New F&A Rate Agreement Implementation
Frequently Asked Questions
(May 2019 UPDATED)

<u>Proposals</u>

1. I already have a proposal enroute in myGRANT for a three-year project with the rate of 41.5%. Do I have to recall the myGRANT and rebudget using the new F&A rate agreement?

   ANSWER: During the grace period from May 24, 2019 to June 30, 2019, "No." From July 1, 2019, "Yes."

2. How do I prepare a multi-year budget using the new F&A rate agreement?

   ANSWER: The F&A rates apply to the fiscal year in which costs are expected to be incurred. For example, a three-year project with a proposed period of performance of July 1, 2019 to June 30, 2022, should be budgeted as follows: Year 1 at 43.0%, Year 2 at 44.5%, and Year 3 at 45.0%.

   A project that straddles fiscal years should also be budgeted based on the fiscal year in which costs are expected to be incurred. For example, a three-year project with a proposed period of performance of 10/1/19 to 9/30/22 should be budgeted as follows: 10/1/19 to 6/30/20 at 43.0%, 7/1/20 to 6/30/21 at 44.5%, and 7/1/21 to 6/30/22 at 45.0%, and 7/1/22 to 9/30/22 at 45.5%.

   To propose a budget with one F&A rate for the proposed period of performance (e.g., 43.0% for 10/1/19 to 9/30/22), an approved F&A waiver from the campus chancellor or chancellor's designee is required.

3. What is meant by a "valid funding agency F&A limitation or prohibition?"

   ANSWER: An F&A limitation or prohibition is considered valid if it is explicitly stated in a funding opportunity announcement such as a request for proposal (RFP), broad agency announcement (BAA), or solicitation; a written policy that can be verified through the funding agency's website; or written documentation provided by the head of the funding agency or other authorized representative.

   Furthermore, in order to be considered valid, policies to limit or prohibit F&A must be consistently applied to all recipients.

4. Are existing blanket F&A waivers still in effect?

   ANSWER: Yes. Please refer to the Sponsor Specific Rates web page on the ORS web site. Note that these are NOT negotiated rates. They are minimally acceptable rates to UH if the sponsor cannot pay the full negotiated rate. If a sponsor makes an award using a higher rate than the blanket F&A waiver rate, UH will accept the higher rate.

Awards

1. Does the new F&A rate agreement apply retroactively to existing awards? For example, we have a three-year award that was awarded in 2018 and ends in FY 2021. The rate on the award is 41.5%. Do we now have to charge 43.0% in FY 2020 and 44.5% in FY 2021?

   ANSWER: No. Under the federal regulations, the F&A rates in effect at the time an award is awarded are used. In 2018, the F&A rate agreement in effect had an F&A rate of 41.5%. Accordingly, all three years were awarded at 41.5% and will remain unchanged even if a new F&A rate agreement is issued a month later.

2. What "new awards" are covered by the blanket F&A waiver that is in effect until June 30, 2020?

   ANSWER: The blanket F&A waiver is intended to cover the scenario where a proposal was submitted to a federal funding agency with an old negotiated rate (e.g., 41.5%) and has not yet resulted in an award as of May 24, 2019. Under the scenario, a three-year award awarded between May 24, 2019 and June 30, 2020 with an old negotiated rate (e.g., 41.5%) will be accepted.

   Technically, under the federal regulations, the federal funding agency is required to award UH using the F&A rates in effect at the time the award is awarded. However, due to timing issues and funding constraints, this doesn't always happen when a new F&A rate agreement comes out.

   By July 1, 2020, the expectation is that the federal funding agencies are fully aware of the new F&A rate agreement and will follow the federal regulations (i.e., a three-year award should be awarded with rates of 44.5%, 45.0% and 45.5%). Under the scenario, if the three-year award wasn't awarded until July 2020, an approved F&A waiver from the campus chancellor or chancellor's designee is required to use an old negotiated rate.

Impact of New IDC Rates on Extramural Project Accounts

Scenarios:

The following table summarizes different federal award scenarios and how a change in IDC rates over the term of the award will impact the application of IDC for that scenario on federal awards.

	Scenario	Application	Examples
	EXISTING AWARDS		
1.	Non-competitive continuation	Use rate on existing award	Sponsor and UH modify an existing fiscal year (FY) 19 agreement to include additional funds and additional time. The original award had an IDC rate of 41.5%. The modification will also carry an IDC rate of 41.5% even though the award may be extended through FY20.
2.	Competitive continuation (assumes project year same as UH fiscal year)	Use new rates	UH applied to sponsor under a competitive process to continue an existing award. IDC rate on new money portion of competitive award is subject to the new rates.
3.	No Cost Extension	IDC rate in effect curing final fiscal year of award	Sponsor approves a NCE which extends the award end date from June 30, 2019 to Sept 30, 2019. During July 1 – Sept. 30, 2019 expenses posted to the project account will include IDC at the rate of 41.5%.
	NEW AWARDS		
4.	Crossing fiscal years	Based on rate agreement	Award terms & Conditions: Year 1: Oct 1-Sept 30, 2020 Year 2: Oct 1-Sept 30, 2021 Year 3: Oct 1-Sept 30, 2022 IDC Implications: Oct 1- June 30, 2020 – IDC rate = 43.0% Jul 1 - June 30, 2021 – IDC rate = 44.5% Jul 1– June 30, 2022 – IDC rate = 45.0% Jul 1 –Sept 30, 2022 – IDC rate = 45.5% Account Implications: On July 1 of each year of the award when the IDC rate changes, ORS accounting will change the IDC rate on the account to the new IDC rate. If the sponsor requires annual close-outs for each award year separate accounts by award year will be set up as required by the sponsor. If sponsor does not require specific financial reporting for each year of the award a single account can be used over the entire term of the award.

	Scenario	Application	Examples
5.	Pre-award	Indirect rate based on IDC rate in effect during pre-award period	Award terms & conditions provide for expanded authority and funds were spent prior to the start date of this award. Award Term : July 1, 2019 – June 30, 2020 IDC Implications: IDC rate during the award term 43.0% IDC rate for expenses paid prior to July 1, 2019 = 41.5%
6.	Final Close-out	IDC rate in effect during final fiscal year of award	Award term July 1, 2019 – June 30, 2020 some expenses during final close-out are paid after June 30, 2020. IDC rate during liquidation period = 43.0% (rate in effect during FY 20).

NOTE: The F&A rate for supplemental awards will depend on the federal sponsor agency policies or the specific terms and conditions of the award. Some sponsors require the F&A rate for the supplemental award to be the same F&A rate as the original award. Where the sponsor agency does not restrict F&A rates, treat the supplement as a new award and use the most current F&A rate in effect.