

Facility and Administrative (F&A) Costs

Mississippi State University's Facilities and Administrative (F&A) Cost Rates are federally approved rates for reimbursement of indirect costs on sponsored projects. F&A, or indirect, costs are the expenses incurred by the institution for common or joint activities that cannot easily be assigned to a specific project.

The importance of recovering full F&A cannot be overstated. Indirect costs are real costs associated with performing sponsored activities and the recovery of these costs make it possible for MSU to provide the necessary support to perform these activities – lab space, conference space, custodial support for labs, hazardous waste removal, research compliance and security support, travel support, procurement and contracts support, ITS support, etc.

How to determine the appropriate F&A Rate:

Two important questions must be answered to determine the appropriate F&A rate:

1. **Where** is the work being performed?
 - a. On-campus
 - b. Off-Campus

2. What **type** of activity is being performed?
 - a. Research
 - b. Instruction
 - c. Other Sponsored Activities

Guidance can be found below on how to address these questions. MSU's current rates can be found here: <https://www.controller.msstate.edu/cas/casex/facilities.php>

On- vs. Off-Campus

On-Campus

Activities performed in facilities owned by the University and for which the University is bearing all costs associated with that space with University funds.

Off-Campus

Activities performed in facilities not owned by the University and to which rent is directly allocated to the project. If project activities are conducted in leased space and the lease is directly charged to the project, then the project is considered off-campus.

The default rate should be on-campus and a project must be able to justify otherwise. Department Heads/Directors must approve all proposed work via the Internal Approval Sheet (IAS). The appropriate Vice President's office will periodically review awards and the F&A rate applied. If ever determined the appropriate rate was not utilized, the department risks being financially responsible for any lost F&A return that should have been recovered by using the correct F&A rate.

Grants or contracts will not be subject to more than one F&A cost rate. If more than 50% of a project meets the on-campus definition, the on-campus rate will apply to the entire project. The 50% rule can be met either by an estimation of the effort expended or by the direct costs incurred in each location.

Principal Investigators (PIs) shall work with their departmental business personnel in building their sponsored budgets to determine the appropriate indirect rate. In reviewing and making the determination of the rate, the business personnel shall review the project scope to ensure that the correct rate is used. When a determination cannot be easily made, the Office of Sponsored Projects shall be consulted to assist in rendering a decision. The following examples are offered to provide additional clarity:

Scenario 1

- Research will take place on a farm owned by MSU. Since MSU owns and manages the field, the on-campus rate should be used.
- Research will take place on a farm not owned by MSU. There is a fee associated with having access to the land that will be directly billed to the project. The period of performance is for one year, but the research in the field will only be for 2 months. Since majority of the work over the remaining 10 months will be performed in an on-campus facility, the on-campus rate should be used. If the situation was reversed where the field work lasted 10-months and the researchers spend that time off-site, then the off-campus rate should be used.

Scenario 2

- Research will take place at a building in the Research Park where the department pays a lease for their office space. Lease expenses for the space are a line item in the grant or factored in a service center model. The off-campus rate should be used.
- Research will take place at a building where there is no lease or the lease for the space is paid for centrally by the University. The project should use the on-campus rate.

Scenario 3

- The project involves courses that are created at MSU facilities but taught at school districts or other venues off-campus where there is not a cost for the room that is charged to the grant. In this situation, the majority of costs would determine the appropriate rate. If majority of the costs are associated with the off-campus activities, then the off-campus rate should be applied. If the off-campus component is a small amount of the overall total project costs, then the on-campus rate would apply.
- The project involves courses which are already created or “canned” but taught at school districts or other venues off campus where there is not a cost for the room that is charged to the grant. The project should use the off-campus rate.
- The project involves courses that are taught at MSU managed locations across the state. The project should use the on-campus rate.

Project Types *(definitions from Uniform Guidance)*

If more than 50% of a project meets any of the definitions below for organized research, instruction, or other sponsored activities, select the project type of the predominate activity.

Organized Research

All research and development activities sponsored by federal or non-federal agencies and organizations. Research is “a systematic investigation, including research development, testing, and evaluation, **designed** to develop or contribute to generalizable knowledge.” (ref. 45 CFR 46)

Examples:

- Those that involve basic, applied, or experimental research and development activities
- Undergraduate fellowship programs focused on training in research techniques
- Graduate/Professional fellowship programs focused on training in research techniques
- Quality assurance/improvement studies that also intend to establish scientific evidence on the success of an intervention related to its intended purpose
- Comparative studies designed to assess efficacy of accepted practices
- Program evaluation studies designed to produce knowledge that extends beyond the participants/institutions involved
- Small-scale preliminary activities used to refine the design, methods, or instruments of a larger study

Instruction

Formal, informal, and nonformal teaching and training activities established by an award.

Examples:

- Non-research related training and development activities
- Non-research related conferences and workshops
- Activities in classes where the curriculum consists of teaching research methods
- Undergraduate and graduate fellowships not focused on training in research techniques including sponsored internships, apprenticeships and instructional fellowships
- Informal and nonformal instruction provided to off-campus clientele

Other Sponsored Activities

Sponsored awards which involve the performance of work other than instruction and organized research.

Examples:

- Studies involving only the collection of data for entry into a registry
- Funding for clinical care activities such as providing routine treatment to patients in rural communities
- Non-experimental curriculum development (including software) for early childhood, compulsory, and higher education.
- Sponsorship of museums, arts, dance, music programs
- Equipment unconnected to a specific research project
- Consulting with a community advisory board about a proposed study

- Routine/commercial testing or contract-for-service activities— generally involves the use of non-experimental procedures/measurements
- Quality assurance/improvement activities limited to the use of accepted practices in the participating institutions, without the intent to produce generalizable knowledge

Intergovernmental Personnel Act (IPA) Agreement

A temporary assignment of personnel between the Federal Government and state and local governments, colleges and universities, Indian tribal governments, federally funded research and development centers, and other eligible organizations.

Uniform Guidance Definition - § 200.414 Indirect (F&A) costs.

- (a) *Facilities and administration classification.* For major Institutions of Higher Education (IHE) and major nonprofit organizations, indirect (F&A) costs must be classified within two broad categories: “Facilities” and “Administration.” “Facilities” is defined as depreciation on buildings, equipment and capital improvement, interest on debt associated with certain buildings, equipment and capital improvements, and operations and maintenance expenses. “Administration” is defined as general administration and general expenses such as the director's office, accounting, personnel and all other types of expenditures not listed specifically under one of the subcategories of “Facilities” (including cross allocations from other pools, where applicable). For nonprofit organizations, library expenses are included in the “Administration” category; for IHEs, they are included in the “Facilities” category. Major IHEs are defined as those required to use the Standard Format for Submission as noted in appendix III to this part, and Rate Determination for Institutions of Higher Education paragraph C. 11. Major nonprofit organizations are those which receive more than \$10 million dollars in direct Federal funding.

A breakdown of costs recovered through F&A:

Facilities

- Building Depreciation
- Equipment Depreciation
- Interest
- Operations and Maintenance (utilities, bond or lease payments, repairs, etc.)
- MSU Libraries

Administration

- General Administration
- Department Administration
- Sponsored Projects Administration
- Student Services Administration