University of Colorado
Anschutz Medical Campus

Campus Administrative Policy

Policy Title: **Fiscal Policy for Facilities and Administrative Costs 4-4**

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Approved by:	Vice Chancellor for Research
Prepared by:	Director of the Office of Grants and Contracts
Reviewing Office:	Provost and Executive Vice Chancellor for Academic and Student Affairs Executive Vice Chancellor for Administration and Finance
Responsible Officer:	Executive Vice Chancellor for Administration and Finance
Applies to:	University of Colorado Anschutz Medical Campus University of Colorado Denver

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A. INTRODUCTION

The purpose of this policy is to establish the University of Colorado Denver (CU Denver) guidelines for the acquisition and use of Facilities and Administrative (F&A) cost recovery.

It is the responsibility of both academic and administrative personnel to ensure compliance with this policy.

This policy applies to all sponsored projects processed through CU Denver Grants and Contracts and the associated F&A costs and recovery.

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C. POLICY STATEMENT

Authority for Facilities and Administrative Cost Recovery Revenue

The Chancellor has authority and control over the disbursement of F&A cost recovery revenue. All F&A cost recovery revenue must be budgeted, allocated, and expended in compliance with state and federal laws, policies of the Board of Regents, and University Administrative Policies. The Vice Chancellor for Administration and Finance is responsible for negotiating the F&A cost recovery rates with the federal government. Consultation with campus administration is sought during the negotiation process.

Principal investigators, chairs, and deans are not authorized to negotiate a rate that is less than the approved rate for F&A costs. The waiver process must be followed and approval must be received before any commitment of waiver to a sponsor or potential sponsoring entity.

Principal investigators, chairs, and deans are responsible for identifying the proper F&A cost rate applicable to a sponsored project (e.g., whether a project is on-campus or off-campus, the type of project (research or instruction), etc.). Final determination regarding the proper application of the F&A cost rate is the responsibility of Grants and Contracts.

D. DEFINITIONS

1. Administrative Costs typically include the costs of centralized administrative services within a department, school, and campus. For example, administrative costs include the costs of providing financial information about projects to internal and external constituents.

2. Direct Costs are those costs that can be identified with a specific CU Denver activity, or that can be assigned to such activities relatively easily with a high degree of accuracy.

3. Facility Costs are costs incurred to pay for physical space including utilities, routine maintenance and repairs, and custodial services.

4. Facilities and Administrative Cost Recovery (also referred to as indirect cost recovery) is the reimbursement by external sponsors of the Facilities and Administrative costs of sponsored projects.

5. Facilities and Administrative Cost Recovery Rate is the percentage rate normally applied to modified total direct costs in order to derive F&A cost recovery (total direct costs base or another base is used for some sponsors, such as industry sponsors, when calculating allowable F&A costs). An example of the normal calculation is as follows: A rate of 50% would yield $50,000 of facilities and

administrative cost recovery on a sponsored program with $100,000 of modified total direct costs. F&A cost recovery rates vary depending on the type of sponsored program activity and are derived by dividing the total F&A costs by the modified total direct costs. The rate is calculated using historical F&A cost data and is applied to sponsored project activity in subsequent years. Although detailed cost studies for F&A costs are prepared, the actual rate agreement with the federal government is negotiated. A summary of the current rates applicable to the various types of awards are provided in Exhibit A1. See Exhibit A2 for the CU Denver Negotiated Facilities and Administrative Cost Rate Agreement.

6. Facilities and Administrative Cost Recovery Revenue is the actual amount of F&A cost reimbursement received from external entities that sponsor CU Denver projects. This revenue is recorded in the Unrestricted Fund and is considered reimbursement for incurred F&A costs.

7. Facilities and Administrative Cost Waivers are reductions in the application of the F&A cost recovery rates.

8. Facilities and Administrative Costs, *for sponsored project costing purposes*, are costs that are incurred for common or joint objectives (research, instruction, public service, or patient care) and, therefore, cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other CC Denver activity. Federal guidelines refer to these costs as "facilities and administrative" costs.

   Facilities costs include depreciation and use allowances; interest on debt associated with certain buildings, equipment and capital improvements, operation and maintenance expenses and library expenses.

   Administrative costs include general administration and general expenses, departmental administration, sponsored projects administration, student administration and services, and all other types of expenditures not listed specifically under one of the subcategories of facilities.

   If the CU Denver treats a particular type of cost as a F&A cost of sponsored agreements, all costs incurred for the same purpose in like circumstances must be treated as F&A costs of all activities at the CU Denver.

9. Gifts are charitable contributions for use by the institution exclusively to fulfill its exempt purpose(s). There can be no expectation of economic benefit on the part of the donor. A gift should not include any of the characteristics articulated in the Sponsored Program definition, below.

10. Modified Total Direct Costs are *direct costs* except for equipment, large subcontracts, animal costs, scholarships, fellowships, equipment, and patient care.

11. Off-campus project is a project in which more than 50% effort of the project (excluding subcontracts) is conducted at an off-campus location by university

employees. Off-campus is defined as locations other than university owned or operated facilities, and the costs of physical plant and library are not applicable to the project as indirect costs. See Exhibit D for a list of off-campus locations. If the CU Denver is paying the space cost as a direct charge to the sponsored project, the project is considered off-campus.

12. On-campus project is a project where a CU Denver employee provides 50% or more of their time and effort on a project in University owned or operated facilities. Costs related to the University physical plant, library and/or related costs are applicable as indirect costs. If the CU Denver is leasing the space through Central Services and Administration (CS&A) funds, the project is considered an on-campus project. See Exhibit D for a list of on-campus locations.

13. Sponsored Project Awards typically are in the form of a grant, contract, cooperative agreement, purchase order, or other mutually binding award, are from external sponsors and restrict the use of funds or property and stipulate conditions with which the university must comply.

14. Sponsored Projects are research, instructional, or public service activities that are related to the mission of the CU Denver and sponsored by external agencies or entities. If an award meets at least one of the following criteria, it is likely a Sponsored Project. However, the existence of any one of the criteria may not be determinative.

    a. The award is a grant or contract from a governmental entity, unless exempted under OMB Circular A-21.

    b. The proposal responds to a Request for Application (RFA), Request for Proposal (RFP), or other formal solicitation, and the project is initiated by notice of award. Certain RFPs issued by private charitable foundations may not qualify as a Sponsored Project.

    c. The award includes terms that bind the university to a list of scholarly or scientific inquiry.

    d. The Statement of Work specifies programmatic objectives mutually agreed upon by the university and the sponsor, which are to be accomplished within a specific period of time or within a detailed budget framework

    e. The sponsor is entitled to receive the following types of deliverables: a detailed technical report of research results, milestone reports, or a required report of allowable expenditures. Certain reporting requirements of private charitable foundations that are stewardship- or accountability-oriented may not qualify as Sponsored Projects.

    f. The award requires separate accounting procedures and detailed financial reports.

    g. The sponsor requires the return of unexpended funds or only reimburses for incurred costs (expenditure-driven).

h. The award provides for compliance audits by or on behalf of the sponsor, which may or may not include a financial audit.

i. The award is for a project requiring compliance oversight including, but not limited to: human subjects, animal use, biohazards, or bio-safety.

j. The award terms include publication or data restrictions or monitoring.

k. The sponsor requests intellectual property rights or controls the disposition of capital equipment.

l. The award is by a sponsor who has licensing rights to inventions from the same lab/researcher benefiting from the award.

m. The sponsor designates a sponsor employee (agent) as project technical monitor (as opposed to designating a contact person to improve communications).

n. The award is for a sub-award project under a federal award.

o. The award requires a matching or cost sharing commitment on the part of the university.

p. The award generates program income to a federal award.

q. The award from the sponsor is for membership fees to centers and affiliate programs. The university may receive membership fees for its centers and affiliate programs, as characterized by any one of the following examples:

   i. The member agreement imparts "Center Member" status to the sponsor.

   ii. The member receives the right to exert any type of control over the operation of the institute, center or program.

   iii. The member receives special or discounted access to laboratories or other university facilities for its use.

   iv. The member receives patent, licensing rights, or other intellectual property rights provisions benefiting the sponsor.

15. Total Direct Costs means the total of all of the direct costs of a sponsored research project and does not include Facilities and Administrative Costs.

E. PROCEDURES

Application of the Facilities and Administrative Cost Recovery Rate

1. Sponsored Projects Versus Gift

The differences between sponsored programs and gifts are outlined in the "Definitions" section. For the purposes of this policy, such classification will not be determined based on the applicability of the F&A cost recovery rate. Under no circumstances will a potential donor, grantor, or contracting party be advised that F&A cost recovery can be avoided by processing a transaction through the University of Colorado Foundation. The Vice Chancellor for Administration and Finance has the final authority for determining the proper classification of a sponsored project versus a gift. All gifts are to be processed through the University of Colorado Foundation. Sponsored agreements, including grants, will be processed through CU Denver Grants and Contracts.

Clinical Trials

Sponsored clinical trials generally will be assessed the off-campus F&A cost recovery rate because a majority of the activity is conducted off-campus, i.e., at one of the hospitals affiliated with the CU Denver. F&A costs will not be assessed against IRB fees associated with protocol review for clinical trials which are conducted off-campus. Separate policies contain greater detail on the proper administration of clinical trials. Industry clinical trials conducted on campus are assessed a F&A rate against Total Direct Costs. Residuals for off-campus clinical trials will be assessed the off-campus rate. Residuals for on-campus projects will be assessed the normal on-campus federal F&A rate.

2. Waiver of Facilities and Administrative Cost Recovery

The appropriate, approved F&A cost recovery rate will be sought on all sponsored programs from both private and public sources. Application of the standard F&A cost recovery rate will only be waived in extenuating circumstances.

Waiving the F&A cost recovery results in two undesirable consequences. First, the F&A costs incurred by the CU Denver are not recovered for the particular sponsored project activity. Secondly, when F&A cost recovery rates are negotiated, unrecovered F&A costs cannot be included in the next calculation of the F&A cost recovery rate.

Sponsors are expected to pay full costs except where prohibited by approved legislative, regulatory, or programmatic restrictions. Examples of Federal programs with special rates include:

a. Conference and travel grants
b. Training grants
c. Career development awards

If a government or non-profit sponsor has a published, consistently applied policy establishing a specific F&A cost rate for their project(s), that rate will be honored by CU Denver. For non-profit, charitable associations, foundations and societies which do not have an established policy, the CU Denver project will initially be proposed at an F&A cost rate of no less than 10%. All waivers requested from for-profit sponsors must be processed through the waiver process outlined below.

3. Obtaining a Waiver of All or Part of Facilities and Administrative Cost Recovery

Waivers or reductions in the application of the F&A cost recovery rates may be allowed if the governmental or non-profit sponsor maintains a uniformly applied, written policy precluding full reimbursement of F&A cost recovery. If not addressed by sponsor policy, the following types of awards are usually considered appropriate for a waiver:

a. Fellowship awards.
b. Awards solely for the purchase of equipment.
c. Awards solely to cover travel expenses.
d. Institutional support grants.
e. Professional society/association grants with the purpose of allowing a faculty member to fulfill his/her responsibility as an elected officer or official.
f. Awards to further volunteer activities.

If a sponsor is unable to pay the CU Denver approved F&A rate, but does not maintain a uniformly applied, written policy governing the F&A rate it will pay to grantees, the PI must submit a waiver requesting a reduction in the F&A rate to be applied to the project. All waivers or reductions must be approved through the formal process outlined in the procedures of this policy. Waiver requests require endorsement by the Principal Investigator's department chair and the school dean prior to submission of the request to a standing committee. The standing committee consists of CU Denver faculty and administrative staff and makes recommendations to the Vice Chancellor for Research for approval or disapproval of the waiver. Requests must be submitted via the *Facilities and Administrative Cost Variance Request* form, Exhibit B1; information on the variance process is attached as Exhibit B2. A waiver of more than $150,000 must be submitted to the President's Office for approval. The Director of Grants and Contracts monitors and maintains reporting of all waiver requests. If a waiver is granted, every effort should be made to recover infrastructure costs (F&A costs) as direct expenses of the sponsored program.

Investigators must resolve any F&A cost issues prior to the routing of any application whenever possible. When there is not enough time to route a variance through the campus approval process due to a sponsor's deadline, but a key sponsor representative has indicated that the project will not be funded unless the proposal includes a waiver of F&A costs, the following alternative may be used: a) the variance request must be endorsed and forwarded to Grants and Contracts by the departmental chairperson and the school dean or designee prior to institutional endorsement of the application or proposal; b) the Director of Grants and Contracts may contact an administrative representative of the sponsor to verify the requirement(s) and/or review the waiver to determine if the investigator made a reasonable effort to request the variance in a timely manner, and c) applications or proposals that include pending F&A costs variance issues must acknowledge that any rate proposed is subject to institutional approval. All facilities and F&A cost issues must be resolved before an award will be accepted on behalf of the CU Denver in Grants and Contracts.

4. Rebudgeting Actions Impacting Facilities and Administrative Cost Recovery

Rebudgeting of awarded direct cost monies from a cost category that is excluded from F&A recovery to one that is included will result in the award being assessed the F&A rate applicable to the award. For example, equipment monies rebudgeted and spent in the supply category, or subcontract monies in excess of $25,000 from a NIH project for a collaborating university that are subsequently rebudgeted into CU Denver personnel costs, will result in F&A being assessed against those direct cost expenses. See also Campus Policy 2041, *Expenditure Contracts and/or Subagreements Under Sponsored Awards*, Section III.K, Subcontract Cancellation and Subsequent Rebudgeting into Other Cost Categories.

5. Treatment of Fixed-Price Agreements Residual Balances

There may be times when the amount of sponsor support for a fixed-price agreement exceeds the full, actual costs of conducting the research or other activity. If a residual balance exists, the principal investigator must make certain that all direct costs of conducting the fixed-price agreement were charged to the program/project. In the event that adjustments are necessary, they must be made before residual balances are used for other purposes.

Once the agreement is concluded and research or other deliverables are complete, full appropriate F&A charges will be assessed and then the residual balance in the project will be transferred to the auxiliary fund. A fixed-price agreement that receives a F&A waiver and has a residual balance will have the full appropriate F&A assessment based upon total revenue amount received during the project, less any exempt expenses, before any residual balance is transferred. For residual balances on Federal contracts, please refer to Campus Policy 2030, *Fiscal Policy for Retaining Residual from Federal Fixed-Price Contracts*.

F. DISTRIBUTION OF FACILITIES AND ADMINISTRATIVE COST RECOVERY REVENUE-ANSCHUTZ MEDICAL CAMPUS

1. Distribution to the Schools

F&A cost recovery revenue is distributed to the schools each fiscal year. The distribution formula is outlined in Exhibit C and is based on the following principles:

a. The distribution is calculated on a fiscal year basis and can go up or down based upon the growth or decline in total F&A cost recovery revenue from the previous fiscal year.

b. Declining F&A cost recovery results in a progressive decrease in the distribution from 20% to 17.5% of total F&A cost recovery revenue.

c. A base of 17.5% of total F&A cost recovery revenue is the minimum base distribution to the schools.

d. A base of 20% of total F&A cost recovery revenue is the maximum base distribution to the schools.

e. Increasing F&A cost revenue results in a progressive increase in the distribution from 20% to 50% of the increment of F&A cost recovery revenue from the previous fiscal year. The 50% distribution of the incremental F&A cost recovery revenues is the maximum ceiling for allocation of the incremental F&A cost recovery revenue from the previous fiscal year.

f. The actual distribution of F&A cost recovery revenue under this formula may be modified for campus initiatives such as the renovation or construction of research space.

If an under-funding of the campus operating budget occurs, modification of F&A cost recovery revenue distribution will be evaluated as a part of the CU Denver budget process. Implementation of University budget policies or principles that restrict the CU Denver's flexibility to manage F&A cost recovery revenues may result in the modification of F&A cost recovery distributions.

2. Calculation of the Facilities and Administrative Cost Recovery Distribution

The distribution will be calculated based on the actual F&A cost recovery received from the sponsor on sponsored projects of each school. Waivers or reductions of the approved F&A cost recovery rate will result in a decreased distribution of F&A cost recovery revenue.

3. Budgeting the Facilities and Administrative Cost Recovery Distribution

The F&A cost recovery distribution is budgeted each fiscal year based on the revenue projections developed in the annual budget process. The budgeted distribution to each school is based on that school's proportionate share of the previous year's actual F&A cost recovery revenue. The distribution is determined by the respective school and each school is responsible for its own budgeting.

Seventy-five percent of the budgeted distribution for each school will be authorized for use as of July 1 of each fiscal year. The remaining 25% will be budgeted in a reserve program. The reserve account will be authorized for spending authority if actual F&A cost recovery revenue, as of the third quarter of the fiscal year, is relatively close to projected revenue. After the third quarter, authority for spending the budgeted reserve program will be granted by the Associate Vice Chancellor for Financial and Business Services.

4. Reconciling the Facilities and Administrative Cost Recovery Distribution

After the close of each fiscal year, a reconciliation of actual versus projected F&A cost recovery revenue is performed. If the budgeted distribution to any school is greater than the actual distribution earned, the school is responsible for returning the difference. Conversely, any budgeted distribution that is less than actual earnings will result in an additional distribution to the school.

5. Use of the Facilities and Administrative Cost Recovery Distribution

The purpose of the F&A cost recovery distribution is to empower the schools to make investments that will both maintain and enrich the CU Denver research enterprise. Within the construct of this philosophy, each Dean will develop a policy and plan for the use of the F&A cost recovery distribution.

G. DISTRIBUTION OF FACILITIES AND ADMINISTRATIVE COST RECOVERY REVENUE-CU DENVER

1. F&A for downtown campus research is distributed in the year after it is earned.

2. At the end of each fiscal year, the Office of Grants and Contracts prepares a report by PI showing the amount of F&A earned for that year.

3. Seventy percent of F&A earned is maintained by the campus general fund to fund the F&A costs of the campus.

4. Thirty percent of F&A earned will be distributed in the following manner:

Recipient	Amount of Incentive Award
Principal Investigator	15% of F&A earned
PI's Department	7.5% of F&A earned
PI's School/College	7.5% of F&A earned

Notes

1. Dates of official enactment and amendments:
January 14, 2004: Adopted by Associate Vice Chancellor for Finance and Administration.

2. History:
January 14, 2004: Historical reference: the term "facilities and administrative" replaces the term "indirect" as previously used by the Federal government.
January 18, 2019: Revised to reflect a Campus-wide effort to recast and revitalize various Campus policy sites into a standardized and more coherent set of chaptered policy statements organized around the several operational divisions of the university.

3. Initial Policy Effective Date: January 14, 2004

4. Cross References/Appendix:

- Campus Policy 2015, *Application and Proposal Approval Process for Sponsored Projects, 4-5*
- Campus Policy 2009, Clinical Trials, 4-1
- Office of Management and Budget Circular A-21, Cost Principles for Educational Institutions
- University of Colorado Administrative Policy Statement, Policy on Indirect Costs Recoveries
- Administrative Policy Statement 1005, *Sponsored Project Revenues*