The purpose of this memo is to provide updated policy on recovery of facilities and administrative (F&A) costs for basic science research, clinical research, commercially sponsored clinical trials and research training. The policy describes the expected F&A recovery rate depending on the funding source of research and training grants and contracts. Proposals with F&A rates that meet the target rates identified below may be submitted to the Grants & Contracts Administration office. Rates below target will be processed only with an approved F&A waiver.

The costs of carrying out a sponsored research or training project can be divided into two parts:

- **Direct costs** – which include equipment, supplies, salaries and fringe benefits, and other costs that can be specifically identified with a project.

- **Facilities and Administration (F&A) costs** - which are those that support the “infrastructure” for the project, such as administration, utilities and space maintenance, and library. These costs cannot easily be identified with a specific research or training grant and therefore are accounted for on a pooled basis and assigned pro rata using an F&A rate. The nature of research carried on at the school requires substantial investment in facilities for construction, renovation and maintenance and also in administrative expertise and systems.

F&A costs are real and need to be paid, if not by the granting agency, then by another source of medical school funds. The school’s ability to invest in research cores, renovation of research space, faculty start-up packages, and departmental grants administrative staff and GA support depends upon recovering the maximum allowable amount of indirect costs from all grants and contracts.

**F&A Rate Policy**

The chart on page 5 shows our most common research and training sponsors, the related F&A rates that are to be applied, and how space costs will be funded.

- **Federally sponsored research awards have a negotiated F&A rate that is applied at the time of award. Negotiations were recently completed and the FY2011 full federal rate is 65.5%.** Facilities costs for these awards are covered by YSM with the F&A cost proceeds and supplemented by unrestricted funds.

  Federally sponsored research awards at the state owned CMHC facility and the federally owned West Haven VA facility have FY2011 rates of 41.9% and 30.9%, respectively.

  Phase-out of the special F&A rate for research occurring in leased space: Federal awards at the old “modified on-campus” rate are being phased out and should all be transitioned to the prevailing on-
campus rate over the next few years. These awards carry a lower F&A Rate of 30.4% for administration and library expenses, but rent is budgeted and charged as a direct expense.

- **Federally sponsored research training, career development and fellowship awards and other selected federal awards have a rate of 8%**. The federal government classifies sponsored training and development as an instructional activity and limits the reimbursement of F&A costs. The School will accept these awards at the published rates, as well as other federal programs with specific rates e.g. SAMSHA programs at a 15% F&A rate. While it is generally assumed that this activity takes place in existing space in conjunction with other research, requests for incremental space to house new training programs should, as with all incremental space requests, be submitted to the Deputy Dean for Academic and Scientific Affairs and will require a departmental account or an approved waiver.

- **Non-profit, foundation, and association awards and contracts typically have an indirect rate that is less than the federally negotiated rate**. If the sponsors of these awards, whether on-campus or off-campus, have an official published F&A rate less than the federal rate, the school will accept awards at the published rate (example: the American Heart Association statutory F&A rate is 10%). If these sponsors permit it, space occupancy costs must be charged to the award as a direct expense. Please refer to Yale University Policy 1405, Charging of Facilities and Administrative Type Expenses to Non-Federal Sponsored Projects, for guidance.

- **Fee for service contracts are billed directly by YSM based on the services performed**. These include clinical contracts, intergovernmental personnel agreements (IPA) and affiliated hospital contracts which are negotiated with the sponsor and whose rate may vary. See separate guidance on the YSM Financial Operations website.

- **If the non-profit sponsors do not have an official published F&A rate and**:  
  - Total annual direct costs are less than $150K, no indirect costs will be charged and no F&A waiver is required.  
  - Total annual direct costs are greater than $150K, and the space is located on-campus, then an amount of F&A is to be assessed that is equivalent to the federally approved F&A rate. This F&A amount may be charged to the grant as a direct cost, or to a departmental account or a combination. A waiver is required for total F&A charges below this amount.

- **State of Connecticut awards have a minimum F&A rate of 15%; however, subcontracts from the University of Connecticut must be assigned the full federal rate. The F&A rate for Connecticut Innovations awards is 25%. If these awards take place in leased space they must include space costs that are charged as a direct expense. A waiver is required for an F&A rate below 15% or to exclude rent expense as a direct charge.**

- **For-profit non-federal sponsored awards and contracts have a target F&A rate equal to the FY2011 negotiated federal rate**. If these awards, whether on-campus or off, have an indirect rate less than the federal rate, F&A costs must be charged to the award or to a departmental account in the amount required to equal the full federal rate. A waiver is required for total F&A charges below this rate except as noted below:

  For commercially sponsored grants and contracts,  
  - Awards with annual direct costs under $10,000: F&A rate must be at least 10%  
  - Awards between $10,000 and $25,000: F&A rate must be at least 25%  
  - Awards from small start-up companies (that is, a company that has been in business for less than 3 years and has not yet done, or has just done, its first IPO): F&A rates must be at least:
• 25% in year 1,
• 40% in year 2, and
• full federal rate in year 3 and beyond.

  o These awards will be set up at the full federal overhead rate, and the difference will
    be rebated to a departmental account.

While we recognize that companies often argue against paying the full federal F&A rate, YSM simply
cannot afford to subsidize the cost of commercially sponsored research. We urge PIs to seek assistance
from the Grants & Contracts office as early as possible when discussing the terms of grants and contracts
with private industry.

• **For-profit sponsored clinical drug trials have a target F&A rate of 30%**. It is assumed that this
  activity will occur in patient care space that is charged directly to the department through the YMG patient
care space costs recovery mechanism. If dedicated space is used for this purpose, the standard YMG
clinical space charge will apply. The target rate of 30% covers only research and general administrative
costs plus allocated library costs. A waiver is required for any F&A rate below 30%.

• There are four federally-negotiated rates that apply to **non-research sponsored activity**. Sponsored
  instruction includes teaching and training except for research training and all other sponsored activity
includes conferences and community outreach programs. The applicable target rate for these non-research
sponsored activities depends on the predominant location where the activity takes place. A waiver is
required for any F&A rate below these rates:

  o Instruction activity on-campus FY2011 rate: 69%
  o Instruction activity off-campus FY 2011 rate: 26%
  o Other non-research activity on-campus FY2011 rate: 41.8%
  o Other non-research activity off-campus FY2011 rate: 24.7%

Requests for a waiver of any portion of F&A cost recoveries including related space occupancy costs must be approved
**before the proposal is submitted**. A new Research Space Cost Waiver Form has been developed for this purpose and is
appended; the form can also be found at [http://medicine.yale.edu/finance/forms/index.aspx](http://medicine.yale.edu/finance/forms/index.aspx). Waiver requests must include
a compelling justification and a copy of the budget. Particularly in the case of commercially sponsored projects, the YSM
department may be asked for an account number where the difference between the requested rate and the full rate can be
charged.

YSM is committed to a research environment that is supportive of faculty and trainees. F&A recoveries are a major
source of funds to recoup investments in space and the costs of ongoing operations to maintain that environment. We
appreciate your partnership in implementing these guidelines.
YALE UNIVERSITY SCHOOL OF MEDICINE RESEARCH SPACE COST WAIVER REQUEST FORM

Please use this form to request that research space costs be waived or reduced for the award(s) listed below which are at less than the full overhead rate. Include any documentation and a copy of the budget proposal to support your request.

Forward requests to:

Cynthia L. Walker
Deputy Dean, YSM Finance and Administration
Yale School of Medicine  SHM I-202

Faculty Name:__________________________________________________________

Dept/ Program:________________________________________________________

Sponsor:_______________________________________________________________

Justification:

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Administrator/BusinessManager:________________________________________

Date:_________________

Department:__________________________Address:________________________

*******************************************************************************FOR CENTRAL USE*******************************************************************************

Approved:_______ Denied:__________

Departmental Account Number (denials only)_______________________________

Signed:______________________________________________

Comments:____________________________________________________________________

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