TO:          WTAMU Sponsored Project Investigators  
FROM:        Rick E. Johnson, Associate Vice President and Controller  
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DATE:        September 10, 2012  
SUBJECT:     New Federally Negotiated Facilities & Administrative (F&A) Rate Agreement

West Texas A&M University (WTAMU) has a new federally negotiated Facilities and Administrative (F&A) rate (i.e., indirect cost) agreement effective September 1, 2012. The new federal on-campus rate of 39% is applied to a Modified Total Direct Cost (MTDC) base amount and not to Salary and Wages (S&W) only. This change was recommended by our federal cognizant audit agency, DHHS, and supported by the TAMU system for all regional members. The following questions and answers should help with understanding the new rate and how it will be applied.

1. What does modified total direct costs (MTDC) and the term base amount mean?

The MTDC base amount consists of salary and wages, fringe benefits, materials, supplies, services, travel and outgoing subagreements up to the first $25,000* (regardless of the period covered by the outgoing subagreement). Not included in the base amount are equipment, capital expenditures, charges for patient care, student tuition remission, rental costs of off-site facilities, scholarships, and fellowships as well as the portion of each outgoing subagreement in excess of $25,000. *This refers to subagreements WTAMU issues to external entities for programmatic work.

2. How will the new rate be applied to budgets?

   (a) All new budgets and proposals with a start date of 9/1/2012 or later will have the new rate applied.
   (b) Proposals and budgets that have already been submitted will carry the old F&A rate (52% S&W) unless the awarding agency asks for the submittal of a revised budget prior to awarding the requested dollars.
   (c) All requests for supplemental funding for projects already awarded will use the new MTDC F&A rate.

3. Are there any other changes in the new F&A rate agreement?

Yes, the off-campus rate is now 12% MTDC. This does not apply in many instances because the project must be performed in facilities not owned by the institution and to which rent is directly allocated to the project.

4. Do F&A rates only apply to federal awarding agencies?

No, they apply to all externally funded projects. System Policy 15.01.01 Administration of Sponsored Agreements – Research and Other instructs system members to recover all F&A costs, based on rates negotiated with the Department of Health and Human Services (DHHS). The policy also requires agreements with private business organizations to provide for F&A cost recovery at the rates negotiated by the system with the DHHS unless there is suitable compensation made for the difference between the F&A recovery and the negotiated F&A rate. As a state entity the system and all member institutions are entrusted with the use of public funds, facilities, and other property for the welfare of the public. Those assets cannot be diverted to serve the specific interests of a private firm or individual unless the costs of use are reimbursed.

5. What are the effective dates for the new F&A rates?

The predetermined rates are effective for September 1, 2012 through August 31, 2016. If WTAMU does not have an updated F&A rate agreement by September 1, 2016 the same rates will apply until they are amended. For questions concerning how to apply the rates to a budget please call your grant specialist in Sponsored Research Services. (Dona DeOtte/651-2982 or Steve McLean/651-2983) Post award and billing questions regarding the new rate can be answered by Julie Harvell/651-2077 in the Business Office.