UNLV | Office of SPONSORED PROGRAMS
UNIVERSITY OF NEVADA, LAS VEGAS

UNLV Division of Research and Economic Development
Office of Sponsored Programs

Facilities and Administrative (F&A) Reduction Policy and Procedure

BACKGROUND

Facilities and Administrative (F&A) costs are infrastructure and administration costs associated with the conduct of research and other sponsored projects that cannot be readily and specifically identified with a particular project. F&A costs are synonymous with "indirect costs" and "overhead" and are incurred for expenses such as utilities; buildings; operation and maintenance; library-related expenditures; university services; such as telephones and IT; department, college, and service unit administrative costs; and federally mandated research compliance.

The practice of providing F&A cost returns to award recipients originated with the U.S. government. In recognition that indirect costs are real costs of doing business, the process of establishing F&A rates was developed as a means to provide reimbursement to grantees for these supportive services. UNLV's F&A rate is established with our cognizant federal agency, the Department of Health and Human Services/Department of Cost Allocations. The F&A rate is renegotiated periodically to allow for inflation, changes in facilities and the associated operations costs, and variations in the level of sponsored activity. The established rates are applied to the "modified total direct costs" (MTDC) base unless otherwise directed. MTDC consists of all direct costs with the exception of capital equipment, patient care, participant support, tuition remission, scholarships, and fellowships, and the portion of each subgrant or subcontract issued in excess of $25,000.

PURPOSE

The purpose of this policy is to set forth circumstances and to establish the procedure for requesting a reduced rate of F&A costs on sponsored projects.

POLICY

It is UNLV's policy to include full F&A costs on all externally funded projects. However, while it is important to collect full F&A costs to offset the real costs of conducting sponsored projects, UNLV recognizes that unique situational considerations may justify a reduction. Therefore, reduction in F&A costs may be allowed under certain circumstances described thereafter.

EXCEPTIONS TO THE APPLICATION OF FULL F&A COSTS

UNLV will honor a sponsor's official policy regarding F&A if the sponsor has a formal, published policy regarding the reimbursement of F&A costs, or the RFP/solicitation formally documents a project specific F&A restriction. **A reduction request is not required when the F&A is limited by the sponsor.** Please indicate this on the routing form and provide documentation from the sponsor.

Requests for reduction of F&A by PIs should be very rare. However, UNLV may consider a reduction in order to meet mandatory cost-sharing – if all other cost-sharing options have been exhausted and a compelling argument can be made that the project has strategic benefit for the overall institution, a reduction may be considered. The Vice President for Research will consider such requests on a case-by-case basis, and reductions will only be approved with compelling justification.

PROCEDURE FOR REQUESTING EXCEPTIONS (F&A Reduction)

- The PI must submit a F&A Reduction Request Form which requires a justification providing a compelling argument for the reduced rate, including any strategic benefits to the university **prior to proposal submission or budget discussions with the sponsor**. The form must be submitted to OSP, and following internal review and data collection, the request will be forwarded to the VPR's office for final determination.
- Principal Investigators are not authorized to negotiate a reduction or completely waive F&A with the sponsor. If the need to negotiate the F&A rate is anticipated, the PI should contact OSP well in advance of budget development and proposal submission.
- Because college and department revenue is impacted by F&A reductions, department chairs and college deans must support F&A reduction requests. Missing signatures will be considered incomplete and will be returned to the PI.

UNLV calculates and includes F&A costs in all sponsored award budgets as set out in the F&A rates, unless one of the following applies:

Special Cases	Description
Affiliated organizations and partner state agencies	When the university has an established agreement in place with an affiliated organization or state agency that determines the rate applicable to the funding, the university will accept that rate. Generally, for state agencies the university strives to recover the indirect portion of the federally approved rate at a minimum.
Federal sponsors (including federal flow-through, no matter the pass-through entity type)	Since all federal awarding agencies must accept negotiated rates and all pass-through entities must honor negotiated rates, the university will accept a rate cap only if the rate is limited by federal statute or regulation, or when approved by a federal awarding agency head or delegate based on documented justification, after proper notification to the Federal Office of Management and Budget. Such criteria used to cap the rate must be publicly available.
For Profit sponsors	The university rarely accepts a rate cap or reduction on projects sponsored by a for-profit entity. The full federally approved F&A rate without any administrative caps should be charged in most cases. Exceptions can be granted in unique, rare circumstances where the project compliments and supports another university mission such as economic development or experiential learning.
Industry Sponsored Clinical Trials	Industry sponsored clinical trials and testing agreements should utilize the federally approved "Research – Clinical Trials" rate.
Non-profit sponsors	The university will accept a rate cap or reduction if the non-profit entity has a published policy as evidenced by reference on the non-profit's website, in the official program announcement, or on the sponsor approved application forms.

Transfer from another institution with a lower F&A rate on established project	The university may accept a reduced rate when a PI transfers a project to UNLV from another institution, and the rate awarded for the project is lower than the maximum allowable federally negotiated F&A rate. This does not apply to requests for additional funding from the sponsor for the project, once the project is transferred.
Fabrication of Equipment	Equipment that is being fabricated for use at the university has the cost of fabrication broken into individual direct costs towards the fabrication, and can include salaries and supplies. These direct costs are excluded from the base calculation when applying F&A. Other costs associated with the project that are not costs towards equipment fabrication are charged F&A per the rate agreement. Costs associated with equipment fabrication when the equipment is for delivery to an external entity are charged F&A at the rate set out in the federally negotiated F&A rate.
Subawards to another entity	The university will honor an approved federally recognized F&A cost rate negotiated between the subrecipient and the federal government for the activity proposed. If no such rate exists, the university will include a de minimis indirect cost rate of 10% of Modified Total Direct Cost (MTDC) or will negotiate an appropriate rate.