which are off-campus projects must recover F&A at the off-campus rate of 13%. Off-campus projects funded by state and local government sponsors must be identified by investigators, in order for the appropriate rate to be applied.

**Private Sponsors**

No adjustment is necessary to these projects, assuming government funds are not involved; however, if government funds are “flowed down” by the private sponsor, the above rules apply.

**Public Service Projects**

**Federal Sponsors (including federal flow through funds, i.e. subcontracts and subgrants)**

New awards with a beginning date of July 1, 2005 and thereafter must apply the new on and off-campus F&A cost rates of 33% and 26%, respectively.

**State or Local Government Sponsors**

New awards with a beginning date of July 1, 2005 and thereafter must apply the new on and off-campus F&A cost rates of 16% and 13%, respectively.

**Private Sponsors**

No adjustment is necessary to these projects, assuming government funds are not involved; however, if government funds are “flowed down” by the private sponsor, the above rules apply.

Note: The new rates do not apply to amendments obligating incremental funds to awards made before July 1, 2005 - we will continue to apply the rate in the approved budget.
During the next two weeks, Sponsored Program Accounting will provide to each PI (with a cc to the Dean) a list of all new (i.e. effective July 1, 2005 and thereafter) (i) federal and state/local government funded research and instruction awards, (ii) federal and state/local government funded public service awards, and (iii) awards funded by private entities “flowing down” government funds. Each list will include check boxes to identify projects as on or off-campus activities. The list with the appropriate boxes checked should be returned to SPA within 5 working days of receipt.

The difference between the original rate included in a proposal and the reduced rate set forth in the new F&A Rate Agreement can be rebudgeted, but written approval of the sponsor is required. PIs must initiate each request for approval to rebudget the “freed-up” funds, and submit the request through channels for institutional approval to the sponsor (or the prime recipient if we are a subrecipient of federal or state/local government funds). See the attached two tables for more information.

Please let me know if you have any questions.

Attachments
SC&E and Sea Grant -
Application of Rates for New Awards received with Start Date of 7/1/05 and Thereafter

<table>
<thead>
<tr>
<th></th>
<th>Provisional Rates thru 6/30/05</th>
<th>Permissible* Rates</th>
<th>Approved Rates as of 7/1/05</th>
<th>Provisional Rates thru 6/30/05</th>
<th>Permissible* Rates</th>
<th>Approved Rates as of 7/1/05</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Instruction</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>On Campus</td>
<td>34%</td>
<td>34%</td>
<td>49%</td>
<td>17%</td>
<td>17%</td>
<td>24%</td>
</tr>
<tr>
<td><strong>Off Campus</strong></td>
<td>34%</td>
<td>26%</td>
<td>26%</td>
<td>17%</td>
<td>13%</td>
<td>24%</td>
</tr>
<tr>
<td><strong>Research</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>On Campus</td>
<td>34%</td>
<td>34%</td>
<td>47%</td>
<td>17%</td>
<td>17%</td>
<td>23%</td>
</tr>
<tr>
<td><strong>Off Campus</strong></td>
<td>34%</td>
<td>26%</td>
<td>26%</td>
<td>17%</td>
<td>13%</td>
<td>23%</td>
</tr>
<tr>
<td><strong>Public Service</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>On Campus</td>
<td>34%</td>
<td>33%</td>
<td>33%</td>
<td>17%</td>
<td>16%</td>
<td>16%</td>
</tr>
<tr>
<td><strong>Off Campus</strong></td>
<td>34%</td>
<td>26%</td>
<td>26%</td>
<td>17%</td>
<td>13%</td>
<td>13%</td>
</tr>
</tbody>
</table>

* New awards with a beginning date of July 1, 2005 and thereafter cannot recover F&A costs in excess of that permitted by the new F&A Rate Agreement. Reduced rates are permissable.
SC&E and Sea Grant -
Sponsored Projects with a Beginning Date of 7/1/05 and Thereafter

### Research and Instruction Projects

<table>
<thead>
<tr>
<th>Category</th>
<th>Federal &amp; Private Awards - Including Federal Flow</th>
<th>State Projects: Old F&amp;A Cost Rate 17%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Through: Old F&amp;A Cost Rate 34%</td>
<td></td>
</tr>
<tr>
<td>On Campus Projects</td>
<td>New Rate: 47% for Research 49% for Instruction</td>
<td>On Campus Projects New Rate: 23% for Research 24% for Instruction</td>
</tr>
<tr>
<td>Off Campus Projects</td>
<td>New Rate: 26%</td>
<td>Off Campus Projects New Rate: 13%</td>
</tr>
</tbody>
</table>

### Public Service Projects

<table>
<thead>
<tr>
<th>Category</th>
<th>Federal &amp; Private Awards - Including Federal Flow</th>
<th>State Projects: Old F&amp;A Cost Rate 17%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Through: Old F&amp;A Cost Rate 34%</td>
<td></td>
</tr>
<tr>
<td>On Campus Projects</td>
<td>New Rate: 33%</td>
<td>On Campus Projects New Rate: 16%</td>
</tr>
<tr>
<td>Off Campus Projects</td>
<td>New Rate: 26%</td>
<td>Off Campus Projects New Rate: 13%</td>
</tr>
</tbody>
</table>
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>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td><strong>LSU, Pennington Biomedical Research Center, and Hebert Law Center</strong></td>
</tr>
<tr>
<td>Instruction</td>
</tr>
<tr>
<td>On campus</td>
</tr>
<tr>
<td>Off campus</td>
</tr>
</tbody>
</table>

| Research | Non-State Agency | State or Local Government |
| On campus | 47%              | 23%                     |
| Off campus | 26%              | 13%                     |

| Public Service | Non-State Agency | State or Local Government |
| On campus | 33%              | 16%                     |
| Off campus | 26%              | 13%                     |

| LSU Agricultural Center | Non-State Agency | State or Local Government |
| All programs On campus | 47%              | 23%                     |
| Off campus | 26%              | 13%                     |

(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
**COLLEGES AND UNIVERSITIES RATE AGREEMENT**

**INSTITUTION:** Louisiana State University and A & M College  
330 Thomas Boyd Hall  
Baton Rouge  
LA 70803-2701

**DATE:** August 9, 2005  
**FILING REF.:** The preceding Agreement was dated  
June 15, 2005

The rates approved in this agreement are for use on grants, contracts and other agreements with the Federal Government, subject to the conditions in Section III.

**SECTION I: FACILITIES AND ADMINISTRATIVE COST RATES**

<table>
<thead>
<tr>
<th>RATE TYPES: FIXED</th>
<th>FINAL</th>
<th>PROV. (PROVISIONAL)</th>
<th>PRED. (PREDETERMINED)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TYPE</strong></td>
<td><strong>FROM</strong></td>
<td><strong>TO</strong></td>
<td><strong>RATE(%)</strong></td>
</tr>
<tr>
<td>FINAL</td>
<td>07/01/03</td>
<td>06/30/05</td>
<td>47.0</td>
</tr>
<tr>
<td>FINAL</td>
<td>07/01/03</td>
<td>06/30/05</td>
<td>26.0</td>
</tr>
<tr>
<td>FINAL</td>
<td>07/01/03</td>
<td>06/30/05</td>
<td>43.0</td>
</tr>
<tr>
<td>FINAL</td>
<td>07/01/03</td>
<td>06/30/05</td>
<td>26.0</td>
</tr>
<tr>
<td>FINAL</td>
<td>07/01/03</td>
<td>06/30/05</td>
<td>49.0</td>
</tr>
<tr>
<td>FINAL</td>
<td>07/01/03</td>
<td>06/30/05</td>
<td>47.0</td>
</tr>
<tr>
<td>FINAL</td>
<td>07/01/05</td>
<td>06/30/07</td>
<td>47.0</td>
</tr>
<tr>
<td>FINAL</td>
<td>07/01/05</td>
<td>06/30/07</td>
<td>26.0</td>
</tr>
<tr>
<td>FINAL</td>
<td>07/01/05</td>
<td>06/30/07</td>
<td>47.0</td>
</tr>
<tr>
<td>FINAL</td>
<td>07/01/05</td>
<td>06/30/07</td>
<td>26.0</td>
</tr>
<tr>
<td>FINAL</td>
<td>07/01/05</td>
<td>06/30/07</td>
<td>49.0</td>
</tr>
<tr>
<td>FINAL</td>
<td>07/01/05</td>
<td>06/30/07</td>
<td>33.0</td>
</tr>
<tr>
<td>PROV.</td>
<td>07/01/07 UNTIL AMENDED</td>
<td>Use same rates and conditions as those cited for fiscal year ending June 30, 2007.</td>
<td></td>
</tr>
</tbody>
</table>

**EASE:** 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.
INSTITUTION:
Louisiana State University and A & M College

AGREEMENT DATE: August 9, 2005

SECTION I: FRINGE BENEFITS RATES**

<table>
<thead>
<tr>
<th>RATE TYPES: FIXED</th>
<th>FINAL</th>
<th>PROV. (PROVISIONAL)</th>
<th>PRED. (PREDETERMINED)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EFFECTIVE PERIOD</td>
<td>FROM</td>
<td>TO</td>
<td>RATE (%)</td>
</tr>
<tr>
<td>FIXED</td>
<td>07/01/04</td>
<td>06/30/05</td>
<td>23.5</td>
</tr>
<tr>
<td>FIXED</td>
<td>07/01/04</td>
<td>06/30/05</td>
<td>23.0</td>
</tr>
<tr>
<td>FIXED</td>
<td>07/01/04</td>
<td>06/30/05</td>
<td>27.0</td>
</tr>
<tr>
<td>FIXED</td>
<td>07/01/05</td>
<td>06/30/05</td>
<td>28.0</td>
</tr>
<tr>
<td>FIXED</td>
<td>07/01/05</td>
<td>06/30/06</td>
<td>24.0</td>
</tr>
<tr>
<td>FIXED</td>
<td>07/01/05</td>
<td>06/30/06</td>
<td>29.0</td>
</tr>
</tbody>
</table>

PROV. 07/01/06 UNTIL AMENDED

Use same rates and conditions as those cited for fiscal year ending June 30, 2006.

**DESCRIPTION OF FRINGE BENEFITS RATE BASE:
Salaries and wages.
INSTITUTION:
Louisiana State University and A & M College

AGREEMENT DATE: August 9, 2005

SECTION II: SPECIAL REMARKS

TREATMENT OFFRINGE BENEFITS:
The fringe benefits are charged using the rate(s) listed in the Fringe Benefits Section of this Agreement. The fringe benefits included in the rate(s) are listed below.

TREATMENT OFPAID ABSENCES:
Vacation, holiday, sick leave pay and other paid absences are included in salaries and wages and are claimed on grants, contracts and other agreements as part of the normal cost for salaries and wages. Separate claims for the costs of these paid absences are not made.

OFF-CAMPUS DEFINITION: For all activities performed in facilities not owned by the institution and to which rent is directly allocated to the project(s), the off-campus rate will apply. Grants or contracts will not be subject to more than one F&A cost rate. If more than 50% of a project is performed off-campus, the off-campus rate will apply to the entire project.

Equipment Definition -
Equipment means an article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost of $5,000 or more per unit.

FRINGE BENEFITS:

Main Campus-
- Group Medical & Life Insurance
- Medicare Contribution
- La. State Retirement System
- TIAA-CREFF Matching Retirement
- Teachers' Retirement System
- Unemployment Compensation
- Workers' Compensation
- Termination Pay
- Sabbatical Leave
- Optional Retirement Plan
- Employee Tuition Exemption Program
- Social Security
- LSU Money Purchase Plan
- LA School Employees Retirement System

Agricultural Centers-
- Medical & Life Insurance Group
- Medicare Contribution
- Unemployment Compensation
- Workers' Compensation
- Social Security
- Termination Pay
- Sabbatical Leave
- Non-Federal Employees:
  - La. State Retirement Syst.
  - TIAA-CREFF Matching Ret.
  - Teachers' Retirement
  - Optional Retirement Plan
  - Federal Employees:
    - Fed. Civil Service Ret.
INSTITUTION:
Louisiana State University and A & M College

AGREEMENT DATE: August 9, 2005

SECTION III: GENERAL

A. LIMITATIONS:
The rates in this Agreement are subject to any statutory or administrative limitations and apply to a given grant, contract, or other agreement only to the extent that funds are available. Acceptance of the rates in subject to the following conditions:
1. Only costs incurred by the organization were included in its facilities and administrative cost pools as finally accepted; such costs are legal obligations of the organization and are allowable under the governing cost principles;
2. The same costs that have been treated as facilities and administrative costs are not claimed as direct costs;
3. Similar types of costs have been accounted consistent accounting treatment;
4. The information provided by the organization which was used to establish the rates is not later found to be materially incomplete or inaccurate by the Federal Government. In such situations the rate(s) would be subject to renegotiation at the discretion of the Federal Government.

B. ACCOUNTING CHANGES:
This Agreement is based on the accounting system purported by the organization to be in effect during the Agreement period. Changes to the method of accounting for costs which affect the amount of reimbursement resulting from the use of this Agreement require prior approval of the authorized representative of the cognizant agency. Such changes include, but are not limited to, changes in the funding of a particular type of cost from facilities and administrative to direct. Failure to obtain approval may result in cost disallowances.

C. FIXED RATES:
If a fixed rate is in this Agreement, it is based on an estimate of the costs for the period covered by the rate. When the actual costs for this period are determined, an adjustment will be made to a rate of a future year(s) to compensate for the difference between the costs used to establish the fixed rate and actual costs.

D. USE BY OTHER FEDERAL AGENCIES:
The rates in this Agreement were approved in accordance with the authority in Office of Management and Budget Circular A-87, Circular, and should be applied to grants, contracts, and other agreements covered by this Circular, subject to any limitations in A above. The organization may provide copies of the Agreement to other Federal AGENCIES to give them early notification of the Agreement.

E. OTHER:
If any federal contract, grant or other agreement is reimbursing facilities and administrative costs by a means other than the approved rate(s) in this Agreement, the organization should (1) credit such costs to the affected programs, and (2) apply the approved rate(s) to the appropriate base to identify the proper amount of facilities and administrative costs allocable to these programs.

BY THE INSTITUTION:
Louisiana State University and A & M College

(Institution)

Jerry J. Baudin

(Signature)

(Vice Chancellor for Finance and Administrative Services and Comptroller)

August 15, 2005

OF REPLY OF THE FEDERAL GOVERNMENT:

DEPARTMENT OF HEALTH AND HUMAN SERVICES

(Agency)

Henry Williams

(Signature)

(Director, Division of Cost Allocation-
TITLE: CENTRAL STATES FIELD OFFICE

(Area)

(Agency)

(STATE) 0022

HHS REPRESENTATIVE: Arturo Cornejo

Telephone: (214) 767-3313

(4)