



## **Facilities and Administrative (F&A or Indirect) Cost Policy**

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## 01. Definition of Facilities and Administrative Costs

Facilities and Administrative Costs (also known as F&A or Indirect Costs) are general institutional expenditures that are incurred for multiple or shared projects, functions or activities and therefore cannot be specifically identified with relative ease and with a high degree of accuracy to a sponsored project.

F&A Costs are incurred in the following areas:

- Depreciation, maintenance, and utilities for University buildings and equipment;
- Departments for the administrative effort of clerical, faculty and other professional personnel involved in various missions of the school;
- Expenses for offices that serve the entire University, such as Human Resources, Purchasing, Finance and Planning, Office of Sponsored Projects and Economic Development;
- Central operations such as facilities, telecommunications, and libraries.

## 02. Policy Statement

1. It is the policy of the University to charge all sponsored projects Facilities and Administrative (F&A or indirect) costs at the appropriate federally approved rate. The exceptions to this policy are:
  - a. Awards from not for profit sponsors and government which have a stated policy of awarding funds with an F&A rate at other than the negotiated rate, e.g. foundations and charitable organizations;
  - b. Other awards which have been specifically approved by the Provost at an F&A rate other than the negotiated rate in accordance with Item 2. below.
2. All waivers of F&A cost recovery on sponsored projects must be discussed with the Provost. Finance and Planning should be notified of the waiver at least 10 days prior to proposal submission to give Finance opportunity to discuss with the Provost. Waivers or reductions of \$25,000 or more in F&A cost recovery must seek additional approval from the President.
3. The University negotiates with the Federal Government F&A cost rates applicable to all programs.

## 03. Reason for Policy

Direct costs in project budgets do not fully reimburse the institution for all of its costs. As noted above indirect costs are real costs to the University and may include the salaries of those individuals involved in purchasing equipment for grant activities, payroll, inventory, or custodial services which are not part of the direct costs. In addition, utilities consumed, telephone charges, general office supplies, or copying charges are necessary and these costs must be borne by the institution.

The University's policy on full indirect cost recovery imposes a duty on all University administrators and Principal Investigators to perform sponsored projects on a full cost recovery basis: to ask for and obtain indirect costs from all sponsors. In fairness to all faculty and researchers, the full cost burden should be shared equally. Any exception reduces revenue to the University and to each campus. Full cost recovery is necessary to support the University's physical and administrative capacity to perform extramural projects.



#### **04. Who Needs to Know This Policy**

Any employee who is involved with the administration of sponsored agreements should be familiar with this policy. This includes:

- Central and departmental sponsored project administrators
- Deans' staff
- Department Chairs
- Principal Investigators
- Sponsored Research and Economic Development Office
- Other research personnel who are involved with sponsored awards.

#### **05. Current Facilities and Administrative Rate**

The F&A rate is developed by the University in accordance with OMB Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, Final Rule (Uniform Guidance) and negotiated with the Department of Health and Human Services, the University's federal cognizant audit agency. The University has an on-site and an off-site rate used for all programs (refer to Facilities and Administrative Procedures). Effective July 1, 2020 through June 30, 2024 the current F&A on-site rate is 70.5% of salaries and wages, off-site rate is 30% of salaries and wages.

#### **06. Allocation of Facilities and Administrative Funds and Salary Relief**

At the end of a fiscal year, Finance and Planning will determine the amount of F&A costs recovered and allocate 50% among the Deans based upon the total earned by each school, 20% to the Provost, 25% to the University's General Fund budget and the remaining 5% will be allocated to the Principal Investigators whose grants generated indirect recovery. Each Dean is notified of his/her school's share and given a list of the Principal Investigators and their appropriate share. The Office of Budget and Planning increases the school budgets in the next fiscal year accordingly. For example, the F&A costs earned in FY14 will be allocated at the beginning of FY15. Each Dean will be responsible for allocating funds to the Principal Investigators.

In addition, if a sponsored project provides budget relief for a salary line the funds saved will remain in the department budget for its use and not revert to the University as in the past. For example, if a sponsored project supports 50% of a technician's salary of \$30,000 for a year, the \$15,000 in salary relief will remain part of the department budget to be used at the discretion of the Dean/Department Chair.

#### **07. Use of F&A Allocation**

After allocation to their budgets, the Deans can use these funds to further the stated mission of the programs within their schools. Principal Investigators can use their allocations for University-related purposes in accordance with existing University policies and procedures including professional development, research, travel to conferences, travel to meet with sponsors, purchase of supplies, equipment, etc.