Facilities & Administrative (F&A) Costs

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

F&A costs are those costs incurred in support of sponsored projects and include the following areas:

- Academic college office costs for salaries and operating expenses, limited to administrative and clerical functions.
- Academic department expenses for the administrative effort of clerical, faculty, and other professional personnel involved in various missions of the unit.
- Cost of depreciation on capitalized equipment purchased with nonsponsored funds.
- Central operation costs such as: Business Services, Facilities Management, SPA, and Libraries.

These costs are used when calculating the University’s F&A rate, which is applied to sponsored projects as a percentage of the sponsored project’s direct costs.

DETERMINING THE F&A RATE AND BASE

The Principal Investigator/department must carefully review the sponsor’s guidelines for the F&A budget category. If the sponsor has a published F&A rate that differs from the University’s federally negotiated rate, that rate must be used. Information about other sponsor-established rates (approved deviations from the federally negotiated F&A rates) may be found in the policy entitled “Requesting Facilities and Administrative (Indirect) Cost Reductions”. In addition, be aware of the cost categories that the sponsor guidelines indicate are excluded from F&A since this will determine which F&A base must be used. If the sponsor does not have a published F&A rate or base, use the current federally negotiated rates for the type of project the proposal is to support. (See the SPA website at www.ospa.umn.edu.)

Note: It is expected that the standard federally negotiated rates will be used whenever possible. Lower rates will not be allowed simply because PIs believe that this will increase the competitiveness of proposals.

F&A RATES

The rates listed below are effective from FY 2012 through FY 2015, and come from the University’s most recent F&A agreement dated 1/7/2013. This date should be used where required on applications.

<table>
<thead>
<tr>
<th>Award Type</th>
<th>MTDC base</th>
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<tbody>
<tr>
<td>Organized Research (on campus)</td>
<td>52.0%</td>
</tr>
<tr>
<td>Public Service / Other Sponsored activities (on campus)</td>
<td>33.0%</td>
</tr>
<tr>
<td>Instruction (on campus)</td>
<td>50.0%</td>
</tr>
<tr>
<td>Hormel Institute (on campus)</td>
<td>52.5%</td>
</tr>
<tr>
<td>Department of Defense Contracts (on campus)</td>
<td>57.0%</td>
</tr>
<tr>
<td>Off-Campus Projects* (all types)</td>
<td>26.0%</td>
</tr>
</tbody>
</table>

* Off Campus Definition: For all activities performed in facilities not owned by the institution, and to which rent is directly allocated to the project(s), the off campus rate will apply. Grants and contracts will not be subject to more than one F&A rate. A project is considered off-campus if more than 50% of the direct salaries and wages of its personnel are incurred at a site neither owned nor leased by the University.
Facilities & Administrative (F&A) Costs

CALCULATING F&A

After carefully reviewing the sponsor’s guidelines for F&A, a two-step formula must be used to calculate F&A costs during the proposal phase:

1. Calculate the base: Total Direct Costs (TDC) — Exempt Costs = Base (e.g., MTDC)
2. Calculate the F&A amount: Base x F&A rate = F&A amount

DEFINITIONS

TOTAL DIRECT COSTS (TDC)
Costs incurred by the project that directly benefit the project (e.g. personnel, travel, equipment).

EXEMPT COSTS
Costs that the sponsor or the University have identified to be excluded from the F&A calculations. Common examples include:
- Equipment
- Patient care costs
- Graduate student fringe
- Capital expenditures
- Tuition remission
- Rental costs of outside facilities
- Scholarships and fellowships
- Subawards in excess of $25,000

BASE
The calculation that contains the project’s direct costs minus any exemptions. This calculated amount is to be multiplied against the F&A rate to determine the total F&A amount. Departments must refer to the sponsor’s guidelines to determine which base must be used. The most common base used by the University of Minnesota is MTDC (Modified Total Direct Costs), which is defined by the Federal Government in OMB Circular A-21. If a sponsor does not have an established F&A rate or base, departments are expected to use the negotiated Federal MTDC base and the appropriate Federally negotiated F&A rate.

EXAMPLE

The sponsor has no established F&A rate, the project is for research, and all University of Minnesota work will be performed on campus. The F&A base that will be used is MTDC.

Direct Costs
- Total Personnel (salaries and fringe)............ $23,000
- Equipment ........................................... 50,000
- Supplies ........................................... 30,000
- Travel ................................................. 1,500
- Other Direct Costs and Services................. 3,200
- Subaward ........................................... 105,000

Total Direct Costs (TDC).......................... $212,700

Exempt Costs
- Graduate Student Fringes....................... -7,800
- Equipment ......................................... -50,000
- Subaward ($105,000-25,000)....................... -80,000

Total Exempt Costs................................. 137,800

Base (MTDC)
1. Calculate the Base:
   TDC-Exempt Cost = Base (MTDC)
   $212,700 - $137,800 = $74,900

2. Calculate the F&A Amount:
   Base x F&A rate = F&A amount
   $74,900 x .52.0% = $38,948

F&A .......................................................... $38,948