



October 4, 2006

To: President, Provost, Vice Provosts, Deans, Directors, Department Heads, Principal Investigators, Business Managers, and Departmental Accountants

From: Karen Steele, Associate Director, Business Affairs/Cost Analysis
Peggy Lowry, Director, Office of Sponsored Programs and Research Compliance (OSPRC)
Kim Calvery, Assistant Director, Business Affairs/Office of Post Award Administration (OPAA)

RE: **FACILITIES & ADMINISTRATION (F & A) RATES**

Oregon State University's F & A (indirect cost) rates have been negotiated¹ and new rates are now in effect. The new rate agreement was signed on September 22, 2006 and these rates are effective on all **new** proposal submissions. Proposals submitted to OSPRC should utilize the new rates.

SUMMARY OF SIGNIFICANT POLICY AND PROCEDURAL CHANGES

- Organized Sponsored Research F & A Rate has changed to 46.2% (on-campus).
- All Other Sponsored Activities F & A Rate has changed to 33.8% (on-campus).
- The on-campus rate is now applicable to all branch experiment stations and OSU leased property.
- The off-campus rate is limited to locations not owned or leased by OSU.
- Projects conducted at both an on-campus and an off-campus location must have a detailed budget for each location.

F & A RATES EFFECTIVE JULY 1, 2006²

Type of Activity	On-Campus	Off-Campus
Organized Sponsored Research	46.2% MTDC	26.0% MTDC
All Other Sponsored Activities	33.8% MTDC	26.0% MTDC
State of Oregon Agency	26.0% MTDC	26.0% MTDC
Vessel Operations	30.0% S&W	30.0% S&W

RATE DEFINITIONS

- **Modified Total Direct Costs (MTDC)** – MTDC consists of all salaries and wages, fringe benefits, materials, supplies, services, travel, and subawards up to the first \$25,000 of each subaward (regardless of the period covered by the subaward). Equipment, capital expenditures, charges for tuition remission, building and land rental costs, scholarships, and fellowships, as well as, the portion of each sub-grant and subcontract in excess of \$25,000 are excluded from modified total direct costs.

¹ OSU's cognizant agency is the U.S. Department of Health and Human Services.

² Although rates are effective as of July 1, 2006, the rate agreement was not signed until September 22, 2006. Proposals submitted prior to this communication will utilize the F&A rate that appears on the proposal. Most federal awards will issue awards using the F&A rate in effect, regardless of what rate was used in the proposal.

- **Organized Sponsored Research** - Research is the systematic study directed toward fuller knowledge or understanding of the subject studied. Basic research is activity specifically organized to produce outcomes. Applied research utilizes the outcomes or theory in practice; i.e. toward the production of useful materials, devices or systems. This category includes training of individuals in research techniques.
- **All Other Sponsored Activities** - Activities that involve the performance of work other than organized research fall into this category. Examples are: sponsored instruction and workshops, course development, non-research training activities, public service activities, cooperative extension outreach, health service projects, and community service programs.
- **On-Campus** - The On-Campus rate is applicable to projects or activities that take place in facilities owned or leased by OSU. Included are: Hatfield Marine Science Center (HMSC) including the NOAA building, Cascades Campus, branch Agriculture Experiment Stations, farms and other research facilities. The on-campus rate is not used when rent of facilities is directly allocated to the project as an approved direct cost.
- **Off-Campus** - The Off-Campus rate is applicable to sponsored projects performed in facilities which are not owned or leased by OSU, or when rent of facilities is directly allocated to the project as an approved direct cost. Where a project occurs both at on-campus and off-campus locations, the budget should be split with the appropriate rate being applied to each portion. OSU has determined that such a split is justified when there is an activity period of 90 or more consecutive days away from the on-campus facilities.

When activities in a sponsored project proposal are located in the following locations and buildings, they qualify to use the off-campus rate:

- US Environmental Protection Agency (EPA) Building
- USFS Corvallis Forestry Sciences Laboratory (FSL)
- Oregon Natural Heritage Information Center (ONHIC) – Portland
- Extension offices located in non-OSU owned or leased facilities; i.e. in County office buildings

CONVERSION TO NEW RATES

New proposals and existing awards requesting additional funding will be processed with the new rates. New F & A rates will also be used when there is a new budget period requested, a new competitive request, or a supplemental request is made.

Currently awarded projects will continue to have the same F & A rate applied under which the award was accepted, until the award expires³. This includes those awards with incremental funding arrangements for an approved specific budget period, such as the Office of Naval Research (ONR) agreements.

Example: If the award period is from October 15, 2005 through October 14, 2009 at a rate of 41.5% MTDC, the 41.5% MTDC will be used for the life of the award, unless supplemental funding is requested. If supplemental funding is requested or awarded, the new rates must be used.

³ Per OMB circular A-21, G7a.

F & A RATES LESS THAN THE OSU NEGOTIATED RATE

- **State of Oregon agency** – use 26% unless the funds are federal pass-through. If the original source of the funds to the state agency is the federal government, the full F&A rate would be used.
- **Sponsor’s published rates** – if the sponsor has published rates that restrict F&A to less than OSU’s negotiated rates, attach a copy of their rate page to the OSU Proposal Transmittal Form and apply the sponsor’s rate.

Contact OSPRC (<http://oregonstate.edu/research/osprc/index.htm>) at 541-737-4933 or sponsored.programs@oregonstate.edu, if you have questions about applying the new rates to future proposals.

Contact (http://oregonstate.edu/fa/businessaffairs/postawards/restricted_funds_acct.php) at 541-737-4711 concerning questions about rates on existing awards.