

INTRODUCTION TO F&A

Facilities & Administrative Costs



1 *Defining F&A*

What is F&A?

F&A = Facilities & Administrative





DEFINING COST TYPES

F&A Costs

Essential infrastructure that is needed to implement a project that is not as easily associated with an individual project

Direct Costs

Easy to identify expenses that will be incurred as a result of project



F&A Costs

- Expenses that support the research support systems, primarily infrastructure and operational expenses
- F&A costs are allocated proportionately to externally-funded research through the F&A cost rate



F&A Cost Examples

- Technologically advanced research laboratories
- Financial, administrative, technical and maintenance staff
- Regulatory compliance programs
- Libraries
- Buildings: including utilities, ventilation, HVAC, water resources, and security
- Safety programs for radiation, chemicals, and biohazard wastes
- Computing infrastructure for communication and computing



Direct Costs

Expenses that support specific research costs the largest portion of research budgets:

- Salary support for researchers and lab personnel
- Laboratory supplies
- Specialized equipment
- Travel to conduct research or disseminate results
- Tuition for GRAs



Why are F&A Costs Important?

- F&A costs are **actual expenses** incurred by the university in support of sponsored projects
- F&A costs stem from the institutional need to maintain a shared infrastructure

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F&A Rate Calculation





Federal F&A Rates at PSU

- **F&A rate calculated during a complex proposal process following federal Uniform Guidance policy**
- **Calculations are based on university financial statements**
- **F&A Rate is then negotiated with the federal government**



The F&A Calculation

$$\frac{\text{F\&A Costs}}{\text{Research Expenses}} = \text{F\&A Rate}$$



F&A Cost Pools for Colleges and Universities

Facilities (F) Cost Pools

- **Building and Improvement Depreciation**
- **Equipment Depreciation**
- **Interest Expense**
- **Operations and Plant Maintenance**
- **Library Support**

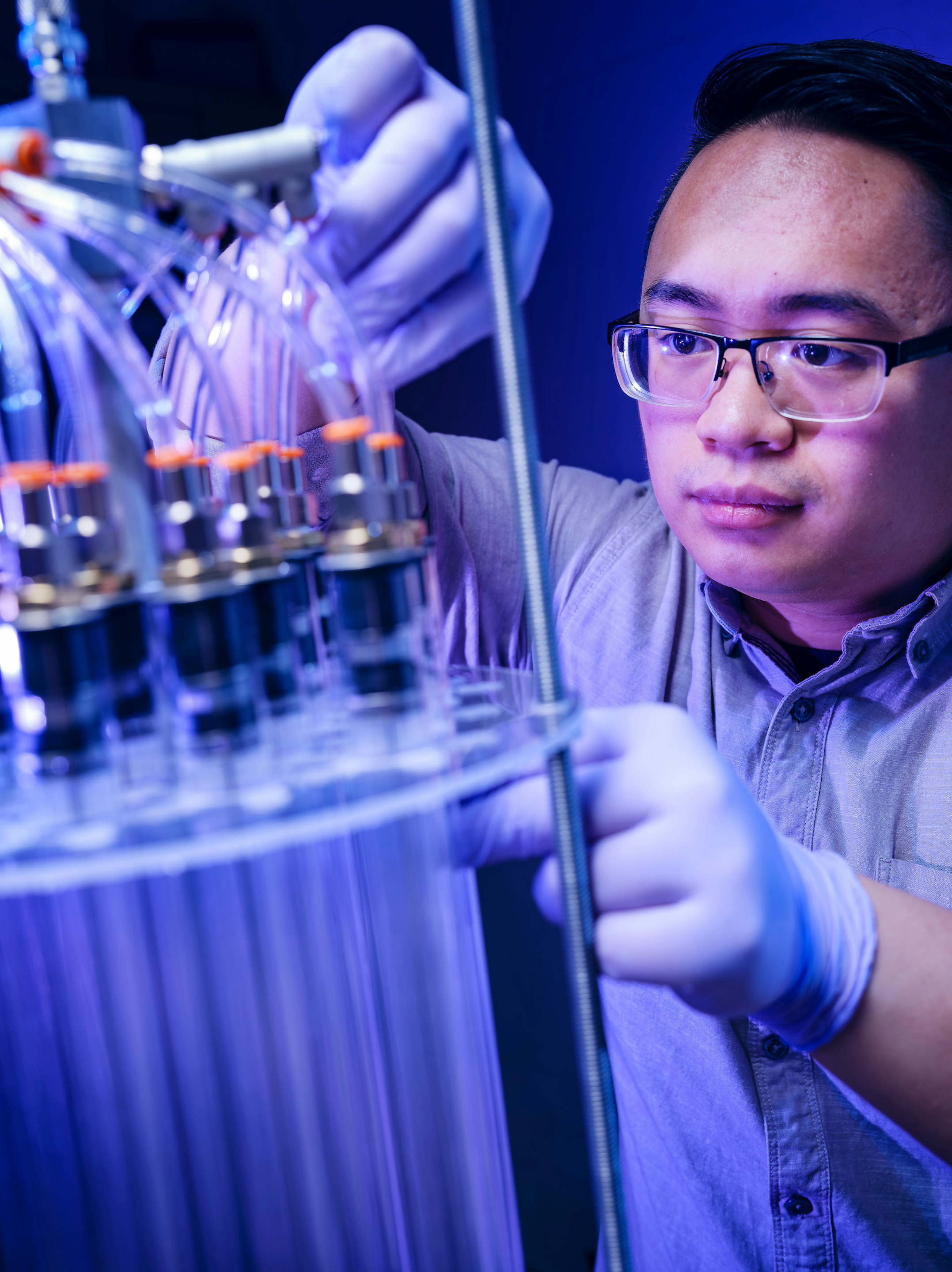
Administrative (A) Cost Pools

- **General Departmental Administration**
- **Administration**
- **Sponsored Projects Admin**
- **Student Admin and Services**



Cap on Administrative Cost Reimbursement

- **Uniform Guidance imposes a 26% cap on reimbursement of Administrative Costs for universities.**
- **According to the NSF Higher Education Research & Development (HERD) Survey, universities funded 25% (\$21.2 billion) of the total R&D expenditures (\$83.7 billion) in higher education.**



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F&A Rates & Application



Federal F&A Rates at PSU

48.5% On-Campus, Organized Research

50.0% On-Campus, Instruction

33.5% On-Campus, Other Sponsored Activities

26.0% Off-Campus, Organized Research, Instruction, and
Other Sponsored Activities



F&A Rate Application

Applicability of rate is based on:

1. Project purpose
2. Project location
3. Other sponsor-related conditions



F&A Rate Application:

1. Purpose

Rates in PSU's F&A rate agreement are based on project purpose:

- Research
- Instruction
- Other Sponsored Activity



F&A Rate Application:

2. Project Location

Location of Project:

- On-campus
- Off-campus



F&A Rate Application:

3. Sponsor-Based

Sponsor Limited Rate

- Published rate:
 - appears in the sponsor's written requirements (request for proposal or other published guidelines),
 - is published on the sponsor's website,
 - is confirmed in writing by the sponsor's grants office (not a programmatic contact)



F&A Rate Application: Pre-Approved Waiver

PSU Pre-approved Waiver

- To demonstrate its commitment to community engagement and in support of its community service mission, PSU applies a **reduced F&A rate of 26%** Total Direct Costs to projects funded by state and local governments and non-profit organizations.



F&A Rate Application: Waiver of F&A Costs

- In rare circumstances, it may be in the best interest of the university to waive or forgo the assessment of F&A.
- PIs must request an F&A waiver through their SPA team for review and approval by RGS.
- Result of waived costs:
 - Less reimbursement to institution for costs incurred, less money available to reinvest in research support
 - Less investment, lower F&A cost pool = lower F&A rate



Modified Total Direct Cost (MTDC)

Exclusions

- Subaward amount over \$25,000
- Equipment and other Capital Expenses
- Tuition Remission, Scholarships, Fellowships
- Specialized Service Facilities
- Rental Costs
- Patient Care Costs
- Participant Support Costs



Research Project Budget Example

Direct Costs

• Salaries/benefits	\$390,000
• Tuition remissions	10,000
• Services & Supplies	20,000
• Equipment	<u>80,000</u>
• Total Direct Costs (TDC)	\$500,000

Modified Total Direct Costs (TDC less remissions & equipment) = \$410,000 (\$390k + \$20k)

F&A @ 48.5% of MTDC \$198,850 (\$410k x .485)

Total Project Cost: **\$698,850**

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F&A Recovery at PSU





F&A Revenue Distribution at PSU

- **49.7% to central Research Office**
- **26% to Colleges and Units**
- **20.8% to University general fund budget**
- **2% to PI Incentives (PIN funds)**
- **1% to research laboratory renovations**
- **0.5% to unrecoverable receivables**



F&A Revenue Distribution

49.7% to central Research Office

- Research Development
- Sponsored Projects Administration
- Research Integrity
- Technology Transfer



SUMMARY

1. Costs related to an award are categorized into Direct and F&A costs
2. F&A rates are calculated through a complex process with the Federal government
3. The application of F&A on a specific award depends on multiple factors
4. F&A revenues are used to support research and sponsored projects at PSU

