

DRAFT

Date: September 25, 2007

To: The University of Iowa Research Community

From: Twila Fisher Reighley, Assistant Vice President for Research
Terry Johnson, Associate Vice President for Finance and Operations and University Controller

Re: Facilities and Administrative (F&A) Costs for All Sponsored Projects
Budget Templates for Industry-Sponsored Projects other than Clinical Trials

As you may know, Facilities and Administrative (F&A) costs are expenses associated with maintaining facilities and providing administrative support for the conduct of research and other sponsored activities. Such costs are not readily identifiable with a particular project or activity, but are real expenses incurred in the general operation of the University and the conduct of its activities – so that, to a considerable degree, a healthy research environment depends on the expenditure and recovery of F&A funding. Due to this fundamental reliance on F&A funding, University policy requires those applying for a grant or contract to budget F&A costs at the full rate negotiated with the federal government or, in the alternative, the maximum rate allowed by a particular sponsor or program.

The UI's F&A policy applies to any project seeking external grant or contract funding, regardless of source – including agreements with industry sources. Reducing F&A rates for industry-sponsored projects constitutes a gift of public funds for private benefit, as the industry sponsor receives a benefit and does not reimburse the University for the full cost of the project. Such gifts are not in keeping with the University's responsibilities.

In order to expedite budget negotiations with industry, the UI has developed various budget templates specific to industry, conforming to budget formats familiar to industry. The primary distinction between budgets submitted to industry and budgets submitted to other sources is that, with industry budgets, F&A costs do not appear as a distinct line item dedicated to F&A expenses, but are listed separately within each budget line item. In other words, each budget category reflects the full costs of the proposed work, including both the direct costs and the F&A costs.

Attached to this e-mail and posted to the DSP website is a workbook containing sample budget worksheets for use when proposing a project to industry. These worksheets were developed for use in all types of industry proposals that are routed to **the Division of Sponsored Programs**, but are not intended for use in corporate-sponsored clinical trials that are routed instead through the Clinical Trials Office. All industry proposals routed through DSP, then, must include an internal budget worksheet and an industry budget worksheet, selected from the options that follow:

– Internal Industry Budget Worksheet (Source Data)

An internal budget for UI use should be included with any industry proposal as it's routed through departments, colleges, and the Division of Sponsored Programs. This worksheet provides the budget format to be used for internal purposes, offering sample budget data with the appropriate UI cost descriptions.

– Industry Budget Worksheets: Detailed and Simplified

Beginning October 15, 2007, any new proposal to an industry sponsor – i.e., a proposal seeking funding that originates with industry, as opposed to funding that originates with a federal agency and flows *through* industry – must include an industry budget worksheet at the time of routing. Budgets should adhere to one of four worksheet formats, as appropriate to the project:

- Industry Detailed Budget – This industry worksheet is expected to be the most commonly used option, converting the source data to fully burdened cost descriptions – i.e., the F&A costs are allocated and reflected in each direct cost category.
- Industry Simplified Budget Worksheet: fully burdened by budget category, including both direct and F&A costs within each category.
- Industry Simplified Budget Worksheet: bottom-line total costs, usually resulting in a fixed-price amount by deliverable.*
- Industry Simplified Budget Worksheet: costs by unit or deliverable, usually resulting in a fixed-price amount by deliverable.*

* Note: While use of the latter two, fixed-price options may be appropriate when conducting applied research (e.g., testing widgets) for which costs can be predicted with a great degree of accuracy, fixed-price contracts do leave principal investigators and departments at some financial risk, as the contracted work must still be completed even if the costs exceed the budget.

Please review the updated UI policy on F&A Costs, available in full at:

http://research.uiowa.edu/dsp/main/index.php?get=fandacosts_grants_contracts

Please also bookmark the newly available budget workbook, available at: _____

After reviewing the current policy and new budget templates, questions may be directed to the following individuals, as appropriate:

- Questions on how the F&A rate is determined: Kirby Tenhulzen, University Financial Analyst, 335-0083.
- Questions on how the F&A rate is calculated once awarded: Audra Haddy, Associate Controller, Grant Accounting, 335-0827.
- Questions on F&A policy and budgeting format: Associate or Assistant Director in the Division of Sponsored Programs, 335-2123.

Xc: Douglas True, Senior Vice President and Treasurer
Meredith Hay, Vice President for Research