

## **FACILITIES AND ADMINISTRATIVE COSTS (F&A)**

### **Definition**

Facilities and Administrative Costs (F&A) are frequently referred to as “Indirect Costs” and are general operating costs incurred by the University in support of sponsored research, public service, and instruction. F&A costs are actual costs incurred by the University that cannot be readily identifiable or associated with a single sponsored project or activity. These costs are often misunderstood or incorrectly construed to be “profit” for the University. As is true for any organization that receives external support, these costs are real and necessary expenses for the University. F&A costs should be included as a separate line item in the budget of each proposal submitted for external funding. These costs must be budgeted so that the University can recover the true costs incurred by sponsored research, public service, and instruction projects.

The determination of these costs is based on a cost proposal submitted by the University to our federal cognizant agency, the Department of Health and Human Services. The University's current calculated F&A rate is 42% of Modified Total Direct Costs (MTDC). This rate was negotiated with the Department of Health and Human Services (DHHS) in 2009 for a period of three years.

### **Salary Recovery from Grant or Contract Work**

Faculty salaries and wages are budgeted in the state appropriation process and paid out of the respective departmental budget account. When a faculty member writes a grant proposal or a contract, a portion of his/her salary and the applicable fringes are budgeted in the proposal as expenditures to the grant or contract. When funded, the amount of budgeted time that was recorded on the “Proposal Approval Form” and approved by the sponsoring agency is entered into the DEFINE accounting system, distributing the appropriate portion of the salary and fringes to that grant or contract. Therefore, “Salary Recovery” is the process of charging faculty members' budgeted time on externally funded awards as expenditures to the applicable grant.

### **Distribution of Recovered F&A Costs**

In order to enhance research and sponsored project productivity, the following distribution of recovered F&A costs was implemented on 1 September 2008:

Of the total F&A funds recovered from an individual project,

- 10% is reallocated to the PI who generated the successful proposal (as an incentive for seeking funding to support his/her research);
- 5% is reallocated to the PI's home department (to enhance departmental research efforts);
- 5% is reallocated to the PI's home college (to enhance college research efforts);
- 15% is reallocated to the OSR matching fund (to offset cost-sharing requirements);
- 30% is reallocated to the OSR (to offset operating costs for university research development and enhancement);

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- 5% is reallocated to the Provost's Office (to enhance university research efforts);
- 30% is reallocated to the University (to offset costs to university for conduct of research)

The funds returned to each entity must only be used to enhance further research and sponsored activities. These funds are restricted for research development and to support general research and sponsored project activities and must be expended accordingly. In addition, reallocated F&A costs must be expended within one year from allocation. Each PI, respective department, and respective college has its own account set up for the expenditure of these funds. The F&A costs are booked into the respective accounts on a quarterly basis and reflect the costs recovered for that quarter. Because most grants are administered on a cost-reimbursement basis, F&A costs cannot be recovered until the appropriate expenditures have been made. As soon as expenditures on the grant are made, the F&A costs are able to be recovered. This is the reason that it is important for a PI to expend his/her grant funds according to schedule. In the case of projects involving multiple PIs/departments/colleges, the amount of F&A costs returned are based on the percentages agreed to on the Proposal Approval Form when the proposal was submitted.