The Facilities and Administrative (F&A) rate is the means that the federal government uses to reimburse for routine costs that support a sponsored award. F&A costs are synonymous with “indirect or overhead” costs. Overhead costs are the real operational costs of the University. The F&A rate calculation allocates these costs to the benefiting cost pools.

* The F&A rate proposal is prepared in accordance with federal guidelines in 2 CFR Part 200 Appendix III.
* The University uses CRIS (Comprehensive Rate Information System) software developed by MAXIMUS to prepare the F&A rate proposal. The CRIS software is widely used by major research universities and is highly regarded and accepted by the federal agency offices that audit and negotiate the F&A rates.

The F&A costs consist of:

* **Modified Total Direct Costs (MTDC)** that can be identified to a specific project, program or activity of an institution.
	+ MTDC generally **includes**:
		- Salaries, wages, and fringe benefits
		- Materials, supplies, and services
		- Travel
		- Subcontract expenditures up to $25,000 each
	+ MTDC generally **excludes**:
		- Equipment
		- Capital expenditures for buildings/ improvements
		- Tuition remission
		- Rental of off-site facilities
		- Scholarships and fellowships
		- Subcontract expenditures in excess of $25,000 each
	+ The Direct costs are grouped in the following cost pools (bases):
		- Instruction (teaching) & Departmental Research (individual research)
		- Sponsored Instruction (training grants)
		- Organized Research (project research – separately budgeted and accounted for)
		- Other Sponsored Activities (not instruction or research)
		- Other Institutional Activities (auxiliaries, athletics, et.al.)
* **Indirect Costs** that cannot be identified to a specific project, program or activity but will benefit the total institution. The Indirect cost pools include:
	+ **Facilities Costs** are uncapped pools. (Building depreciation, equipment depreciation, capital improvements to buildings and land, operation and maintenance of plant, interest on capital expenditures, and library)
	+ **Administrative Costs** are capped pools at 26%. (General University Administration, Department/College Administration, Sponsored Projects Administration, Student Administration)

The University calculates and submits three rates: Organized Research, Sponsored Training, and Other Sponsored Activities.

Example of F&A rate calculation:

 Total of Indirect costs to be

 ***Numerator*** Allocated to Direct Cost Base = F&A Rate

 ***Denominator* Direct Cost Base**

 **Rate Negotiation Process**

* F&A proposal must include all the required schedules and be well organized. The CRIS software produces most of the required data schedules in a format familiar to the auditors. The CRIS software enables us to:
	+ Respond expeditiously to information requests
	+ Submit a response that is well formatted, well documented, and easy to follow
	+ Be prepared to defend our position with the best arguments and data
* The proposal process begins with gathering financial data through reports and queries and reconciling data to the audited financial statements.
* A space survey is conducted to identify uses of University facilities.
* All data is loaded into the CRIS software.
* The Indirect Cost Proposal checklist is prepared along with required Certificates.
* The proposal is generated for review and ultimate submission to the Department of Health and Human Services, Cost Allocation Services division.