

**MEMORANDUM OF UNDERSTANDING**  
**BETWEEN THE UNIVERSITY OF ALASKA AND THE *EXXON***  
***VALDEZ* OIL SPILL TRUSTEE COUNCIL**

**(Amendment No.: 1)**

**WHEREAS**, the University of Alaska and the *Exxon Valdez* Oil Spill Trustee Council entered into a Memorandum of Understanding regarding indirect cost charges for facilities and administrative costs associated with projects funded through sole source awards or state reimbursable service agreements (RSAs) which became effective December 7, 1997;

**WHEREAS**, the parties want to maximize the funding available for direct research for each project to the extent possible and to reduce the administrative burden associated with calculating and billing for indirect costs; and

**WHEREAS**, the parties to the memorandum want to conform the calculation of these charges to the rate and calculation methodology provided in the Memorandum of Understanding with the State of Alaska which was restated and extended effective June 30, 2004;

**NOWTHEREFORE**, the parties agree to utilize the rate and calculation methodology for projects subject to this Memorandum as provided in the attached Memorandum of Understanding with the State of Alaska regarding Facilities and Administrative Rates Applicable to State of Alaska Sponsored Activity as it exists today (Attachment A to this Amendment No.:1 ).

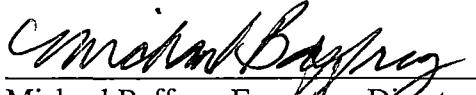
**Effective Date and Duration:**

This amendment shall become effective as follows:

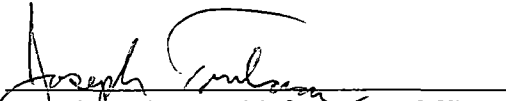
- (1) For all new awards issued subsequent to the date of final signature of the parties to this Amendment, effective immediately;
- (2) For multi-year awards issued prior to the date of final signature of the parties to this Amendment, effective on the next following anniversary date of the award; and
- (3) For single period awards previously issued, effective as may be agreed upon by the Executive Director of the *Exxon Valdez* Oil Spill Council or designee and the respective Principal Investigator.

**Effective Date and Duration (continued):**

If, for any reason, the subject Memorandum of Agreement with the State of Alaska expires, is amended, or is not renewed, the rates and methodology as described in that agreement (Attachment A to this Amendment No.:1) shall continue to apply until the parties to this Memorandum mutually agree to an alternative rate or methodology.

  
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Michael Baffrey, Executive Director  
Exxon Valdez Oil Spill Council

6-27-07

  
\_\_\_\_\_  
Joseph Trubacz, Chief Finance Officer  
University of Alaska

5/31/07

Attachment A - University of Alaska Facilities and Administrative Rates Applicable to  
State of Alaska Sponsored Activity, Memorandum of Agreement, effective June 30,  
2004

**University of Alaska Facilities and Administrative Rates**  
**Applicable to State of Alaska Sponsored Activity**  
**Memorandum of Understanding**

**Background:**

The University of Alaska has a fundamental role to play in providing education, basic and applied research and public service programs to support the development of Alaska's economy. The University of Alaska is providing necessary elements for the growth of several key economic sectors in Alaska, including health, transportation, natural resource development and education.

The State of Alaska, by constitution and by statute, has the ability to direct or significantly impact the economic success of these target sectors. Partnerships between State government and the University of Alaska system are growing in the areas of workforce development, continuing education, training and research. The State of Alaska contracts with UA for approximately \$10 million worth of activity on an annual basis, in addition to the annual general fund allocation to the University.

The University's facilities and administrative (F&A) rate is perceived by some State agencies as a significant barrier to forming more, or more substantial, partnerships of a stable and permanent nature. Such partnerships are desirable because State law gives State agencies special streamlined procurement processes for doing business with the University. While there is a willingness in State agencies to pay some overhead expenses, they do not share the federal government's view concerning the appropriateness of the current rates, typically near 30% for "other sponsored activities", and higher rates for research that utilizes expensive university assets. This can lead to inconsistent and selective arrangements that may limit the opportunities made available to the University, and affects its competitiveness in establishing long-term partnerships with the State.

**UA's Federal F&A Rate Development Process**

The University develops its indirect rates in accordance with OMB Circular A-21 "Cost Principles for Colleges and Universities". All of the allowable costs of current operations are categorized into various bases and pools and rates are developed to recognize the full cost of defined activities. Source of funds is not a factor in the determination of the rates. Costs are classified as direct costs (base), or indirect costs (pool). The terms "indirect costs" and "facilities and administrative (F&A) costs" are used interchangeably. The administrative component of the rate is capped at 26%, while the facilities component is uncapped.

The primary rates negotiated with the federal government at each institution within the system are the organized research rate, the instruction rate, and the other sponsored activities rate. UA has ten different federally approved F&A rates ranging from 30% for "sponsored training" to over 50% for "on-campus organized research". The base upon which these rates are applied is a Modified Total Direct Cost (MTDC) base, as defined in

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Circular A-21, and includes salaries and wages, fringe benefits, materials and supplies, services, travel, and subgrants and subcontracts up to the first \$25,000 of each subgrant or subcontract. Equipment, capital expenditures, charges for patient care and tuition remission, long term space rental costs, scholarships and fellowships, as well as the portion of each subgrant and subcontract in excess of \$25,000 are excluded from MTDC.

Rates are developed based on actual costs for a specific period of time. Base and pool projections are applied to these actual costs to develop rates applicable to future periods. The university currently negotiates rates on a three year predetermined basis. The costing methodology assumes that the full cost of a project includes a facilities and administrative burden. The best way to recover this burden is to assess the cost as each direct dollar is spent, subject to the MTDC limitations.

As described in Circular A-21, the relationship between the federal government and universities is a partnership. The costing model generally assumes that the federal government will share in the full cost of a particular sponsored activity. While most federal projects awarded through a competitive process require some level of matching expenditures to be committed by institutions, the federal government generally pays the full cost (direct and indirect) of the federally funded portion of a project. Certain federal agencies or programs have statutory thresholds on F&A cost rates that override negotiated rates. Those programs often fund the core mission of universities (instruction and financial aid), or relate to activities included in the original land grant function of universities (cooperative extension).

**Agreement:**

The University recognizes that the State is partially funding facilities and administrative costs through the annual general fund appropriation. The University and State would like to promote partnerships with each other. The University and State also wish to simplify and standardize the award process.

For awards that the State of Alaska makes to the University, for which a state agency controls the award decision, the following F&A rates apply:

**A) Instruction, Training and Other Sponsored Activity funded by the State:**

Effective for new agreements, the State F&A cost rate will be 12% for State-sponsored awards applied to the MTDC base specified in A-21.

**B) State Sponsored Research**

Effective for new agreements, the State F&A cost rate will be 25% for State-sponsored research awards, applied to the MTDC base specified in A-21.

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Exceptions to the rates specified in this MOU may be made to comply with federal or other funding agency requirements that limit F&A rates for funding passed through the state to UA. The rates specified in this MOU are not intended to apply to proposals made by the state to external funding agencies, like the federal government, that include UA as a named sub-recipient. The F&A rate used for UA in those situations should be the appropriate UA federal negotiated rate.

This MOU was first in effect for awards issued after June 28, 2002 until June 30, 2004. This document extends this MOA until June 30, 2007. At that time, this agreement may be reviewed and amended by mutual consent.

For the State of Alaska:

Kevin Brooks      4-26-04  
Kevin Brooks, Chair      Date  
Administrative Services Team

For the University of Alaska:

Randy J. Weaver      4/30/04  
Randy Weaver, Controller      Date