Federal Funding Agency Limitations on Cost Reimbursement Appendix

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APPENDIX: ARBITRARY AGENCY POLICIES AFFECTING COST REIMBURSEMENT

Selected Examples Only: As Compiled by the Council on Governmental Relations (COGR)

Agency	Issue	Description of Recovery Limitation and Reference (if available)	Financial Impact and Other Concerns	Summary Comments
A. Agency / Program-specific Examples:				
(1) NIH	K Awards (Career Development Awards): F&A reimbursement limitation at 8%	F&A recovery limited to 8% of modified total direct cost rather than negotiated rate. http://grants.nih.gov/training/careerdevelopmentawards.htm	The $700m K Award program results in an annual university-wide subsidy of over $150 million and costs some institutions over $1 million per year.	The cost to the institution of providing F&A support to K Awards is comparable to that of research project grant awards (R01s). This limitation results in under-reimbursement of the cost of F&A for K Awards.
(2) NIH	Genomic Array (GA) purchases - F&A reimbursement capped above $75,000 threshold	Effective for new competitive segments of awards (defined as new, renewal and revision) and administrative supplements to enhance the use of GA on a project, when total purchases for GA will exceed $50,000 per year in any year of the project, the F & A rate reimbursement will be applied to a limited GA cost of $25,000 in addition to the $50,000 threshold for each respective year of the award. http://grants.nih.gov/grants/guide/notice-files/NOT-OD-10-097.html	GA purchases will become more significant over the next several years. "Typical" GA expenditures for a single research project may exceed $500,000, which can result in a project-specific under-reimbursement amount of over $200,000.	Financial: The F&A rate calculation process is premised on an "averaging concept" designed to normalize the variations across different programs and cost items. Excluding GAs from F&A reimbursement is an inappropriate retroactive application of a policy that results in under-reimbursement to institutions. Administrative: capturing this data in institutional accounting systems is complicated and is administratively difficult to implement and manage, requiring manual tracking and adjustments.
(3) NSF	Two month salary limitation on PI salaries	NSF normally limits salary compensation for senior project personnel on awards made by the Foundation to no more than two months of their regular salary in any one year. This limit includes salary received from all NSF funded grants. http://www.nsf.gov/pubs/policydocs/papp/gpg_2.jsp	Cost impact not documented. However, senior project personnel on the majority of NSF awards contribute significantly more than two months of effort to NSF awards, most of which is in the form of voluntary uncommitted cost sharing.	Senior Project personnel on NSF awards frequently perform research throughout the year and/or for three months during the summer. Any effort on NSF awards beyond the 2 months compensated is assumed by the institution. If a 2 month policy can not be updated, the 2 month policy should be on a per grant, rather than a per PI basis.

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A. Agency / Program-specific Examples (continued):				
(4) NIH	K Award Salary limitation between $75,000 and $100,000 per year	K Award recipient's salary must be paid at a level consistent with the established salary structure at the institution. NIH, however, limits the budgeted amount for salaries to between $75,000 and $100,000 per year. http://grants.nih.gov/training/careerdevelopmentawards.htm	The cost impact of the salary limitation can be significant depending on the number of individuals at the institution that have K Awards. At some institutions, the cost can exceed $2 million per year.	Financial: All salaries exceeding K award limits, because they must be paid at a level consistent with established salary structures at the institution, ultimately are subsidized by the institution. Administrative: K Award salary limitations vary by NIH Institute and typically must be tracked individually and manually to ensure compliance.
(5) NIH	NRSA/Training awards - F&A reimbursement limitation at 8%	F&A recovery limited to 8% of modified total direct cost rather than negotiated rate. http://grants.nih.gov/training/T_Table.htm	The cost impact is not as significant as the K Award program since most of the program expenditures on NRSA/Training awards are non-MTDC items (i.e., tuition remission, stipends).	The cost to the institution of providing F&A support to NRSA/Training awards is comparable to that of research project grant awards (R01s) and K Awards. This limitation results in under-reimbursement of the cost of F&A for NRSA/Training awards.
(6) NIH	NRSA/Training awards - Tuition & Fees and Stipends limitations	Tuition and Fees are limited to 60% of the level requested by the applicant institution up to a maximum of $16,000 per year. Stipends are limited based on a pre-determined schedule regardless of the standard stipend level at the institution. http://grants.nih.gov/grants/guide/notice-files/not-od-10-047.html	Depending on tuition & fee rates and the cost-of-living index used to determine appropriate stipend levels, the cost impact can be significant for an institution.	The Tuition & Fees limitation requires institutions to assume the financial burden for every student on every training award. Institutions will increasingly be unable to sustain this financial burden and will be required to limit the number of trainees appointed.
(7) ED	F&A reimbursement limitation	F&A recovery limited to 8% of modified total direct cost rather than negotiated rate. EDGAR 75.562 http://www2.ed.gov/policy/fund/reg/edgarReg/edgar.pdf	The Department of Education has had a long-standing policy to limit F&A reimbursement at 8% on virtually all sponsored programs, regardless of the type of work being conducted.	Agency/program-specific policies that are arbitrarily implemented create a cumulative financial burden for research institutions.

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A. Agency / Program-specific Examples (continued):				
(8) VA	F&A reimbursement limitation (IPA agreements)	Rather than pay the negotiated F&A rate as would be the case in a typical sponsored research agreement, the VA often insists on using an Intergovernmental Personnel Agreement (IPA). Even in this case, the VA does not consistently pay the reduced IPA rate.	Cost impact and other concerns to research institutions are not further documented for this paper.	Agency/program-specific policies that are arbitrarily implemented create a cumulative financial burden for research institutions.
(9) NASA	F&A reimbursement limitation (IPA agreements)	In a 2008 NASA Desk Guide covering Intergovernmental Personnel Agreements (IPA), NASA stated: "NASA no longer pays indirect or administrative costs [on IPAs]. NASA will honor any agreement that currently includes these provisions; however, they must not be included in any new agreement."	Cost impact and other concerns to research institutions are not further documented for this paper.	Agency/program-specific policies that are arbitrarily implemented create a cumulative financial burden for research institutions.
(10) DOJ	Salary Limitation	DOJ, through the National Institute of Justice, has stated in solicitations that compensation can not exceed 110 percent of the Federal Government's Senior Executive Service level.	Cost impact and other concerns to research institutions are not further documented for this paper.	Agency/program-specific policies that are arbitrarily implemented create a cumulative financial burden for research institutions.
(11) NSF	F&A reimbursement limitation	NSF, in the Industry/University Cooperative Research Centers (I/UCRC) program, limits University recovery of F&A to 10% on the total expenditures of industry center membership fees.	Cost impact and other concerns to research institutions are not further documented for this paper.	Agency/program-specific policies that are arbitrarily implemented create a cumulative financial burden for research institutions.
(12) DHHS, EPA, and many others	F&A reimbursement limitation (Federal flow-through funds)	Federal funds that flow through the State to research institutions rarely provide full F&A reimbursement - public health, environmental, transportation, and education programs are notable examples.	Research institutions undertake a diverse range of activities and programs that are important to Federal and State policy initiatives. The cost impact to research institutions is significant and these programs should include provisions to ensure an appropriate level of F&A reimbursement.	Agency/program-specific policies that are arbitrarily implemented create a cumulative financial burden for research institutions.
(13) Federal Highway Admin	Vague Cost-sharing requirement	In a 2010 Broad Agency Announcement, the FHA included language stating that: "While formal cost sharing is not required, proposals may be enhanced by leveraging other resources … Preference will be given to offerors that cost share."	Cost impact and other concerns to research institutions are not further documented for this paper.	Agency/program-specific policies that are arbitrarily implemented create a cumulative financial burden for research institutions.

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A. Agency / Program-specific Examples (continued):				
(14) NOAA	F&A reimbursement limitation	According to a Department of Commerce grant policy statement, individual program officers can place unilateral limits on F&A rates: "Indirect cost rates will generally be in accordance with negotiated indirect cost rate agreements ... [However, the] Program Officer should consult with the Grants Officer ... before limiting indirect costs. Any proposed limitation must be published in the Federal Register or in a program regulation."	Cost impact and other concerns to research institutions are not further documented for this paper.	Agency/program-specific policies that are arbitrarily implemented create a cumulative financial burden for research institutions.
(15) Small Business Admin	F&A reimbursement limitation	In a 2010 announcement, the SBA through the Small Business Development Center, stated that " ... [the] SBA does not anticipate any additional indirect costs will be incurred in providing the services under this grant ... host institutions [should] waive any indirect costs charged to SBDCs related to this funding in order to ensure that the maximum amount of funds are available to assist affected small business concerns."	Cost impact and other concerns to research institutions are not further documented for this paper.	Agency/program-specific policies that are arbitrarily implemented create a cumulative financial burden for research institutions.
(16) NIH, NSF, DOE	Subcontract versus Vendor	There is a growing trend where program officials are requiring purchased service agreements to be treated as subcontracts, rather than vendor services. As a subcontract, F&A is limited to the first $25,000 of the purchased service. To date, examples of this practice have been indentified at NIH, NSF, and DOE. In a related example with NIH, a vendor transaction (purchase of pregnancy test kits for a clinical trial) was required to be treated as a patient care expenditure with no F&A recovery.	Cost impact and other concerns to research institutions are not further documented for this paper.	Agency/program-specific policies that are arbitrarily implemented create a cumulative financial burden for research institutions.
(17) DOE and many others	Cost sharing as a term of the award	Many examples of Cost Sharing as a term of the award are available, including: Department of Energy, USDA, Commerce-Sea Grant, Department of Transportation, and the Department of Education (e.g., Gear Up, TRIO).	The cost impact is not documented for this study, but managing cost sharing burdens is a significant financial challenge for research institutions.	Agency/program-specific policies that are arbitrarily implemented create a cumulative financial burden for research institutions.

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B. Statutory-mandated (only can be modified legislatively):				
(18) DOD	F&A reimbursement limitation	F&A recovery limited to 35% of the total project expenditures. Enacted for the first time in the FY2008 Department of Defense Appropriations bill and caps the amount of indirect costs the prime contractor can receive under certain DOD contracts, grants, and cooperative agreements. http://thomas.loc.gov/cgi-bin/bdquery/z?d110:h.r.03222:	The cost impact is minimal due to the methodology in which the cap is implemented (i.e., applicable as a percent of total project expenditures, rather than applied to MTDC). For those institutions impacted, the administrative tracking is complex and difficult to manage.	Financial: This limitation results in under-reimbursement of the cost of F&A for those institutions affected. Administrative: tracking this unique limitation in institutional accounting systems is complicated and is administratively difficult to manage, requiring manual tracking and adjustments.
(19) NIH, SAMHSA, AHRQ, HRSA	Salary Limitation	Every year since 1990 the Appropriations bill funding the Department of Heath and Human Services (which includes NIH, SAMHSA, AHRQ, HRSA and several others) has mandated a provision limiting the direct salary that an individual may receive. The limitation restricts the amount of direct salary to Executive Level I of the Federal Executive Pay scale. http://grants.nih.gov/grants/guide/notice-files/not-od-10-041.html	Depending on salary rates and the number of individuals affected, the cost impact can be significant for an institution.	Financial: This limitation results in under-reimbursement of salary costs. Administrative: tracking this unique limitation in institutional accounting systems is complicated and is administratively difficult to manage, requiring manual tracking and adjustments.
(20) USDA	F&A reimbursement limitation	F&A recovery limited to 22% of the total project expenditures. This limitation was enacted for the first time in the FY1990 USDA Appropriations bill at a rate of 14%. Subsequent appropriations bills have allowed for slight increases. http://www.nifa.usda.gov/business/pdfs/correspondence_061908.pdf	For Land-grant and Agricultural schools, the financial cost impact can be significant. The USDA cap is applied as a percent of total project expenditures, rather than applied to MTDC. Some institutions have reported that they will not compete for USDA research awards because of the F&A limitation.	Financial: This limitation results in under-reimbursement of F&A costs. Administrative: tracking this unique limitation in institutional accounting systems is complicated and is administratively difficult to manage, requiring manual tracking and adjustments.