General

Facilities and Administrative (F&A) costs are the general support expenses relating to a university function (in this case, research) that cannot be specifically identified to a project. Technically, these F&A costs benefit the research project; but since they may also benefit other research projects and educational activities, these costs must be allocated based on the benefit derived by each function of the University (i.e., research, instruction, other activities). Formulas have been developed to allocate various categories of F&A costs across a series of major higher education functions. The total F&A costs attributable to research are compared to the total direct costs of research to derive the percentage of F&A to direct. This percentage, the F&A rate, is then applied to the direct costs of research and is the means by which an institution is reimbursed for facilities and administrative costs associated with direct cost expenditures. Facilities and administrative costs are real expenses of the institution. Examples include utilities, the departmental administrator overseeing research, and research support staff in central administration.

Policy

Facilities and administrative costs will be reimbursed by the sponsoring agency at the federally negotiated F&A rate. These rates can be found on the Office of Sponsored Research web page: (http://research.unc.edu/osr/osr_prop_dev.html). The University expects all sponsored programs to be reimbursed for the full cost of research, both direct and F&A costs. For clinical trials, the F&A rate is established to recover the administrative and compliance portion of the federal rate. This rate will be adjusted in the same year the federal rate is negotiated.

For any nonprofit organization with a written policy limiting the reimbursement of F&A costs (i.e., a specific rate or no F&A reimbursement), a copy of such policy must be attached to the proposal when it is routed through campus prior to submission to the agency. The completion of the attached forms is not necessary in this case.

In circumstances when an F&A rate reduction is desired for a for-profit company, a copy of the company’s policy on F&A rates must be provided. Additionally, the department and/or school must fund the difference between the appropriate F&A rate and the desired rate. The funding source information should be provided on the attached Form 1 and included with the proposal.

In situations when a proposal is in a priority research area of Carolina or in other extraordinary circumstances, the Principal Investigator may request the campus to accept and fund a reduced F&A rate. Such a request should be submitted on the attached Form 2 prior to preparing the proposal budget. This request should be completed early in the proposal process to assure the appropriate rate is used in developing the budget.

For either exception above (Form 1 or Form 2), the appropriate form must be submitted to the Associate Vice Chancellor for Research, Office of Sponsored Research. The requests must be signed by the Dean’s Office for departments, centers and institutes reporting to the Dean or by the Vice Chancellor for Research and Economic Development for all other centers and institutes. Final decisions on all of these requests will be made by the Vice Chancellor for Research and Economic Development.

Questions relating to this policy should be directed to the Associate Vice Chancellor for Research, Office of Sponsored Research, at 966-3411.