

## **F&A at PSU**

F&A (Facilities & Administration) costs, also known as indirect costs, are to reimburse costs incurred by the university in support of sponsored project activities that cannot be identified readily and specifically with a particular sponsored project. In contrast, direct costs, such as salaries, tuition, supplies, equipment, or travel, are costs directly attributable to the project or research itself. F&A rates are a calculation of infrastructure support costs allocable to organized research divided by direct costs.

While not every project charges F&A, all sponsored projects cost PSU in terms of administration and facilities. Further, PSU does not recover all overhead costs from F&A revenues. This is because the federal F&A rate calculation caps the “Administration” portion at a much lower rate than actual expenditures (as is typical among universities).

The federal government approves F&A rates through a prescribed F&A rate proposal process for institutes of higher education. For PSU, the proposal is reviewed and negotiated with the federal Division of Cost Allocation in DHHS, PSU’s cognizant agency. During this process, F&A rates are established for the main federal categories of Organized Research, Other Sponsored Projects, and Instructional projects.

### **Federal F&A rates FY22 - FY26**

<b>Project Type (on-campus)</b>	<b>F&amp;A Rate</b>
<b>Organized Research</b>	
July 1, 2021 - June 30, 2022 (FY22)	48.5%
July 1, 2022 - June 30, 2023 (FY23)	48.5%
July 1, 2023 - June 30, 2024 (FY24)	48.5%
July 1, 2024 - June 30, 2025 (FY25)	49.0%
July 1, 2025 - June 30, 2026 (FY26)	49.5%
<b>Public Service / Other Sponsored Activities</b>	
July 1, 2021 - June 30, 2026 (FY22-FY26)	33.5%
<b>Instruction</b>	
July 1, 2021 - June 30, 2026 (FY22-FY26)	50.0%

The above federal rates are applied to modified total direct costs (MTDC) of a sponsored project. The federal government allows the F&A rate to be applied to salaries, wages, fringe benefits, materials, supplies, services, travel, and subcontracts up to the first \$25k of the

subcontract. Excluded are tuition, large equipment, capital expenditures, scholarships, and the portion of a subcontract over \$25k.

PSU chooses to allow a reduced 26% rate to certain non-federal sponsors including local government and non-profit organizations, versus applying the full federal rate. These projects generally apply the 26% rate to total direct costs (TDC) without modification. Other F&A rates may exist as mandated by a sponsor or other unique situation.

## F&A Revenue Distribution at PSU

F&A revenue generated by sponsored projects supports a variety of operations and activities at PSU. Over the years, a distribution formula has evolved that includes funding for several key areas of the university. The distribution percentages as of FY24 are shown below:

Central research administration	49.7%
College/unit research support (“Rebate”)	26.0%
University General Fund	18.8%
PI Incentive (PIN)	2.0%
Research computing	2.0%
Research lab renovations	1.0%
Allowance for uncollectible receivables	0.5%

The main allocation is to Research & Graduate Studies (RGS) to support **central research administration**. A majority of the revenue supports Sponsored Projects Administration (SPA), and the balance supports parts of Research Integrity and Compliance, Innovation and Intellectual Property, and other central support. In all, about 50 FTEs and associated operational costs are budgeted with F&A funding.

From this RGS share, some funding is also used to support cost share, research project development, and other research-related campus-wide support such as the Wiley journal subscription at the library, veterinary care, student research symposium support, and the Grant Forward subscription.

The **college/unit rebate** is 26% of F&A earned on sponsored projects, prorated to each PI’s and/or Co-PI’s college or unit. Each dean or unit director has full discretion over how they use the funds. Some units choose to provide funding for the departments that generated the F&A and/or to contribute directly to PI support. Some of the funds are used to support transaction specialists who support research administration. Other funds are used as faculty bridge support, cost share, start-up funds, lab supplies, etc.

The **university general fund** allocation is combined with other PSU general funds (state support and tuition revenue), and is then proportionately distributed to units campus-wide via the Budget Office’s general fund allocation process each fiscal year.

The **PI Incentive (PIN)** program provides direct support to PIs and Co-PIs. This money is used for items not allowed on sponsored projects, developing future research proposals, graduate assistant support, research-related travel, or other expenses.

The **research computing** allocation is for the Office of Information Technology to support the administration of research computing systems.

The **research lab renovation** fund is controlled by the Vice President for Research and Graduate Studies and is used to support capital expenditures for research lab renovations.

**Allowance for uncollectible receivables** is a rolling fund used to offset uncollectible sponsor accounts or other related debt situations. This fund started in FY20 and was taken from the central research administration line and supports colleges across campus.

### **F&A Distribution Schedule**

F&A is generated as expenses post to sponsored projects. F&A revenue is automatically distributed as it is generated. Therefore, there is not a single lump-sum, up-front distribution. Instead, small amounts of F&A are generated and distributed on a per fiscal transaction basis. This per-transaction accumulation is captured in account code 03400 in F&A returns indexes.

### **Example of F&A revenue and distribution:**

Direct Costs	
Salaries & Benefits	400,000
Services & Supplies	<u>100,000</u>
Total Direct Costs	500,000
F&A @ 48.5%	<u>242,500</u>
Total Project Costs	742,500

<u>Distribution of F&amp;A:</u>	
Central research administration (49.7%)	120,523
College/unit research support (26.0%)	63,050
University General Fund (18.8%)	45,590
PI Incentive (PIN) (2.0%)	4,850
Research computing (2.0%)	4,850
Research lab renovations (1.0%)	2,425
Uncollectible receivables (0.5%)	<u>1,212</u>
Total	242,500

### **Questions?**

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