San Jose State University

Research Foundation

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Facilities and Administrative Costs FAQs

1. What Are Indirect Costs or Facilities and Administrative Costs?

   Please note that Facilities and Administrative Costs (F&A) is the federal government term for what was previously referred to as indirect costs. Many sponsors have phased out the term "indirect costs" and replaced it with F&A costs.

   F&A costs are those expenses associated with maintaining the infrastructure of universities, such as library services, building and equipment depreciation, utilities, janitorial services, sponsored projects administration, human resource administration, accounting and finance services, legal, and audit costs. F&A costs are an integral part of every proposal budget. They should not be considered as "taken off the top" of an award or easily waived.

   The F&A funds recovered through contracts and grants go toward supporting research, instructional, and public service projects that are paid for with external funds.

2. Why are F&A costs charged to grants and contracts?

   The operation of any enterprise, whether it is non-profit or for-profit, involves costs. In order to fully pay SJSU for the costs of its sponsored research and educational activities, F&A costs must be reimbursed by funding agencies. If these costs are not reimbursed, the university itself would have to pay for them. This, of course, would have an adverse impact on department budgets, student fees, and university resources. Sponsors recognize this fact and, with few exceptions, are willing to pay for F&A costs. The SJSU Research Foundation is directed by the CSU Office of the Chancellor to include the proper F&A costs in proposal budgets and to collect these funds on behalf of SJSU.

3. What do F&A costs include?

   - Building use
   - Library use
   - Improvement use
   - Equipment use
   - Operations and maintenance
   - General and departmental administration (accounting, human resources, procurement, insurance,
4. What F&A costs are NOT:

- F&A costs are not a tax or "transaction costs," such as the cost of cutting a check.
- F&A recoveries are not all kept by SJSU Research Foundation but are used to reimburse the university.
- F&A costs are not taken out of a grant or contract; they are built into it.
- F&A costs are not discretionary or arbitrary.

5. How are F&A rates determined?

The procedure for calculating F&A costs is prescribed for all universities by the federal government's Office of Management and Budget (OMB). SJSU and the SJSU Research Foundation work together to determine what the university’s F&A costs are, and present the documentation to the government for review and audit.

The U.S. Department of Health and Human Services (DHHS) is the federal agency (referred to as cognizant agency) that audits this process for SJSU, and it is with DHHS that the SJSU Research Foundation signs the Colleges and Universities Rate Agreement that specifies the F&A rates used when determining budgets.

6. What are SJSU’s current F&A rates?

As with most universities, SJSU has F&A rates that are specific to the type of project being conducted (research, instruction, or other activities) and to the site at which the project will be conducted (on or off campus). The rates are as follows and are in effect until June 30, 2016.

**SJSU Main Campus**

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<th>Instruction</th>
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<td>On On</td>
<td>44.5%</td>
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<tr>
<td>Off On</td>
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<td>SJSU Moss Landing Marine Laboratories</td>
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## Definitions:

- An **On-Campus** program is one where the majority of activities are conducted using facilities where space-related costs (e.g. rent, utilities and maintenance) are paid for by the university or its affiliates, and are not charged directly in the project budget.

- An **Off-Campus** program is one where the majority of activities are conducted (1) in leased facilities where space-related costs (e.g. rent, utilities and maintenance) are charged directly in the project budget, or (2) in facilities made available (at no cost) to the program by a non-university organization.

*Certain projects do not require a “facility” in that all work (up through analysis) is done in the field. These types of projects are usually in the field over an uninterrupted period of time and would be considered “off-campus.” In the case where the majority of work is in the field without the use of university or university affiliate owned facilities such as buildings, trailers, or vessels, that work would be considered off-campus.*

- **Research** refers to all research and development activities that are sponsored by Federal and non-Federal agencies and organizations. This term includes activities involving the training of individuals in research techniques (commonly called research training) where such activities utilize the same facilities as other research and development activities and where such activities are not included in the instruction function of the university.

- **Instruction** means specific instructional or training activity established by grant, contract, or cooperative agreement. This term does not include the training of individuals in research techniques, commonly referred to as research training.

- **Other** means sponsored activities programs and projects financed by Federal and non-Federal agencies and organizations that involve the performance of work other than instruction and organized research. Examples of such programs and projects are health service projects and community service programs.

- **MTDC** stands for Modified Total Direct Costs. Full F&A costs are applied on an MTDC basis, which means that certain cost categories of direct costs are excluded when calculating F&A for a given project.

### 7. What items are excluded from F&A?

The following cost categories are excluded from a Modified Total Direct Cost base:

- Capital expenditures (buildings; equipment costing more than $5,000 and with a useful life of more than one year; alterations and renovations)
- That portion of sub awards over $25,000
- Patient care costs
Participant support costs for workshops and conferences and student support costs such as stipends, scholarships and fellowships. (Note: these cost reimbursements are generally made directly to the participants or students and are identified as such in the budget.)

8. Will adding F&A costs to my budget hurt the chances of my project being funded?

No, most sponsors expect to see F&A costs. A well-planned budget includes F&A. As long as all direct-cost items are realistic, F&A will not affect a proposal’s competitiveness. This is true for two reasons. First, other applicants will also be including F&A costs in their budgets. Second, funding agencies recognize that F&A is a necessary part of a budget and do not discriminate against institutions that include F&A. The substance and content of a proposal, including its objectives, methodology, and care of preparation is far more important than F&A in determining whether or not a project gets funded.

9. A colleague of mine at another institution and I are applying to the same program. Her institution is willing to charge less than their full F&A rate. Why can’t SJSU do the same?

Some institutions choose to bear a greater share of research costs than others. Reasons why usually correspond to the institution’s prescribed research agenda and its ability to justify for the university to absorb those F&A costs. For the most part those institutions have a budget absorbing some of those costs. A lower F&A rate does not usually mean the research costs are less at one institution than another. More likely it suggests that the costs are being shifted to the university or the state’s taxpayers and not charged to the sponsor.

Reference

For additional information, please consult the Uniform Guidance (2CFR 200).

Uniform Guidance §200.414 establishes principles for determining costs applicable to grants, contracts, and other agreements with educational institutions. The principles are designed to provide that the Federal Government bear its fair share of total costs, determined in accordance with generally accepted accounting principles, except where restricted or prohibited by law.