

Policy Title: Application of Facilities and Administrative (F&A) Rates for Sponsored Activities	
Responsible Office: Office of Research and Sponsored Programs	
Effective Date of Current Version: 01-AUG-2024	Author: C. Kane
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Who Should Read This Policy

- Principal Investigators who submit proposals and negotiate contracts for externally sponsored funds
- Department administrators and staff within all schools, departments and centers who support PIs in preparing sponsored proposal and contract budgets
- Corporate and Foundation Relations
- Office of Research Support Services
- Office of Research and Sponsored Programs

Scope

This policy applies to all sponsored awards received by Lehigh University and to all individuals and offices involved in creating sponsored award proposals and administering sponsored awards.

Policy Statement

The application of the appropriate Facilities and Administrative (F&A) Rate in all proposal submissions and the charging of the appropriate F&A Rate for the activity(ies) being performed on sponsored awards ensures consistent application and recovery of infrastructure and operational costs that support the University’s research enterprise. These are actual costs to the University and directly support the performance of Lehigh University sponsored projects. To reflect the total operational cost of such activities, approved grants, contracts and special programs must fully reflect the direct and indirect costs that are incurred by the University.

Funding sources for research and other sponsored activities at Lehigh include the federal government, state and local governments, private entities and in some cases international entities. And while Lehigh’s federally negotiated F&A rates must be used for sponsored proposals with the federal government, as well as for federal pass-through entities for which the federal government is the prime sponsor, a number of Lehigh’s non-federal grants come from funders without indirect or overhead cost guidelines, or with lower written, publicly available policies that limit or prohibit F&A Rates or F&A Cost recovery. This policy ensures appropriate recovery of F&A costs relating to all sponsored awards.

Definitions

Facilities and Administrative Costs (F&A)	<p>Facilities and Administrative costs (F&A) are expenses related to university facilities and administrative activities that support the research enterprise and cannot be identified specifically with a particular project or program.</p> <p>F&A Costs are also known as indirect costs or overhead costs.</p>
Facilities and Administrative Rate (F&A Rate)	<p>The facilities and administrative (F&A) rate is the percentage applied to sponsored project budgets in order for the university to recover the allowable for F&A associated with conducting <u>organized research</u> and other sponsored activities.</p> <p>Lehigh's <u>current federally negotiated F&A rates</u> are posted on the <u>ORSP Resources Page</u> under Facilities and Administrative Cost Rates.</p>
Federal Pass Through	<p>A non-federal entity which receives a federal award and provides a portion of the award to a <u>subrecipient</u> or <u>subawardee</u> to carry out a specific <u>scope of work</u> in support of the federal award.</p> <p>Note: Lehigh can be both a <u>recipient</u> of a federal pass-through award or issue a federal pass-through award under a federal award to a subrecipient or subawardee.</p>
Non-profit sponsor	<p>A nonprofit organization is an entity that is created and operated for charitable or socially beneficial purposes rather than to make a profit.</p>
On Campus Rate	<p>Sponsored project activities performed on premises owned or rented by the university at <u>locations</u> that permit the normal <u>use</u> of university facilities and services.</p>
Off Campus Rate	<p>Applies to <u>sponsored</u> project activities performed when:</p> <ul style="list-style-type: none"> ● the university does not own, lease, or rent the existing space being utilized under the award (this includes space that is donated to the university) ● rental/lease costs for the space being utilized under the award are budgeted within the proposal, approved by the sponsoring agency, and subsequently charged; or ● 51% or more of the budgeted personnel costs under the award, excluding budgeted outgoing <u>subawards</u>, are for individuals working in space that the University does not own, lease, or rent, and for whom no university space is provided for the activity. Remote working arrangements only qualify for the use of the off-campus rate if no university space is provided for the activity. <p>Note: A determination of percentage must be made when activity under an award occurs both at facilities owned, leased, or rented by the university and at non-Lehigh facilities.</p>

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Procedures

1. Federal Sponsors and Federal Pass Through:

Federally approved F&A Rates must be used for sponsored proposals with the federal government as well as for pass-through entities, unless otherwise restricted.

Lehigh's current negotiated rate can be found on the ORSP website [Resources Page](#). Lehigh currently negotiates our rate with the Office of Naval Research every three years.

2. State of Pennsylvania:

State of Pennsylvania awards provide for F&A Rates between 0% and 20% depending on the specific program or activity. Other city and local governments similarly provide for F&A Rates between 0% and 20%. Lehigh generally accepts these awards.

3. For-Profit Industry/Corporate Grants and Contracts:

Grants and contracts funded by for-profit sponsors must apply Lehigh's current federally negotiated rate for all research-related activities. In instances where funding is directed toward Lehigh programs or projects or any funding in direct support of students, and the annual grant budget is \$50,000 or less, no indirect costs will be applied. If the annual grant amount is \$50,001-\$100,000, a 10% F&A rate will be applied. Anything over \$100,000 will require approval as outlined in the **Special Situations and Exceptions** section below. In all cases, it is expected that sponsors pay directly for costs that are normally F&A costs if the terms and conditions do not specifically prohibit such costs and the costs benefit the award. Programs and projects that fall under this category are subject to review by the ORSP and Corporate and Foundation Relations.

4. Non-Profit Sponsors:

Proposals from non-profit sponsors should follow the sponsor's published policy, uniformly applying their rates. Lehigh will generally accept reduced F&A rates when the sponsor has a written, publicly available policy that limits F&A Rates or prohibits F&A Cost recovery.

For-profit entities may partner with non-profit foundations/organizations or establish non-profit foundations that are separate legal entities. In the event a sponsor is such a foundation/organization and is designated as a 501(c)(3) entity, Lehigh will generally accept F&A Rates consistent with the provisions of this section.

For grants from non-profit sponsors with existing indirect rate guidelines, the team applying for the grant will make a determination prior to applying for the grant whether the terms are acceptable and still allow for the grant to be used effectively without significant, and potentially unfunded, additional cost to the University.

For grants from non-profit sponsors without existing indirect rate guidelines,

- If the annual grant budget is \$50,000 or less, no indirect cost will be applied
- If the annual grant amount is more than \$50,000, a 10% F&A rate will be applied

- When applying the F&A rate, it is expected that sponsors pay directly for costs that are normally F&A costs if the terms and conditions do not specifically prohibit such costs and the costs benefit the award.
- When costs that are normally F&A costs cannot be applied, the 10% F&A rate will be applied on a Total Direct Cost basis

If a non-profit sponsor has a publicly published F&A rate policy of less than 10% and the total annual direct costs on the award are greater than \$250,000, recovery of the equivalent of a minimum F&A rate of 10% is required. The recovery of F&A costs may be accomplished by:

- direct charging of F&A type costs to the award (if permitted by the sponsor)
- charging a departmental account
- utilizing the college unrecovered indirect costs (with Dean approval)
- a combination of these sources

Responsibilities

The Assistant Vice Provost of Research and Sponsored Programs initiates annual reviews of the University's non-negotiated F&A rates. The review will include discussion with the Executive Director, Corporate and Foundation Relations and may result in recommendations for changes to the application of F&A rates. The recommendations will be made to the Vice Provost for Research and the Provost.

Assistant Vice Provost, Office of Research and Sponsored Programs	<ul style="list-style-type: none"> • Reviews request for exceptions and, when appropriate, makes recommendations to VPR and/or Provost for consideration • Initiate annual review of the University's non-negotiated rates
Corporate and Foundation Relations (CFR)	<ul style="list-style-type: none"> • Uses appropriate F&A rate supporting a proposal to an external sponsor • As appropriate, supports requests for applicable exceptions
Dean (or designee)	<ul style="list-style-type: none"> • Reviews and, as appropriate, approves the application of unrecovered college F&A to cover the equivalent of the minimum F&A rate of 10% (non-profit sponsor)
Department Business Office or Research Support Services (RSS)	<ul style="list-style-type: none"> • Uses appropriate F&A rate when preparing a budget proposal to an external sponsor • Ensures appropriate charging and recovery of F&A costs, per approved F&A Rates, on sponsored awards under their purview • As appropriate, processes request for applicable exceptions

Executive Director, Corporate and Foundation Relations	<ul style="list-style-type: none"> • Conduct annual review of non-negotiated rates
Office of Research and Sponsored Programs (ORSP)	<ul style="list-style-type: none"> • Verifies use of approved F&A rates in sponsored award budgets • Verifies use of appropriate F&A rates in proposals and, as applicable, approved exceptions • Ensures that the current applicable rates are updated in the budget template and LIRA • Communicates to the research community the applicable F&A rate when a new rate is negotiated (increase or decrease)
Principal Investigator (PI)	<ul style="list-style-type: none"> • Identifies all costs related to the sponsored awards for which they apply
Provost	<ul style="list-style-type: none"> • Review and, as appropriate, approves requests for exceptions on annual grant budgets above \$250,000
Research Accounting	<ul style="list-style-type: none"> • Sets up accepted sponsored awards using approved F&A rates • Ensures that the current applicable rates are updated in Banner
Vice Provost for Research (VPR)	<ul style="list-style-type: none"> • Reviews and, as appropriate, approves requests for exceptions on annual grant budgets up to \$250,000

Special Situations/Exceptions

Under exceptional circumstances, requests for waivers of F&A Rates or the acceptance of a reduced F&A rate can be made at the time a proposal is submitted. Requests for exceptions require prior approval as follows:

- For an annual grant budget up to \$250,000, requests for exceptions require review by the Assistant Vice Provost, Research and Sponsored Programs and prior approval of the Vice Provost for Research.
- For annual grant budgets above \$250,000, requests for exceptions require prior approval of the Provost.

In both instances, clearly documented justification of the request for the waiver is required. For requests for annual grant budgets above \$250,000, recovery of the equivalent of a minimum F&A rate of 10% is required and may be accomplished as stated above.

Contacts

Direct questions about this policy to the Office of Research and Sponsored Programs at inors@lehigh.edu.

Related Resources

[Lehigh University Rate Agreement](#)

[Uniform Guidance, 2 CFR Part 200.414 Indirect \(F&A\) Costs](#)

[Under development] Facilities and Administrative (F&A) Rate Reduction/Waiver Request