

YALE UNIVERSITY SCHOOL OF MEDICINE
Office of the Dean
Internal Memorandum



To: YSM Chairs and Department Administrators
From: Cynthia L. Walker, Deputy Dean, YSM Finance and Administration
Date: October 7, 2009
Re: Research Facilities and Administrative Cost Recovery Policy-Update for FY2010

The purpose of this memo is to provide expanded 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 for FY2010 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. This policy was effective July 1, 2008 for new and competing renewal submissions.

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. The FY2010 full federal rate is a provisional 65.5%, and may be revised during the F&A rate negotiation which is expected to be completed during the fiscal year .** In the case where the University negotiates a FY2010 rate that exceeds 65.5%, under certain circumstances the F&A rate for research awards granted in FY2010 at the provisional rate may be adjusted. Otherwise, the F&A rate for awards granted in FY2010 at the provisional rate will remain at 65.5% through the competitive cycle of the agreement.. Facilities costs for these awards are covered by YSM with the F&A cost proceeds and supplemented by unrestricted endowments.

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. While these

awards are being phased out, rent expense for the facilities housing the awards will continue to be directly charged to the awards or to departmental funds if not covered by the grant budget.

- **Federally sponsored 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. 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, non-federal state, foundation, and association awards 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.

If the sponsors do *not* have an official published F&A rate and:

- Total annual direct costs are less than \$150K, no incremental 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.
- **For-profit non-federal sponsored awards have a target F&A rate equal to the FY2010 provisional 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 this 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 provisional rate in year 3 and beyond.

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 two federally-negotiated rates that apply to **non-research sponsored activity** such as conferences, community outreach programs and instructional activities. The applicable target rate depends on the predominant location where the activity takes place. A waiver is required for any F&A rate below these rates:
 - Non-research activity on-campus provisional FY2010 rate: 40.0%
 - Non-research activity off-campus provisional FY2010 rate: 23.9%

Requests for a waiver of any portion of eligible 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://info.med.yale.edu/finops/forms>. 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:

Administrator/BusinessManager: _____

Date: _____

Department: _____ **Address:** _____

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

Approved: _____ **Denied:** _____

Departmental Account Number (denials only) _____

Signed: _____

Comments: _____

**RESEARCH SPACE POLICY FLOW CHART
FY2010 Facilities & Administrative Rates***

FY2010 Federal Rates* **On Campus** **Research Rate is 65.5%**
***In provisional status** **Non Research Rate is 40%**
until federal negotiation **Off Campus** **Research is 26%**
is completed. **Non Research is 23.9%**

