

# FACILITIES AND ADMINISTRATIVE COSTS (F&A)

## Frequently Asked Questions (FAQ)

### What are F&A Costs?

- Research and scholarly activities conducted at this University incur two types of costs. For every grant dollar the University spends on the **direct costs** of conducting research or other projects, the University incurs additional costs to maintain the facilities used for the projects and to support the administration of those projects i.e. **Facilities and Administrative Costs (F&A)**.
- **Direct costs** pay for the resources that a single research project uses. They are those costs that can be identified specifically with a particular sponsored project, an instructional activity, or any other institutional activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. These costs may include salary for a research assistant, a chemical for a specific experiment, or the travel costs associated with the implementation of a specific project. They are the costs that researchers readily identify as the cost items in their contract or grant budgets.
- Recovered **Facilities and administrative (F&A) costs** pay for the costs of research that cannot be easily identified with or billed to one project. The federal Office of Management and Budget has studied this for many years and in one of its official Circulars, OMB Circular A-21, defines F&A costs as costs that are incurred for common or joint objectives and, therefore, cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity. F&A costs are synonymous with "indirect" costs. These are real costs that may include the costs of electricity to run the building in which a sponsored project is conducted, equipment shared among researchers, salaries to pay for department staff assistants, or library subscriptions to academic journals. It is very tempting not to think of these services as part of the real costs associated with a project, but they constitute a significant portion of the total resources consumed by any sponsored project.
- In order to recoup some of these expenses we include F&A costs as a specific line item in sponsored project budgets. UNF recovers these costs through the application of F&A rates to all grant budgets.

### How are F&A costs calculated?

- At UNF these costs are extracted from the University's independently audited financial statements, processed through complex federal formulas which are governed by federal regulations and categorized into direct and indirect cost pools representing basic University functions.
- The analysis of UNF's financial statements carried out by an external consulting firm determined that for every dollar of grant money spent on research, it costs the institution an additional fifty-three cents for facilities and administrative costs (53% rate). For other sponsored projects, the cost is forty-four cents for F&A (44% rate).
- The government caps the amount of funding institutions can recoup of their administrative costs and therefore executed a rate agreement with UNF using rates of **43.5% for organized research** and **35% for other sponsored projects**.
- When projects are conducted off campus, the costs of facilities usage (office space, laboratories, equipment, maintenance, etc.) are not included in the F&A rate and a rate of **26%** is applied.
- **Organized research** means all research and development activities of an institution that are separately budgeted and accounted for. It includes:
  - (1) Sponsored research means all research and development activities that are sponsored by Federal and non-Federal agencies and organizations. This term includes activities involving the training of individuals in research techniques (commonly called research training) where such activities utilize the same facilities as other research and development activities and where such activities are not included in the instruction function.

(2) University research means all research and development activities that are separately budgeted and accounted for by the institution under an internal application of institutional funds. University research, for purposes of this document, shall be combined with sponsored research under the function of organized research.

- **“Other sponsored activities”** means programs and projects financed by Federal and non-Federal agencies and organizations which involve the performance of work other than instruction and organized research. Examples of such programs and projects are health service projects, and community service programs. However, when any of these activities are undertaken by the institution without outside support, they may be classified as other institutional activities.
- **Local Governments and Nonprofit Social Service Agencies:** UNF is a regional institution with a mission that seeks to achieve, through its commitment to excellence and relevance, two important institutional objectives: (a) providing excellent and relevant educational opportunities for students that often involve community engagement; and (b) creating, expanding, and sustaining a strong commitment to partnering with local and regional government and nonprofit social service agencies to address important and persistent challenges impacting the state’s future economic prosperity and quality of life. This partnering with community as well as local governmental agencies often takes the form of grants and contracts that require a joint commitment of resources by the sponsor and the University. When there is a demonstrated academic value to a project (e.g. graduate or undergraduate student training, publishable research, etc), and faculty and student time assigned to the project are reflected in the funding proposal, the University will provide a portion (approximately 50%) of the F&A costs associated with implementing grants and contracts with local government and nonprofit social agencies that do not have published F&A policies. Accordingly, from the effective date of the adoption of the *Policy on Facilities and Administrative Costs* in 2007, an F&A rate of **20% MTDC** will be applied to all grants and contracts with local and regional government and nonprofit service agencies. It is expected that over a reasonable time period, this rate will be increased and brought in line with the prevailing indirect costs rates.

## Aren’t these rates a bit too high?

As stated earlier, these rates are derived from our audited financial statements and represent the costs of doing business here at UNF. Our rates are among the lowest within the state university system. These rates are also commensurate with the rates at other peer institutions in the country. For example, Miami University, Ohio, has two rates: 42% for all on-campus projects and 26% for all off-campus projects. The average for all universities in the country is about 50%.

## Why should my grant pay F&A?

- Most agencies that fund sponsored programs have F&A costs associated with their own operations and therefore would anticipate facilities and administrative costs when they make awards for a research grant.
- Although it may not be very obvious, principal investigators who obtain very small grants or use very little space and equipment still incur indirect costs, which are often a greater percentage of their awards than larger grants.
- While it is true that the actual F&A incurred varies from project to project, the cost of calculating these actual costs in detail would far exceed the savings that could be generated for any given project. It is therefore a cost saving measure to charge each project an average represented in the approved rate.

## Why must these rates be used?

- As part of our negotiations with DHHS, UNF gave the Federal Government the assurance that awards issued by the Federal Government will not be “used to subsidize the F&A costs allocable to non-Federal awards.” Each time we waive indirect costs on a non-federal project,

- we inadvertently subsidize the F&A costs allocable to that project with F&A costs recovered from federal grants and contracts awarded at the negotiated rate.
- Arbitrary waiving of F&A costs also leads to inconsistency in the treatment of sponsored projects and principal investigators. This type of inconsistency can generate a disincentive to participation in sponsored project activities and may become counterproductive to the development of sponsored research.

## What if these rates limit the amount of funds required to carry out the project?

- Principal Investigators who ask for waivers of F&A costs frequently do so in an attempt “to reserve enough funds for the execution of the project,” instead of funding the “administration” of the project.
- While this point has its own merits from the perspective of the principal Investigator, it amounts to a false economy, in that it invariably leads to the undocumented supplementation of the costs of a project from other sources of revenue. It amounts to inadvertent cost sharing on the part of the University.
- Since the University provides cost sharing, when appropriate, for a number of projects that are carried out by our Principal Investigators, we need to treat all cost sharing, including the “waiving of F&A costs,” in a similar fashion.

## What if the sponsoring agency limits the F&A rate?

- When the policies are well documented, UNF will accept awards at the F& A rates published by the agency. In the absence of a published F&A rate that is different from the negotiated federal rate, it is important that the University recover the full F&A costs if the institution is to avoid paying for sponsored project costs from other sources of revenue.
- Agencies that have such policies frequently allow administrative costs and/or the direct charging of costs which ordinarily come under the designation of F&A costs.

## Will UNF waive or accept a lesser rate at the request of the PI?

- The waiver of F&A costs is strongly discouraged. Principal Investigators should discuss the budget needs of their proposed project with ORSP staff before submitting a final budget or before informally discussing project costs with a potential sponsor.
- All proposals requiring F&A cost rates that differ from our negotiated rates must be consistent with the provisions of the University’s *Policy on Facilities and Administrative (F&A) Costs*, and will require the approval of the Assistant Vice President for Research.

## What does UNF do with the recovered F&A?

All the preceding questions and answers were aimed at clarifying the need for including F&A costs as a legitimate line item in the budget of every sponsored project. The actual recovered F&A costs are used in accordance with State Statutes. The State of Florida (State Statute 1004.22(5)) expects the University to use recovered F&A costs (1) to pay for federal- and state-mandated administration of sponsored programs and (2) to support research and other sponsored programs at the University. Since the administrative costs are approximately fixed any additional funds that come to the University from recovered F&A costs go to provide support for faculty research and scholarly activities. If we fail to recover F&A costs at the appropriate rates, we will not only break the assurance we gave the Federal Government during the rate negotiation process but we will not be able to provide adequate support for research and sponsored programs at UNF. Recovered F&A costs are distributed in accordance with the UNF *Policy on the Use of Recovered Facilities and Administrative (F&A) Costs*.