

To: All Departments and Institutes of VUSE

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Subject: Transparency around requests for F&A waiver, cost sharing, and "F&A Yield" calculations

This memo provides more transparency into the nuts and bolts of responding to F&A waiver and cost sharing requests. Let's first go over some of the terms you may have heard:

- F&A Waiver – this is a request to reduce or eliminate the F&A (indirect costs) associated to a proposal due to an agency cap or other reason(s)
- Cost Sharing – this is a request to identify existing and/or new costs to show institutional support for a proposal due to a mandatory stipulation in the announcement/opportunity or for voluntary purposes
- Academic Year Offset (AY offset) – this is academic year effort for T/TT (tenured/tenure-earning) faculty on extramural funding
- Graduate Tuition – this is graduate tuition aid on extramural funding
- F&A Yield – realized indirect costs divided by realized direct costs for a faculty member for a specific time period

F&A Waiver Requests

In general, the School of Engineering approves requests for F&A waiver made by junior faculty. Junior faculty are working on establishing a funded program of research and early projects may have low levels of indirect costs. It is expected that the faculty member exhausts all project - justifiable opportunities to increase AY offset and graduate tuition in order to mitigate the reduced level of indirect costs

For more senior faculty members, the School of Engineering reviews certain metrics such as AY offset, graduate tuition, and F&A Yield. The request will be approved if the faculty member is doing his/her fair share in financially contributing to the school based on these metrics. It is expected that the faculty member exhausts all project - justifiable opportunities to increase AY offset and graduate tuition in order to mitigate the reduced level of indirect costs.

For the purpose of F&A Yield calculation, the school is now adjusting the realized direct costs base. One adjustment removes specific contracts/grants (like training grants) that are subject to little or no indirect costs. The other adjustment removes expense categories such as subcontracts with no overhead, graduate tuition, etc. that are not subject to indirect costs.

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Example 1:

A PI has realized \$200,000 of direct cost expenditures and \$50,000 of indirect cost expenditures for the time period of review. \$100,000 of the direct costs is from a training grant. The F&A yield will be calculated by taking the \$50,000 of realized indirect costs divided by \$100,000 of realized direct costs resulting in a yield of 50%. The \$100,000 of realized direct costs due to the training grant was removed from the calculation to not penalize the PI for leading a training grant.

Example 2:

A PI has realized \$200,000 of direct cost expenditures and \$58,000 of indirect cost expenditures for the time period of review. \$50,000 of the direct costs is from the category of subcontracts with no overhead (subcontract with collaborator at John Doe University) and another \$50,000 is from graduate tuition. The F&A yield will be calculated by taking the \$58,000 of realized indirect costs divided by \$100,000 of realized direct costs resulting in a yield of 58%. \$50,000 of realized direct costs due to subcontracts with no overhead was removed from the calculation to not penalize the PI for having collaborators outside of VU. Another \$50,000 of realized direct costs due to graduate tuition was removed from the calculation to not penalize the PI for generating graduate tuition aid offset from contracts and grants.

Cost Share Requests

A cost share request using existing costs such as the 65% tuition for a Graduate Student Research Assistant or a small fraction of AY effort for T/TT faculty is commonly approved.

A cost share request resulting in incremental expenditures for the school is extremely rare and requires extensive review. There is also an expectation that the faculty member and the department/institute will also partner with the Dean in funding the costs.