

M E M O R A N D U M

DATE: December 22, 2021

TO: The UMBC Community

FROM: Dr. Karl V. Steiner, Vice President for Research
 Kathy Dettloff, Vice President for Administration and Finance, Financial Services

SUBJECT: FY2021 through FY2025 Facilities and Administration (F&A) Rate

Every 4 to 5 years UMBC negotiates a Facilities and Administrative Costs Rate Agreement (also known as the indirect cost rate agreement) with our cognizant federal agency, the Department of Health and Human Services (DHHS). The first part of the process is for us to compute the actual costs to UMBC to support sponsored activity both on and off campus. The resulting computations are as follows:

Applicable To:	On-Campus Rate (%)	Off-Campus Rate (%)
Organized Research	72.88	38.58
Instruction	88.71	61.30
Other Sponsored Activity	32.31	26.78

UMBC then enters into discussion with DHHS, which typically leads to negotiated rates that are less than the computed rates, as was the case this time. Our previous F&A Costs Rate Agreement expired on June 30, 2020. At that time our rate became provisional while negotiations on the new rate agreement continued. Those negotiations have now been completed and we have a new F&A Costs Rate Agreement, officially signed and dated December 17, 2021 with the following results:

Applicable To:	From Date:	To Date:	On-Campus Rate (%)	Off-Campus Rate (%)
Organized Research	07/01/2020	06/30/2022	53.00	26.00
Organized Research	07/01/2022	06/30/2023	54.00	26.00
Organized Research	07/01/2023	06/30/2025	55.00	26.00
Instruction	07/01/2020	06/30/2025	52.00	26.00
Other Sponsored Activity	07/01/2020	06/30/2025	29.00	26.00

The prior rate agreement provided an on-campus organized research rate of 53%, an on-campus instruction rate of 55%, an on-campus other sponsored activity rate of 29%, and an off-campus other sponsored activity rate of 26%, with all other factors the same as presented above.

All of the above rates are based upon Modified Total Direct Costs (MTDC), which are the defined base of expenses to which the rate is applied. Those costs include all direct costs EXCEPT:

- Equipment (each item costing \$5,000 or more with useful life of one year or more);
- Participant support costs;
- Tuition remission;
- Rental of off-site facilities;
- Capital expenditures (includes alterations and renovations);
- Scholarships and fellowships;
- The portion of each subaward in excess of \$25,000.

Guidelines for the implementation and application of the new F&A rates are attached to this Memorandum.

This Memorandum, the implementation information and a copy of the Rate Agreement will be posted on both the Cost Accounting and the Office of Sponsored Programs websites.

Questions regarding the implementation may be directed to Amy Steinly-Marks, Cost Analyst (asmarks@umbc.edu) or the OSP contact person responsible for your unit. All of the OSP contact information can be found at <http://research.umbc.edu/osp-responsibilities/>.

IMPLEMENTATION AND APPLICATION
New UMBC Facilities & Administration (F&A) Rates
Effective January 1, 2022

New, Competing Renewals, and Supplemental Proposals: The applicable new F&A rates must be used on all proposals received by the Office of Sponsored Programs (OSP) on or after **January 1, 2022**. Any proposal for a competitive segment (i.e. a proposal for a new set of years not previously included in an award document, usually three or five years) of a multi-year project or any proposal which, if successful, will result in a new grant, cooperative agreement, or contract issued by the sponsor will incorporate the new rates. The rate in effect for the first period of the proposal should be utilized for the entire period of the non-competitive cycle. Since a supplemental proposal requests additional funding for a current project, OSP, at their discretion, will work with the sponsoring agencies to request the new F&A rate, but will allow the original rate if the sponsor does not award additional funds to cover the new rate.

Pending Proposals Already Submitted but Not Yet Awarded: In cases where a proposal was submitted using the previous rates, and is awarded with a start date of July 1, 2022 or after, OSP, at their discretion, will work with the sponsoring agencies to request the new F&A rate at the time of the award whenever possible, but will allow the rate that was originally proposed if the sponsor does not award additional funds to cover the new rate.

Revised Proposals to be Awarded: If the start date is on or after July 1, 2022, the applicable new F&A rate will be used for the budget revision--as long as it will not negatively impact the direct costs available to the project. If it will have a negative impact on the direct costs, OSP, at their discretion, will contact the agency to request the additional funds to cover the differential. If the agency does not approve this request, then the appropriate previous rate will be used. If the start date is on or before June 30, 2021, the appropriate previous rate will be used.

Current Awards and Non-Competing Continuations: Currently active awards will not be affected by the new rates unless, and until, the project enters a competitive cycle. Those projects with 'out years' already identified in the original award budgets (for example, many NIH 3- or 5-year projects) will continue to use the applicable F&A rate included in the award budget.

Waivers

Consistent with existing UMBC policies and procedures, the waiver of any part of the F&A recovery must route through the Office of Sponsored Programs for approval.

UMBC Policy UMBC IV-2.00.01 - UMBC Consistent Application of Facility and Administrative (F&A) Costs can be accessed at: (<http://www.umbc.edu/policies>)