*Campus Correspondence*

Office of the Vice Chancellor for Finance and Administrative Services and Comptroller

August 12, 2005

To: Chancellor Sean O'Keefe
Chancellor William Richardson
Chancellor Costonis
Dr. Claude Bouchard

Re: Facility and Administrative Rates Applied to Sponsored Projects

New Facility and Administrative (F&A) Rates have been negotiated with our cognizant audit agency, the Department of Health and Human Services. The following rates are effective from July 1, 2005 through June 30, 2007:

F&A Rates (1) to be applied to MTDC (2)

| | | Non-State Agency | State or Local Government |
|---|---|---|---|
| LSU, Pennington Biomedical Research Center , and Hebert Law Center | | | |
| Instruction | On campus | 49% | 24% |
| | Off campus | 26% | 13% |
| Research | On campus | 47% | 23% |
| | Off campus | 26% | 13% |
| Public Service | On campus | 33% | 16% |
| | Off campus | 26% | 13% |
| LSU Agricultural Center | | | |
| All programs | On campus | 47% | 23% |
| | Off campus | 26% | 13% |

(1) Statutory requirements specific to certain federal programs may limit F&A recovery on some awards.
(2) F&A costs are calculated by multiplying the Modified Total Direct Cost (MTDC) by the appropriate F&A rate. MTDC is defined as total direct cost less:
   a. Each subgrant/subcontract in excess of $25,000 (i.e., the first $25,000 is included in the calculation)
   b. Capital equipment expenditures (i.e., items costing $5,000 or more with a useful life of at least one year)
   c. Alterations and renovations
   d. Rental costs of off-site facilities
   e. Scholarships and fellowships, prizes and awards

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These F&A rates are applicable to all proposals for new sponsored projects. However, proposals for continuation of incrementally funded awards which maintain the same sponsor grant/contract number shall use the rates approved in the award. Ongoing projects with funds already awarded will also continue at the rates approved in the award.

As stated, these rates will be in effect until June 30, 2007. At this future date the University will have negotiated new F&A rates based on fiscal year 2005-06 information. To prepare for the next negotiation, the University will be conducting two special studies during fiscal year 2005-06 -- a facilities utilization analysis and a library survey – with the goal of matching research funding to the space generating such funds. More information about these two studies will be provided in the near future.

Please contact Mr. James L. Bates at 578-3386 if you have questions or need assistance.

Jerry J. Baudin
Vice Chancellor for Finance and Administrative Services
and Comptroller

Enclosure: Rate Agreement

cc: Vice Chancellor Silverman
Associate Vice Chancellor Torres
Mr. James L. Bates
Deans, Directors, and Department Heads
Mr. Mark Legendre
Mr. Ralph Underwood
Mr. William Wilkes
ASP Members