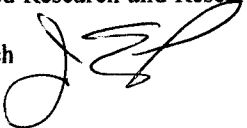




THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL
Office of the Vice Chancellor for Research and Economic Development

Office of Sponsored Research
Campus Box 1351, 300 Bynum Hall
Chapel Hill, NC 27599-1351
(919) 966-2542 FAX: (919) 843-2610

MEMORANDUM

TO: Deans, Directors, Department Heads, Office of Sponsored Research and Research Support Group Lists
FROM: Dr. Jim Peterson, Associate Vice Chancellor for Research 
DATE: November 25, 2003 (revised)
SUBJECT: Implementation of New Facilities and Administrative Rates

The University of North Carolina at Chapel Hill and the Department of Health and Human Services (DHHS) have completed negotiations of the new facilities and administrative (F&A) rates. In the agreement dated March 14, 2003, the following three distinct rate categories were implemented for a three-year period July 1, 2002 through June 30, 2005.

7/1/2002 to 6/30/2003

	<u>On Campus</u>	<u>Off Campus Adjacent</u>	<u>Off Campus Remote</u>
Organized Research	45.5%	28.0%	26.0%
Instruction	46.1%	28.0%	26.0%

7/1/2003 to 6/30/2005

Organized Research	46.0%	28.0%	26.0%
Instruction	44.9%	28.0%	26.0%
Other Sponsored Activities*	31.9%	26.4%	25.1%
*Clinical Trials	---	26.4%	25.1%

Off Campus Definitions:

- **Off Campus Adjacent**-refers to sponsored activities performed within the commuting area of Chapel Hill, NC.
- **Off Campus Remote**-refers to sponsored activities performed outside the commuting area of Chapel Hill, NC.
- The **commuting area** of Chapel Hill, NC refers to locations within a ten-mile radius of the city limits.

To determine the appropriate rate under the new F&A agreement, projects must first be properly categorized to Organized Research, Instruction, or Other Sponsored Activities.

Rate Category Definitions:

- **Organized Research** - research and development activities that are sponsored by federal and non-federal agencies and organizations. Some examples of Organized Research activities are:
 - Wet and dry laboratory research
 - Data collection
 - Development and design of research protocols
 - Analysis to achieve further scientific results/knowledge
 - Evaluation
 - Hypothesis testing

- **Instruction** - Teaching and training activities of an institution. This category includes all teaching and training activities, whether they are offered for credits toward a degree or certificate, or on a non-credit basis, and whether they are offered through regular academic departments or separate divisions, such as a summer school division or an extension division. In addition to instructional teaching and training in the classic sense, the Instruction function also includes sponsored training projects. Some examples of sponsored Instruction activities are:
 - Training grants
 - Individual fellowships
 - Dissertation grants
 - All projects involving teaching and/or instructional activities
- **Other Sponsored Activities** - It is very important to note that a new category, Other Sponsored Activities, becomes effective for FY2004. In the past, Carolina has not negotiated an Other Sponsored Activities rate. To satisfy requirements of our cognizant agency (DHHS) this new category has been proposed and negotiated.

Other Sponsored Activities are programs financed by federal and non-federal agencies and organizations involving work other than organized research or instruction. Projects that fall in this category are:

- Industry-funded clinical trials**
- Seminar grants
- Conference grants
- Symposium or workshop grants
- Travel and equipment grants
- Web site establishment

** **Industry-Funded Clinical Trials** receive special treatment within the Other Sponsored Activities category. Because the majority of Carolina's industry-funded clinical trials are conducted in non-university space (i.e. UNC Hospitals and other locations), industry-funded clinical trials are limited to two F&A rates:

- 1) For industry-funded clinical trials that take place within a ten-mile radius of Chapel Hill, the applicable rate for FY2004 through FY2005 is 26.4%.
- 2) For industry-funded clinical trials conducted outside a ten-mile radius of Chapel Hill use 25.1%.

IMPLEMENTATION

In order to ensure consistent application of the rates and minimize confusion, the Office of Sponsored Research will implement the procedure described below regarding rates to be utilized with proposal budgets and subsequent awards.

Proposal Budgeting

- **Effective immediately**, incorporate the FY2004 negotiated rates into new and competing renewal budgets.
- **Noncompeting renewals** will continue to use the rate applied at inception of the project.
- Any proposal received in the Office of Sponsored Research **on or after 5/19/2003** that does not reflect the appropriate FY2004 F&A rate, will be returned to the originating department for corrective action.

Awards

- For all awards with effective dates **before 7/1/2003**, the FY03 rates apply.
- For awards with effective dates **on or after 7/1/2003** apply the following:
 - **New Awards** - use the new FY04 negotiated rates
 - **Competing Renewals** - use the new FY04 negotiated rates
 - **Noncompeting renewals** - use the rates at inception of project
- For pending new and competing awards effective **on or after 7/1/2003**, the Office of Sponsored Research will perform the following procedures:
 - **Reissue** - OSR will request agencies to reissue awards where the F&A rate is less than the FY04 negotiated rate.
 - **Rebudgeting** - OSR will re-budget monies from direct costs into the F&A costs for fixed awards.
- **Capped Rates** - F&A rate caps imposed by agency terms and conditions will remain in place. Some examples of these are:
 - NIH Training grants - 8%
 - Robert Wood Johnson - 9%