1. PURPOSE

To provide guidelines that will apply in collecting, allocating, and reporting Facilities and Administrative Costs (F&A) recoveries for sponsored projects.

2. DEFINITION

Facilities & Administrative Costs, also known as indirect costs or overhead costs, are those expenditures incurred for common objectives of the University, and therefore costs that cannot be readily identified with a particular sponsored award. F&A is usually applied as a percentage/rate against the direct costs of a proposal budget and actual expenditures.

3. BACKGROUND

3.1. The ECU F&A rate structure is federally negotiated with the U.S. Department of Health and Human Services (DHHS). F&A rates are periodically adjusted, and the most current rates will be applied to proposals and awards. Rates shown in this procedure are illustrative only. The current approved rate agreement is posted on the Office of Research Administration (ORA) website at http://www.ecu.edu/cs-acad/grants/Policies.cfm

3.2. University policy requires that an appropriate F&A amount is included in all budgets submitted to external sponsors for research, instruction and training, or other sponsored activities. Unless specifically prohibited or limited by the individual sponsor,
3.3. the federally negotiated rates will normally be used for all proposals to all sponsors. (See exceptions and additional information in Section 7.)

3.4. F&A recoveries will be used to promote research and other sponsored projects activities at ECU.

3.5. Allocation and use of F&A funds will follow College/School/Unit level contributions to the overall F&A rate, in-so-far as possible to determine.

4. **BASIC DISTRIBUTION OF F&A RECOVERIES 70% - 30%**

F&A recoveries will normally be distributed in accordance with the unit hierarchy for the department administering an award. Unless other guidelines (as outlined in this policy) apply to a specific sponsored project, the F&A recoveries will normally be distributed as follows.

4.1. 10% of all recoveries will be returned to the originating School/College Dean, including the Dean for Integrated Coastal Programs, to be used at the Dean’s discretion for promoting new research and sponsored projects activity or supporting current research activities (e.g., purchasing shared or general purpose equipment, travel to meetings and sponsors, matching funds for new proposals, start-up packages, or administrative support). When the administrative home for an award reports to a Division, rather than a School/College Dean, and the PI does not have a joint academic appointment (see additional information in Section 5) the Dean’s recovery will remit to the appropriate Division.

4.2. 10% of all recoveries will be returned to the originating Department/Unit to be used at the discretion of the departmental Chair for promoting new research and sponsored projects activity or supporting current research activities (e.g., purchasing shared or general-purpose equipment, travel to meetings and sponsors, matching funds for new proposals, start-up packages, or administrative support).

4.3. 10% of all recoveries will be returned to the originating Principal Investigator or Project Director’s (PI/PD) department for the specific benefit of the PI/PD. The

4.4. funds are to be used to promote the PI/PD’s research and sponsored projects activities (e.g., travel to professional meetings for self or students, computers or other general-purpose equipment, dues/memberships, student support, administrative support, or bridge funding).

4.5. 70% of all recoveries will be returned to the (REDE) to support research administration, institutional research, and other sponsored projects initiatives.

5. **CENTERS AND INSTITUTES 60% - 40%**

When the administrative home for an award is within a Center or Institute, approved by REDE for F&A distributions, and the PI/PD has a joint faculty appointment in an academic unit, both the administering unit and the academic unit will receive a share of F&A. (See Attachment 1 for Centers/Institutes approved for F&A proceeds sharing.)

5.1. 10% of all recoveries will be returned to the originating School/College Dean/Division, including Integrated Coastal Programs, to be used at the Dean’s discretion for promoting new research and sponsored projects activity or supporting current research activities (e.g., purchasing shared or general-purpose equipment, travel to meetings and sponsors, matching funds for new proposals, start-up packages, or administrative support).

5.2. 10% of all recoveries will be returned to the administering Center/Institute to be used at the discretion of the Chair/Director for promoting new research and sponsored projects activity or supporting current research...
activities (e.g., purchasing shared or general-purpose equipment, travel to meetings and sponsors, matching funds for new proposals, start-up packages, or administrative support).

5.3. 10% of all recoveries will be returned to the PI's academic department to be used at the discretion of the Chair/Director for promoting new research and sponsored projects activity or supporting current research activities (e.g., purchasing shared or general-purpose equipment, travel to meetings and sponsors, matching funds for new proposals, start-up packages, or administrative support).

5.4. 10% of all recoveries will be returned for the PI/PD's specific benefit. Funds will be housed at the academic unit for the benefit of the PI/PD. Funds should be used to promote the PI/PD's research activities (e.g., travel to professional meetings for self or students, computers or other general-purpose equipment, student support, dues/memberships, administrative support, or bridge funding).

5.5. 60% of all recoveries will be returned to the (REDE) to support research administration, institutional research, and other sponsored projects initiatives.

6. COLLABORATIVE PROJECTS (INTERNAL)

The continuing complexity of research has resulted in the growth of multi-disciplinary collaborative research projects. These collaborations cross the traditional department, school, and division lines. While collaborative projects continue to be a very productive and necessary method for the faculty to accomplish their scientific and scholarly aims and objectives, it has been difficult for the university to appropriately acknowledge and reward faculty and departments for these efforts. The following guidelines provide procedures that will enhance ECU’s ability to provide both statistical and financial credit for collaborative programs.

6.1. All projects that are considered multidisciplinary/collaborative should be identified as such by the PI/PD at the time of submission of the proposal.

6.1.1. Not all multidisciplinary projects will result in a shared distribution of F&A. The level of participation and the effect on cross-departmental resources should be carefully reviewed in determining the need to reappropriate F&A recoveries.

6.2. Declaration of F&A redistribution should be submitted with the proposal whenever senior or key personnel on the project having cross departmental/unit affiliations have determined that F&A recoveries should be shared. Collaborative F&A distributions should be clearly identified on the RAMSeS F&A screen with documentation attached as warranted.* F&A recoveries will be distributed to the appropriate Deans/Chairs/PIs in accordance with the stated distribution.

6.2.1. Example: If the PI is in Kinesiology (Health & Human Performance) and the Co-PI is in Physical Therapy (Allied Health Sciences), and it is determined that the PI's share is 70% and the Co-PI's share is 30%, F&A recoveries will be distributed as: 7% each to the HHP Dean, Chair, and PI, and 3% each to the AHS Dean, Chair, and Co-PI.

6.3. All internal F&A distributions must be in whole percentages and not less than 1%. (Examples: Can't be 1.5% or .75%).

6.4. The projected distributions at any level (i.e., Center, College, Department, Investigator) must be greater than $120 annually.

6.5. The number of automated distributions administered by REDE will be limited to a maximum of 3 at each level. Additional splitting of the distributions will be the responsibility of the Center, College, Department, or PI.
6.6. It is expected that the split distribution will be in effect for the entire project period of the award. Changes to redistributions normally will only be processed as of the award’s anniversary budget date and may not be processed midyear.

6.6.1. Example: For a multi-year project with award period 4/1 - 3/31, any change in distribution will only be made as of the annual anniversary date 4/1.

6.7. Reapportionment of F&A recoveries may also occur when it has been determined that there are sufficient anticipated direct costs or administrative necessity to establish a separate budget fund (Banner FOP) for the collaborating PI/unit. When a separate budget fund is established for the Co-PI, F&A recovery will follow from the direct cost apportionment; not through F&A redistribution.

6.7.1. Example: For an award with $150,000 direct cost and $65,250 F&A (43.5%) and the budget is split $100,000 direct cost for the PI and $50,000 direct cost for the Co-PI, the F&A recoveries will be distributed $43,500 for the PI hierarchy and $21,750 for the Co-PI hierarchy.

6.7.2. A separate Co-PI budget fund will not normally be established if the anticipated direct costs are only for the Co-PI’s salary/fringe or if the Co-PI’s total anticipated direct costs are less than $25,000/year

7. **Effect of Cost Share and Match on Distribution of Recovered F&A**

For grants and contracts involving cost sharing and/or resource matching, the portion of F&A recovered normally distributed to the colleges, departments, and investigators will be distributed to the units contributing the funds or like-kind contributions in proportion to their commitments. Once the units have been fully compensated for their contribution to the cost share or match, the PI, department, or college can request that subsequent F&A recovered from the award be distributed in accordance with the guidelines stated in Section 4, 5, and 6 above.

8. **F&A PROPOSAL GUIDELINES AND OTHER PROCEDURES OR EXCEPTIONS:**

The Office of State Budget and Management requires that the University cover its costs of operations by claiming allowable F&A on proposal budgets for sponsored awards. Unless a waiver has been obtained, full F&A costs must be included in all proposal budgets for sponsored projects and the following procedures will normally be followed.

8.1. It is the responsibility of the PI/College-School/Department-Unit to ensure that the appropriate F&A costs are included in all proposals for externally funded programs. Failure to do so may affect allocations that would otherwise be made to the College/School/Department/Unit/PI.

8.2. A full or partial waiver or cost-share of F&A can only be made when either of two following situations occurs.

8.2.1. The sponsor restricts reimbursement to a rate less than the applicable University rate. The sponsor’s policies and rates must be published and applied to all grantees.

8.2.1.1. ORA will validate sponsor limitations and will process proposals based on published policies.

8.2.1.2. F&A recoveries will be distributed as described in Sections 4, 5, and 6 above

8.2.2. Extraordinary, mitigating project circumstances exist which, if full F&A costs are included in a budget, may jeopardize the State’s best interests.
8.3. Only the Vice Chancellor and Senior Associate Vice Chancellor for REDE can authorize waiver/cost-share of F&A when there is no published sponsor policy restricting recovery rates.

8.4. A request for waiver of F&A or an F&A cost-sharing commitment must be preapproved as part of the proposal process. A request for waiver/cost-share of F&A should be identified on internal budget worksheet. The F&A waiver must be approved prior to submission to the sponsor of any budget with less than the appropriate full F&A rate. The university may withdraw a proposal or require a revised budget or require the Department/College to provide the waived amount if the waiver is not preapproved.

8.4.1. Scenarios that do not require an F&A waiver request are defined in Table 1 at the end of this document.

8.4.2. For F&A waiver requests resulting in awarded F&A rates less than 26%, 100% of the recovered F&A will be distributed to the Division of Administration and Finance to fund F&A costs which are not covered by State appropriations. Any proceeds not needed for this purpose will be distributed to the Division of Research and Graduate Studies to support institutional research and other sponsored projects initiatives.

8.4.3. For F&A waiver requests resulting in awarded F&A rates greater than or equal to 26%, F&A recoveries will be distributed as described in Sections 4, 5, and 6 above.

8.5. When an award is received, F&A will be budgeted in the accounting system and charged to each sponsored project in accordance with the approved budget, F&A rate, and sponsor requirements.

8.6. Re-budgeting expenditures to/from excluded categories (such as equipment or tuition) may affect F&A calculations. The award will be charged for F&A based on actual direct cost expenditures and sponsor guidelines. Actual F&A charged may vary from the amount originally proposed/budgeted. F&A cost calculations will not be waived to fund direct cost overruns. At the end of the award, the Office of Research Administration (ORA) will monitor and adjust F&A calculations, as needed, to assure that the University has recovered the maximum allowable F&A cost.

8.7. For most federal and federal pass-through awards F&A is calculated on a modified total direct cost (MTDC) basis.

8.7.1. Some federal programs may have a special base or rate requirement (e.g., NIH-T awards, NSF-REU awards, US Department of Agriculture). The appropriate rate and base will be used in accordance with the published program guidelines.

8.8. Unless otherwise required by published sponsor policies, all non-federal projects, with a rate less than the full negotiated rate will have F&A calculated on a total direct cost (TDC) basis. When the non-federal sponsor pays the full negotiated rate, F&A may be calculated on an MTDC basis.

8.9. Non-federal clinical trials may be processed with a 26% TDC F&A rate without requiring an F&A waiver approval.

8.9.1. Most federal clinical trials will receive the full negotiated research rate. Federal clinical trials are subject to the waiver and prior approval procedures when less than the full rate is requested.

8.9.2. When a federal pass-through clinical trial award is processed using the 26% clinical trial rate, F&A will be calculated on a total direct cost (TDC) basis.

8.10. For definitions and additional information on MTDC, TDC and other requirements contact ORA at ora@ecu.edu (See attachment 2 for MTDC.)

8.11. For additional information on F&A rates, bases, calculations, distributions and procedures, contact your representative in ORA at 328-9530 or email ora@ecu.edu. Additional information and training presentations on F&A are also available on the ORA website at http://www.ecu.edu/cs-acad/grants/
CENTERS/INSTITUTES APPROVED FOR F&A RECOVERY SHARING

Center for Health Disparities

Center for STEM Education

East Carolina Diabetes & Obesity Institute

North Carolina Agromedicine Institute

North Carolina Center for Sustainable Tourism

North Carolina Small Business and Technology Development Center

UNC Coastal Studies Institute
MODIFIED TOTAL DIRECT COST (MTDC) BASE FOR F&A CALCULATION*

Total Direct Costs charged to project fund less the charges for the following items which are excluded from the calculation:

- Capital Equipment (unit value $5,000 or more)
- Facilities Rent (off site facilities or non-owned facilities directly charged)
- Subcontractor costs greater than $25,000
- Tuition/Fees/Scholarships
- Construction/Alteration/Renovation
- Direct Patient Care (must be preapproved)
- Participant Support (must be preapproved)
- Capital Purchases (land, buildings)

EXAMPLE:

<table>
<thead>
<tr>
<th>Total Direct Cost</th>
<th>100,000</th>
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<tbody>
<tr>
<td>Includes 10,000 equipment</td>
<td></td>
</tr>
<tr>
<td>Includes subcontractor 40,000</td>
<td></td>
</tr>
<tr>
<td>F&amp;A will be calculated on</td>
<td>100,000</td>
</tr>
<tr>
<td>Equipment</td>
<td>-10,000</td>
</tr>
<tr>
<td>Subcontractor &gt; $25,000</td>
<td>-15,000</td>
</tr>
<tr>
<td>Modified Total Direct Cost</td>
<td>75,000</td>
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<tr>
<td>F&amp;A Calculation @ 47.5%</td>
<td>35,625</td>
</tr>
<tr>
<td>Total Direct Costs Charged</td>
<td>100,000</td>
</tr>
<tr>
<td>Total F&amp;A Charged</td>
<td>+35,625</td>
</tr>
<tr>
<td>Total Costs</td>
<td>135,625</td>
</tr>
</tbody>
</table>

*This is the standard MTDC. Some sponsors/projects may prescribe additional exclusions/inclusions.
Table 1. F&A Exception Requests Scenarios

<table>
<thead>
<tr>
<th>Sponsor (Activity) Type</th>
<th>Sponsor’s F&amp;A Policy</th>
<th>F&amp;A Rate Applied to Proposal *</th>
<th>F&amp;A Distribution **</th>
<th>F&amp;A Exception Required ?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Federal</td>
<td>Published Federal Guidelines</td>
<td>Federal F&amp;A Rate</td>
<td>70/30 or 60/40 F&amp;A distribution policy, as applicable</td>
<td>No</td>
</tr>
<tr>
<td>Federal Non-Federal Pass Thru</td>
<td>Published Federal Guidelines</td>
<td>Federal F&amp;A Rate</td>
<td>70/30 or 60/40 F&amp;A distribution policy, as applicable</td>
<td>No</td>
</tr>
<tr>
<td>Non-Federal Public Or Non-Federal Non-Profit</td>
<td>Published Sponsor F&amp;A Policy Specifies No F&amp;A Restrictions</td>
<td>Federal F&amp;A Rate</td>
<td>70/30 or 60/40 F&amp;A distribution policy, as applicable</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>Published Sponsor F&amp;A Rate &lt; ECU’s Federally Negotiated F&amp;A Rate</td>
<td>Maximum F&amp;A Rate Allowed by Published Sponsor Policy Applied to Total Direct Costs</td>
<td>70/30 or 60/40 F&amp;A distribution policy, as applicable</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>Unpublished Sponsor F&amp;A Policy</td>
<td>Federal F&amp;A Rate</td>
<td>70/30 or 60/40 F&amp;A distribution policy, as applicable.</td>
<td>No</td>
</tr>
<tr>
<td>Clinical Trials Federal</td>
<td>Published Federal Guidelines</td>
<td>Federal F&amp;A Rate</td>
<td>70/30 or 60/40 F&amp;A distribution policy, as applicable</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>Unpublished or Published Sponsor F&amp;A Policy</td>
<td>26% Applied to Total Direct Costs</td>
<td>70/30 or 60/40 F&amp;A distribution policy, as applicable</td>
<td>No</td>
</tr>
<tr>
<td>For Profit Non-Federal Unpublished or Published Sponsor F&amp;A Policy</td>
<td>Federal F&amp;A Rate</td>
<td>70/30 or 60/40 F&amp;A distribution policy, as applicable</td>
<td>No</td>
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</table>

All other scenarios will require a written request for an exception to ECU’s F&A policy. Approval of such requests is dependent on agreement of a modified institutional F&A distribution formula as follows:

- F&A rate of < 26%: 100% distributed to REDE;
- F&A rate >= 26%: distributed according to 70/30 or 60/40 F&A distribution policy **

<table>
<thead>
<tr>
<th>* Current Federally Negotiated F&amp;A Rates</th>
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<tbody>
<tr>
<td>Research (On Campus): 47% MTDC through 6/30/14; 47.5% thereafter</td>
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<tr>
<td>Research (Off-Campus – Adjacent): 27.7% MTDC through 6/30/15</td>
</tr>
<tr>
<td>Instruction (On-Campus): 50% MTDC through 6/30/15</td>
</tr>
<tr>
<td>Other Activity (On-Campus): 44.5% MTDC through 6/30/15</td>
</tr>
<tr>
<td>Off-Campus (All Types): 26% MTDC through 6/30/15</td>
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<table>
<thead>
<tr>
<th>** F&amp;A Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>70/30: 70% of F&amp;A to REDE, 30% to PI &amp; Units</td>
</tr>
<tr>
<td>60/40: 60% of F&amp;A to REDE, 40% to PI, Units and Approved Centers &amp; Institutes</td>
</tr>
<tr>
<td>100/0: 100% of F&amp;A to REDE</td>
</tr>
<tr>
<td>0/100: 100% of F&amp;A to PI &amp; Units</td>
</tr>
</tbody>
</table>