

December 2014

Facilities and Administrative Costs
Primer
The Research Foundation for The
State University of New York

Table of Contents

Introduction.....	3
Direct vs. Facilities and Administrative (F&A).....	4
F&A Proposals (Short Form vs. Long Form).....	5
Costs Included in F&A Proposal.....	6
F&A Cost Components.....	7
Calculating F&A.....	9
Roles and Responsibilities.....	10
Space Survey.....	11
Types of Rates.....	11
Rate Negotiation.....	13
Cost Recovery.....	14
Contact Information.....	14

Introduction

This Primer is designed to provide background information about Facilities and Administrative (F&A) costs to members of The Research Foundation (RF) for SUNY community. F&A costs are expenses associated with the use of SUNY facilities and various administrative costs that cannot be directly and uniquely assigned to any particular project. F&A cost recoveries are sought from sponsors to pay for the physical plant, maintenance and operations costs, and general SUNY facilities in which the sponsored programs are carried out. F&A recovery monies must be spent according to the RF Unrestricted Fund Expense Policy.

Direct vs. Facilities and Administrative (F&A)

Federal regulations governing project costs are described in Office of Management & Budget (OMB) 2 CFR Part 200.

Direct costs are those costs that can be identified specifically with a sponsored project, instructional activity, or other institutional activity, and thus directly assigned relatively easily with a high degree of accuracy. Examples of direct costs are salaries and wages, fringe benefits, equipment, supplies, travel, and publication expenses. For a cost to be directly charged it must be "reasonable," "allocable," "consistently treated," and "not specifically designated as unallowable." A cost must meet all of these conditions before it may be directly charged to a federally sponsored project. These conditions apply to estimating (developing proposals), accumulating (spending), and reporting costs.

Reasonable

The cost must be reasonable and necessary for the performance of the project. This means that a prudent individual pursuing the proposed work would spend funds in this manner.

Allocable

Costs must be allocable to the project. Costs of goods or services that are charged or assigned to a project must be based on the relative benefits received by the project. This is not an issue if the expense was incurred by a single project. However, if the item is of benefit to more than one project, then a sponsored project may only be charged for the portion of the expense that represents the benefit directly received by that project.

Consistently Treated

When costs are charged to a federally sponsored project, they must be consistently treated. All costs incurred for the same purpose in like circumstances must be either direct costs only or F&A costs only. A cost item may not be charged as a direct cost on some projects and as an F&A on other projects in like circumstances.

Unallowable Costs

Certain costs incurred by institutions cannot be charged to federally sponsored research projects, either as a direct or F&A cost. These costs are referred to as unallowable costs. The following specific items cannot be included in the F&A rate calculation or charged as direct costs to federal research:

- Alcoholic beverages

- Alumni activities
- Institution-furnished automobiles for personal use
- Legal costs of criminal and civil proceedings, appeals and patent information
- Dependent tuition remission
- Donations and contributions made by an institution
- Fund-raising activities
- Entertainment
- Executive and legislative lobbying
- Insurance against defects
- Fines and penalties
- Goods and services for personal use of employees
- Housing and personal living expenses of an institution's officers
- Memberships in any civic, community or social organization or country club
- Selling or marketing of goods or services

The determining factor in distinguishing direct costs from F&A costs is identification of the costs with the sponsored project, not the nature of the good or service.

The F&A proposal must contain a certification from a SUNY representative and an RF representative that unallowable costs have been identified and excluded from the F&A proposal.

F&A Proposals (Short Form vs. Long Form)

An F&A proposal is the documentation prepared by the RF in accordance with the cost principles in OMB 2 CFR Part 200 that substantiates claims for the reimbursement of F&A costs.

F&A rates are generally developed and calculated every four years using the base year, which is the fiscal year prior to the termination of the current F&A rate.

The RF central office coordinates and assists campuses with developing F&A proposals and submitting and negotiating the F&A rates. The F&A rates are negotiated with the U.S. Department of Health and Human Services (DHHS), the cognizant federal agency. Rates are published in a signed rate agreement.

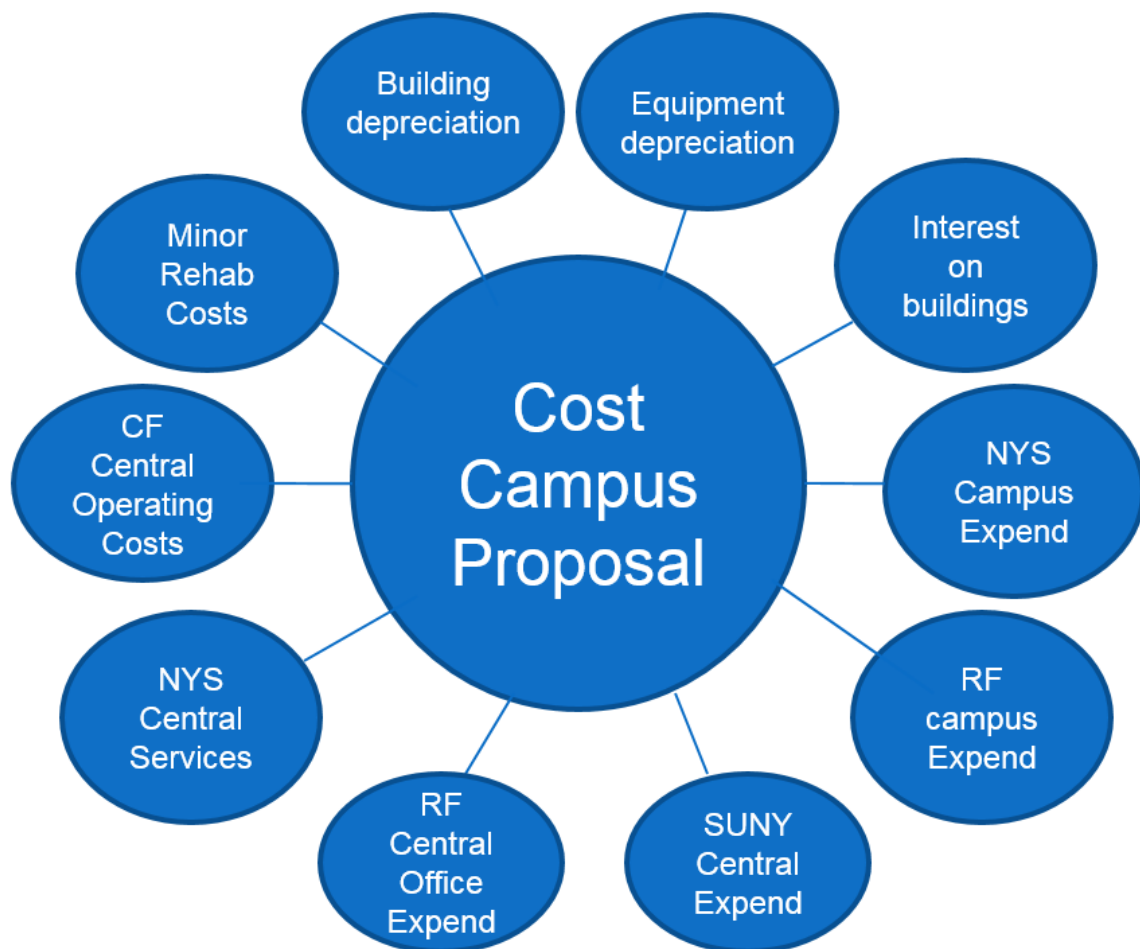
For those institutions receiving less than \$10 million annually in federal support, the "short form" F&A proposal is recommended. Under this methodology the institution may use either salaries & wages (S&W) or modified total direct cost (MTDC) as the denominator in

calculating the F&A rate. The "short form" approach simply calculates a ratio of F&A on an S&W or MTDC base for all activities of an institution.

If the simplified method is used, it determines the F&A rate applicable for all sponsored agreements. Separate rates for Research, Instruction and Other Sponsored Activity are not calculated. Essentially, one on-campus rate and one off-campus rate are used for all sponsored agreements. The short form rate is an institutional or average rate.

F&A rates for those institutions receiving in excess of \$10 million must be determined by a "long form" approach that uses modified total direct costs (MTDC) as the distribution base. Several rates may be calculated, such as organized research, instruction and other sponsored activities.

Costs Included in F&A Proposal



Included in the F&A Proposal are costs from New York State, Central Office, SUNY Central, and the Construction Fund. The applicable share of these costs is allocated to the individual campus locations.

F&A Cost Components

Under OMB 2 CFR Part 200, F&A costs must be identified, grouped according to cost categories, and allocated to the benefitting functions. The result of this allocation is a determination of a pool of costs that benefit all the research projects at an institution. These costs are separated into two broad categories, “facilities” and “administrative.”

Facilities

- Depreciation allowance for buildings and equipment
- Operation and maintenance expenses
- Library costs
- Interest on debt

Administrative Costs*

- General administration and general expenses
- Departmental administration
- Sponsored project administration
- Student administration and services

*OMB 2 CFR Part 200 imposes a 26% limitation on the reimbursement of Administrative costs for long form proposals only.

Depreciation for buildings and equipment

Institutions can be compensated for the use of their buildings, capital improvements, and equipment related to sponsored programs. Any building or equipment purchased with federal funds cannot be included in the F&A rate pool. Building expenses include construction costs (or the appraised value for a donated building) of the shell and all components, improvements, and fixed equipment (i.e., HVAC, fume hoods). Equipment is defined as a nonexpendable, tangible piece of property with a useful life of more than one year and an acquisition cost of \$5,000 or more.

The F&A proposal uses the standard straight-line method to depreciate the value of property by an equal amount every year of its expected life and should be applied to items which wear out uniformly.

Operations and maintenance expenses

This category includes all costs associated with upkeep of the institution's physical plant—buildings, mechanical systems, and equipment—and land. Examples of these costs include facility planning and management, utilities, janitorial service, repairs and painting, property insurance, shipping and receiving, and landscaping.

Library costs

Library expenses include salaries and benefits of all library personnel, operating expenses, as well as, the cost of books and other library materials.

Interest on debt

Interest on debt associated with buildings, equipment, and capital improvements is included as a facilities cost.

General administration and general expenses

These expenses relate to the executive management and administration of the institution. Examples include all costs associated with the president's office, accounting, purchasing, human resources, budget and planning, central services, risk management, legal services, and centralized information technology services. This category does not include general expenses incurred within specific dean's offices, divisions, or departments.

Departmental administration

This category includes salary costs associated with dean's offices and other administrative and support services of academic departments and divisions. This category also includes a 3.6% allowance for administrative work (including bid and proposal preparation) of faculty (including department heads) and other professional personnel.

Departmental administrative and clerical staff salary expenses are normally treated as F&A costs, but they may be appropriately charged directly to sponsored programs based on criteria in 2 CFR Part 200, section 413. Additionally office supplies, postage, local telephone costs and memberships must normally be charged as indirect (F&A) costs.

Sponsored project administration

This category includes the costs of running the offices that administer sponsored projects. In educational institutions, these are often called pre-award and post-award research administration offices. This category also includes costs of the RF Central Office.

Student administration and services

In most educational institutions, student administration and service costs (i.e., admissions, registrar's office, and counseling and placement services) do not relate to sponsored

research. The only administrative and services costs that may be attributable to sponsored research are those that can be directly associated with graduate students working on research projects.

For long form proposals, student administration and services is part of the administrative component of the instruction rate.

For short form proposals, student administration and services is part of the denominator in the rate calculation.

Calculating F&A

F&A Long Form Rate Calculation

$$\text{F\&A Research Rate} = \frac{\text{F\&A Cost Assignable to Research}}{\text{MTDC Research Base}}$$

F&A costs allocated to research function: \$20 million

MTDC cost base of research awards: \$40 million

F&A cost rate: (F&A / MTDC) $\frac{\$20 \text{ million}}{\$40 \text{ million}} = 50\%$

For long form proposals, cost sharing is included in the MTDC base/denominator.

MTDC= Direct costs less equipment, capital improvements, tuition, scholarships and fellowships, rental of off-site facilities, subcontracts >\$25,000

F&A Short Form Rate Calculation

$$\text{F\&A SF Rate} = \frac{\text{F\&A costs of Institution}}{\text{S\&W or MTDC of all direct costs}}$$

F&A costs of Institution: \$20 million

Salaries & Wage or MTDC base of all direct costs: \$40 million

F&A cost rate: (F&A / S&W or MTDC) $\frac{\$20 \text{ million}}{\$40 \text{ million}} = 50\%$

For short form proposals, cost sharing has no effect on the rate because one rate is calculated for the institution.

Roles and Responsibilities

RF Finance Office

- Obtain SUNY expenditures from System Administration and Construction Fund (CF)
- Obtain capitalized and interest costs from Construction Fund
- Assist in compiling statistics: space, FTE's, etc.
- Identify Sponsored, RF Funded and Agency activity for Campus
- Compile expenditures into a draft cost proposal in accordance with OMB 2 CFR Part 200
- Provide guidance on OMB 2 CFR Part 200
- Adjust proposal based on campus review and input
- Submit proposal to and negotiate rate with DHHS
- Communicate rate and update website

Campus Locations

- Verify that data compiled in the base is correct
- Verify that cost sharing data compiled is correct
- Verify that PSI and Equipment inventory is up to date
- Identify unallowable costs in overhead areas
- Verify that costs (e.g. equipment depreciation) included in recharge or service center rates are not included in overhead areas
- Identify costs directly charged to other areas, including sponsored programs
- Identify costs related to bursar/student billing
- Identify costs related to the president's residence and other personal expenses of officers

Space Survey

The space survey is a critical process to the completion of the long form because the facility component is not capped.

Expenses for depreciation, operations and maintenance, and interest are allocated to the major functions based on space surveys, which detail the functional use of rooms on a campus.

A space survey provides the supporting documentation of the space results, which are used as a statistic to allocate the facility related costs in the F&A proposal. The space survey is subject to federal and other audits and the quality of the survey determines the accuracy and defensibility of the allocation of costs in the F&A rate proposal.

Types of Rates

Organized Research

Organized research means all research and development activities of an institution that are separately budgeted and accounted for. It includes:

(1) Sponsored research means 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.

(2) University research means all research and development activities that are separately budgeted and accounted for by the institution under an internal application of institutional funds. University research, for purposes of this document, shall be combined with sponsored research under the function of organized research.

Research DOD Contracts

See definition of organized research. As is referenced in DFARS 231.303(1), the 26% administrative cap does not apply to DOD contracts issued after November 30, 1993.

Instruction

Instruction means the teaching and training activities of an institution. Except for research training as provided in subsection (1), this term includes all teaching and training activities, whether they are offered for credits toward a degree or certificate or on a non credit basis, and whether they are offered through regular academic departments or separate divisions, such as a summer school division or an extension division. Also considered part of this major function are departmental research, and, where agreed to, University research.

(1) Sponsored instruction and training means specific instructional or training activity established by grant, contract, or cooperative agreement. For purposes of the cost principles, this activity may be considered a major function even though an institution's accounting treatment may include it in the instruction function.

(2) Departmental research means research, development and scholarly activities that are not organized research and, consequently, are not separately budgeted and accounted for. Departmental research, for purposes of this document, is not considered as a major function, but as a part of the instruction function of the institution.

Other Sponsored Activity

Other sponsored activity means 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. However, when any of these activities are undertaken by the institution without outside support, they may be classified as other institutional activities.

Intergovernmental Personnel Act (IPA)

An IPA assignment agreement is used when an employee of an educational institution is temporarily assigned to work at a federal agency (such as a Veterans Administration Medical Center) for a specified period, because of their expertise in a particular area. The federal agency agrees to pay the assignee's salary, fringe benefits, and sometimes travel expenses. The Agreement includes a description of the duties and responsibilities of the assignee. It also provides for the assignee to return to their position (or similar position) at the educational institution.

On-Campus/Off-Campus

On-campus and off-campus rates are developed for each F&A rate (Organized Research, Instruction, etc.) with the exception of the IPA rate of which one rate applies to both on and off rates.

For all activities performed in facilities not owned or leased by the institution or to which rent is directly allocated to the project(s), the off-campus rate shall apply. Each campus chooses one of two methods for allocating costs between on and off campus. The first option is the 50% rule. If more than 50% of the project is off-campus, the off-campus rate will apply to the whole award. The second option is the apportionment method. Actual costs will be apportioned between on-site and off-site components and each portion will bear the appropriate rate.

Nonfederal Rates

In rare instances, private or nonfederal sponsors may allow F&A rates to be applied to a total direct cost base as opposed to modified total direct cost or salary and wage bases. The RF Central Office finance office will calculate these rates at the request of the campus.

Other Rates

Other rates are sometimes calculated and used at the request of the campus or in order to more accurately allocate costs. An example of this is the Trade Adjustment Assistance Center at Binghamton.

Rate Negotiation

Once the F&A cost information is assembled and appropriately document, it is submitted to the Department of Health and Human Services (DHHS), which is the RF's cognizant federal agency. DHHS negotiators make their own evaluation of the materials submitted and seek to negotiate downward some of the costs included in the pools. The Central Office finance office negotiates the rates on behalf of the institution and a set of negotiated F&A rates are established that is acceptable to the institution and DHHS. The new rates in the rate agreements typically span four years.

Cost Recovery

F&A costs should be recovered in accordance with the [Indirect Cost Recovery Policy](#).

Contact Information

Chris Wade

Senior Director of Cost Accounting and Procurement

518-434-7026

chris.wade@rfsuny.org