

CHICO STATE ENTERPRISES

Revised 6/6/2023

FACILITIES AND ADMINISTRATION (F&A) COST RATES POLICY *AND* WORKING WITH THE UNIVERSITY AND CHICO STATE ENTERPRISES

I. F&A COST RATES POLICY

The total cost of all externally funded projects consists of expenses incurred for both direct and indirect (F&A) activities. F&A costs represent real costs, both through use of facilities and administrative work that the University and Chico State Enterprises (CSE) undertake for every sponsored program, regardless of whether these costs are paid for by an external sponsor.

Federal Rates: Through a process prescribed by the United States government, the Department of Health and Human Services evaluated and established the following rates for projects at CSU Chico that utilize federal funds (rate is provisional, effective until amended):

1. 41.5% of modified total direct costs (MTDC)¹ for on-campus projects
2. 18.5% MTDC for off-campus projects
3. 7% Intergovernmental Personnel Act (IPA) agreements²

(To determine when to utilize the off-campus rate see https://www.csuchico.edu/cse/_assets/documents/fa/off-campus-fa-policy-1-20-2017.pdf)

State Rates: Beginning January 2016, associated with California Assembly Bill AB20, the CSU Chancellor's Office and the University of California Office of the President entered into a Memorandum of Understanding (MOU) that all State of California contracts with the CSU or UC must utilize the following F&A rates:

1. 35% MTDC for on-campus agreements, effective 7/1/23
Exceptions:
 - a. CA Dept. of Food and Agriculture: 25% MTDC, effective 7/1/19
 - b. CALTRANS (research only): inquire with your CSE development specialist
2. 25% MTDC for off-campus qualifying agreements, effective 7/1/23
3. The MOU defines an escalation of the F&A by 5% per year, until the rate reaches 40%.
4. If campus is a subrecipient of federal funds and the State agency is the pass-through entity, the campus utilizes its federally negotiated rate (unless the federal program carries a capped rate).

¹ MTDC includes all direct costs **except** equipment (\$5,000+), capital expenditures, tuition remission, rental of off-site facilities, scholarships, fellowships, and portions of subcontracts in excess of \$25,000 (regardless of the period covered by the subcontract).

² Agreement for non-federal employee to be on an off-campus assignment with a federal agency for a period **not** to exceed 4 years; federal agency agrees to reimburse the employer for all or some of the costs associated with the assignment.

Foundation and Local Government Rates: Foundations and other public charities may not accept proposals budgeted at the University's full federal F&A rate. A lower rate may be accepted by the CSE Chief Executive Officer (CEO) if it is:

- published as part of the general policies of the organization, and
- applied uniformly to all award recipients.

If a state agency outside of California or a local government, foundation or public charity does not have a published F&A cap, a rate of 30% MTDC will be utilized. (This rate will be subject to annual adjustments in response to implementation of the CSU/UC MOU described above).

For Profit Entity Rates: In general, proposals submitted to for-profit entities should utilize a rate of 41.5% MTDC.

These rates for non-federal grants and contracts are in effect until amended.

Policy on Requesting Maximum F&A Cost Recovery: While it is recognized that F&A recovery rates allowed by funding agencies, foundations, and corporations are not under the University's or CSE's control, it is expected that all proposals for extramural funding be budgeted at the maximum rate provided for in the solicitation or as part of the published general policies of the sponsor.

Exceptions to Policy on Maximum F&A Cost Recovery: F&A recovery below a sponsor's published rate is a rare policy exception that requires prior written approval of the respective chair, college dean and the CSE CEO. Requests for consideration of a reduced rate should be initiated by the Principal Investigator and include the amount of F&A reduction requested, a written rationale for the request, and any other information that should be considered. Because reductions in the rate are the exception, they should never be assumed or discussed with potential funding sources prior to final approval by the CSE CEO.

II. WORKING WITH THE UNIVERSITY AND CSE

On behalf of the University and academic community, CSE serves to foster engagement of external agencies and organizations with the University, assist in managing funded grants and contracts, and ensure legal and regulatory compliance. The mutual benefits of such relationships between the University and external entities are decided on a project-by-project basis, including weighing how a particular project aligns with the priorities of the Strategic Plan of the University, College, and Unit under which the project will occur.

Potential projects must also be evaluated based on the risks and liabilities that the University and CSE could incur through its participation.

Overall Guidelines:

1. Generally, University faculty or staff serve as Project Directors (or 'Principal Investigators') with students commonly directly involved in conducting project activities. CSE serves as the legal recipient and steward of the awarded funds (grant or contract).

2. While it is understood that outside consultants or subcontractors may be necessary for the successful conduct of a project, the University and CSE expects that campus expertise and capabilities should be considered first, if available and appropriate. CSE does not usually become involved in projects when outside consultants and/or subcontractors conduct the majority of the work.

3. All projects must be approved through the University's internal approval process as prescribed by Executive Memorandum 07-13. Final approval resides in CSE, under the responsibility of Provost. The Chief Executive Officer serves as the Provost's designee, who has authority over budgets, F&A recovery rates, and all contractual (including subcontracts) matters.

4. Any sponsored project involving University resources including students must be cleared through CSE prior to submitting a proposal to a funding source. Ten days turn-around time is typically necessary to fully review and prepare proposal submissions. Engage your CSE's Development Specialist as early as possible (<https://www.csuchico.edu/cse/assets/documents/prop-dev-budget/development-assignments.pdf>)