F&A: Facts and Fiction

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Let's define some of the terms we will be using today

- **"F&A"**
  - Facilities and Administration. Facilities would include building maintenance, utilities, grounds upkeep, etc. Administration would include administrative salaries, security, insurance, etc
- **Direct Costs**
  - Costs that can be directly attributed to a sponsored project
- **Indirect Costs**
  - Costs that cannot be directly attributed to a sponsored project. Sometimes referred to as overhead
- **TDC**
  - Total Direct Costs – used as F&A base for F&A calculations for some awards
- **MTDC**
  - Modified Total Direct Costs – same as TDC, but not including Equipment, first $25K of subcontract payments, participant costs and student aid

Let's Start with the Basics

- Every sponsored project includes two types of costs:
  - Direct Costs
  - Indirect Costs
- Direct costs are easily identified and billed to the sponsor. So how do we pay for the indirect costs that are involved in a project?
- We cover our indirect costs by generating payment for F&A, as a % of our direct costs
  - A charge for F&A is included each time a billing is sent to a sponsor for work that has been done. The F&A charge is a separate line item in the budget and on invoices to the sponsor.
- The F&A funds that are collected are then distributed to various departments across campus

Some F&A Facts

- F&A funds are collected in order to cover the indirect costs that are incurred by every sponsored project.
- F&A is included in every sponsored project budget as a separate line item. The amount of F&A in the budget is determined by the F&A rate being used multiplied by the F&A base (TDC or MTDC)
- Current F&A rates
  - 49% = standard negotiated rate
  - 17% = off campus rate
- Note that there are other rates that may apply in certain situations.
  - Some sponsors, particularly foundations or non-profits, may have an F&A rate cap…or may not allow F&A at all
  - Some types of awards may have a special F&A rate. Federal training awards may have a rate of 8%, for example
- There may be situations where no F&A is included in an award. This could be due to the sponsor simply not allowing F&A, or the PI has been approved for an F&A waiver.

More F&A Facts…

- Keep in mind that the direct costs included in your F&A Base must meet the allowability requirements:
  - Allowable…is the cost specifically allowed?
  - Allocable…can the cost be clearly identified to the project?
  - Reasonable…would a typical person see the cost as reasonable?
  - Necessary…is the cost required to complete the work of the project?
  - Consistent…is the cost being handled the same under other awards across campus

- Costs must be appropriately classified as direct or indirect. This must be consistent throughout all awards…..costs must be handled consistently in like situations

F&A Calculation Example

Dr. Jones has the following budget for a federally funded project that he has been awarded:

- Salary & Benefits $ 40,000
- Supplies $ 5,000
- Travel $ 5,000
- Equipment $ 20,000
- Operating $ 10,000
- Total Direct Costs $ 80,000

F&A using TDC would be $39,200 ($80,000 X 49%)

F&A using MTDC would be $29,400 ($80,000 - $20,000 Equip X 49%)

Direct & Indirect Costs: What's the difference? Who Cares?



Direct & Indirect Costs: What's the difference? Who Cares?



Determining direct and indirect costs is vital for budgeting and resource allocation.

- Direct costs are costs that are specifically associated with a particular sponsored project or activity or that can be directly assigned to that project or activity.
- Indirect Costs are also known as Facilities & Administrative Costs (F&A), or overhead.

Direct & Indirect Costs: What's the difference? Who Cares?

***Common direct costs that are <u>project-specific</u>*:**

- PI and other personnel salaries (+ *fringe) - % of time dedicated to the project
- Direct hire/project managers
- Student Research Assistants and other project-specific appointments
- Consultants, Subcontractors, and Vendors – specific to the project
- Travel Expenses
- Materials and Supplies – < $5,000
- Publication Costs
- Participant Support Costs (participant stipends, participant travel, GRA tuition)
- Permanent/non-expendable equipment - ≥ $5,000 or more (depending on the sponsor).





Direct & Indirect Costs

Terms & conditions of direct costs

- PI and other personnel salaries: some sponsors require documentation of effort in months, others require % of effort.
- Student Research Assistants: students may work no more than 25 hrs/week and are subject to minimum wage and salary ranges.
- Travel Expenses: standard airfare & lodging costs apply as well as daily per diem and expenses. All travel costs must be deemed **reasonable** and **necessary** for the project.
- Materials and Supplies: consumable and technical supplies necessary to carry out the project < $5,000
- Participant Support Costs (GRA tuition must be equal to course load)
- Permanent/non-expendable equipment must be necessary for the project and have a useful life of one year or more ≥ $5,000 or more (depending on the sponsor).

Direct & Indirect Costs: What's the difference? Who Cares?

Indirect costs are costs incurred for common or joint purposes and are NOT identified with a particular sponsored project

University overhead/the cost of doing business:

- Most staff and administrative salaries
- Facilities, building and grounds costs
- Utilities, phone systems, *computers and computer support systems
- *Computer programs and software
- Office furniture & filing cabinets
- Copy machines, paper, pens, staplers
- Standard AV, classroom, laboratory equipment

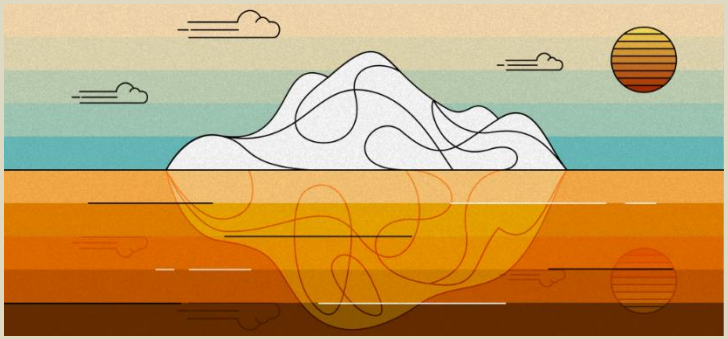


Direct & Indirect Costs

Indirect Costs

The F&A rate (currently 49%) is a federally-negotiated rate between the university and the Department of Health and Humas Services (DHHS) to support the university's cost of doing business, as it pertains to sponsored projects. The rate is applied to all sponsored projects unless:

- Most federal sponsors accept the university's F&A rate
- Some sponsors have policies that exclude or restrict F&A rates
- The university offers a non-profit rate of 15%
- Some projects are granted (by request) F&A waivers or reductions



When F&A rates are excluded or reduced, the university must cover the costs directly or by contribution (cost-sharing).

Direct & Indirect Costs

Indirect Costs

F&A rates are usually applied to the **modified total direct cost** (MTDC) base amount which excludes equipment, capital expenditures, patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs, and a portion of subawards – not to exceed $25,000.



Overview of UCCS F&A Rates

F&A Rate Negotiation

UCCS negotiates F&A rates with DHHS, ensuring compliance with federal guidelines for indirect cost recovery. UCCS uses the short form with aggregated, audited data.

What the Short Form Ensures

Efficiency with proportional rigor: costs must remain allowable, reasonable, allocable, and consistently treated. DHHS reviews, requests adjustments as needed, and approves the final agreement. The rate reflects indirect costs relative to direct sponsored activity—*not a markup*.

Why the Rate Changes

Either side can move. Facilities & administrative cost shifts affect the numerator; research volume & staffing patterns change the MTDC base.

Application and Fund Reinvestment

Approved rates apply to sponsored projects; recovered funds support research infrastructure and institutional initiatives.

Calculation Methodology Using MTDC

Core Formula: F&A Rate

F&A Rate = Total Allowable Indirect Costs / MTDC. The rate is a ratio showing how much shared institutional support is required for each dollar of federally defined direct sponsored activity, then applies as a % to eligible direct costs.

Short-Form Methodology & Compliance

Federally approved short-form approach: efficient, consistent, and compliant with Uniform Guidance. The resulting rate is reviewed and negotiated with HHS to ensure it is reasonable and defensible – prevents over-recovery.

Numerator: Total Allowable Indirect Costs

Real, audited shared costs supporting multiple projects. *Includes facilities* (O&M, utilities, custodial, depreciation, allowable interest, library) *and admin* (general, departmental, sponsored projects, compliance). Aggregated from audited financial statements.

Denominator: Modified Total Direct Costs (MTDC)

Direct costs that drive institutional support: salaries/wages, fringe, supplies, travel, services, and first $25,000 of each subcontract. *Excludes equipment, tuition, student aid, participant support, and subcontract amounts above $25,000*.

FACT VS FICTION of F&A Rates

What F&A Really Is

Fact: F&A represents real, audited infrastructure & administrative costs
Fiction: F&A is extra money or profit

Who Sets the F&A Rate

Fact: Rates are negotiated with DHHS using audited data
Fiction: UCCS sets the rate on its own

How F&A Is Applied

Fact: Usually applied to MTDC…but can be applied to TDC, depending on sponsor
Fiction: Always charged on the entire award

Use of F&A Revenue

Fact: Redistributed to support campus-wide research infrastructure
Fiction: Goes to one office or department

Waivers and Reductions

Fact: Policy-based and approval-driven
Fiction: Can be waived informally to win proposals

Questions?





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