

Facilities & Administrative (Indirect) Costs

F&A Procedure

The university negotiates an indirect cost rate agreement with the federal government to recover the costs of facilities and administrative support for sponsored projects. Facilities and administrative (F&A) cost recovery rates are based on actual costs the university has incurred. F&A recovery supports general institutional costs that are incurred for common and joint objectives. These are real costs that cannot be readily identified to a particular project or activity, so they are charged indirectly.

NMU maximizes full F&A recovery whenever possible; however, some sponsors have restrictions on the recovery of F&A costs. If a sponsor restricts F&A recovery, the dean or director of the department must decide whether or not to approve the proposal submission to that sponsor. If a reduced F&A rate is required by the sponsor, the sponsor's published F&A rate policy must be included with the proposal when it is submitted to the Grants & Contracts Office for review.

Any F&A under-recovery will have to be paid according to the standing F&A distribution procedures.

Current F&A Rates

The university negotiates an indirect cost rate agreement with the federal government to recover the costs of facilities and administrative support for sponsored projects.

The U.S. Department of Health and Human Services is NMU's cognizant federal agency for indirect cost rate negotiation.

- NMU's negotiated rate is 36% for all types of sponsored programs.

A copy of NMU's negotiated rate agreement is available [here](#).

If you are preparing a sponsor's form that requires indirect cost rate information, provide the following information:

Cognizant Agency:

U.S. Department of Health and Human Services
Indirect Cost Branch
Code BD0242, Rm. 371
875 North Randolph Street
Arlington, VA 22203
Contact: Ms. Narendra Gandhi, Government Negotiator
Phone: (214) 767-3230

Calculating F&A

Indirect costs, also known as Facilities and Administrative (F&A) costs, are calculated at 36% of Modified Total Direct Costs (MTDC) which per NMU's policy includes only total salaries and wages and fringe benefits.

Direct costs include: salary & wages, fringe benefits, student stipends and benefits, travel, supplies, contractual services, subawards (first \$25,000 and costs in excess of \$25,000), equipment acquisition and fabrication, participant support costs (NSF only) and student tuition.

Total project request= F&A (indirect) + Total Direct Costs (TDC)

F&A Activity Types

There are three main sponsored program activity types that can take place at the university. They are: (1) "Sponsored Research," (2) "Sponsored Instruction and Training," and (3) "Other Sponsored Activities." At many research institutions the F&A rate used is determined by the type of sponsored program, per the university's negotiated rate agreement. NMU's negotiated rate agreement indicates that all sponsored program activities are charged at the same rate. It is important however to correctly identify the type of activity in proposal preparation. The activity is what occurs during the project period and not for what might result after the project period. The sponsor is providing support for the activity at the time of the project, and therefore the activity type should reflect what occurs during the project period only. When in doubt, contact the Grants & Contracts Office for guidance.

Sponsored Research:

"Sponsored Research" consists of "all research and development activities that are sponsored by federal and non-federal agencies and organizations," according to [OMB Circular A-21, Section B.1.b.\(1\)](#). This includes "activities involving the training of individuals in research techniques" where the activities "utilize the same facilities as other research and development activities and where these activities are not included in the instruction function." Sponsored research is combined with university research under the function of organized research for F&A purposes.

Some Examples of "Sponsored Research" Activities:

- Basic and/or applied research activities;
- Maintenance of facilities, equipment and/or operation of a facility which will be used for research;
- Training of individuals in research techniques (research training);
- Publishing research results; or
- Data collection, evaluation, analysis and/or reporting.

Sponsored Instruction and Training:

"Sponsored Instruction and Training" consists of "specific instructional or training activity established by grant, contract, or cooperative agreement," according to [OMB Circular A-21, Section B.1.a.\(1\)](#).

Some Examples of “Sponsored Instruction and Training” Activities:

- Instructing NMU students, faculty, or staff;
- Instructing teachers or students in elementary or secondary schools;
- Instructing the general public;
- Curriculum development projects, including evaluation of curriculum or teaching methods;
- Projects involving NMU students in community service activities for which they are receiving academic credit; or
- Fellowship support for pre-doctoral and post-doctoral training activities, which may include grants to fund dissertation work and travel in relation to a dissertation.

Other Sponsored Activities (OSA):

“Other Sponsored Activities” consist of “programs and projects financed by federal and non-federal agencies and organizations which involve the performance of work other than instruction and organized research,” according to OMB Circular A-21, Section B.1.c.

Some Examples of OSA:

- Performing a service (e.g., production of goods or materials) for an outside entity, unless NMU is a subawardee on the entity’s prime award that is primarily for research or instruction/training;
- Travel grants;
- Support for conferences, seminars, or workshops;
- Support for NMU public events;
- Support for projects involving NMU students in community service activities for which they are *not* receiving academic credit;
- Support for projects pertaining to museum or library collections, acquisitions, bibliographies, or cataloging;
- Programs to enhance institutional resources, such as computer enhancements, etc.; or
- Health services projects.

F&A Distribution

50% of the total collected F&A on a proposal goes toward university Facilities & Administrative costs, directed by the Vice President of Finance and Administration. The remaining 50% of collected F&A is available to the PI/department upon request. The funds can be used to cover indirect expenses at the department level. Policy can be found here:

<http://www.nmu.edu/hr/node/327>

Off Campus Research F&A Rate

Off-Campus Research is defined as projects or specified project segments which (1) have estimated direct costs in excess of \$100,000 **and** (2) which require off-site research activities for a period of 180 consecutive days or the equivalent of 80% of the project term.

Unless a benefit to the project can be identified, such rates shall not contain on-campus facilities depreciation charges or operation and maintenance costs except for those costs which flow down through other cost components, nor shall there be any provisions for library or student services costs.

Projects that meet these criteria should submit proposals at a reduced F&A rate to funding entities only when the AOR or Contracting Official has reviewed and agrees that the project meets the Off-campus criteria as defined above.

Only Off-campus projects that benefit from university facilities should be including the facilities component in the F&A rate for those projects. Otherwise projects meeting the above criteria should use the administrative rate of 26.0%.

F&A Waiver Approval

Should a proposal request reduced F&A for any reason (off-campus, limited or encouraged to limit indirect costs by sponsor agency, etc.) the PI must complete an F&A Waiver form, available in the Grants & Contracts Office, and receive approval by the AOR and/or Contracting Official.