45.10 -- Facilities and Administrative (Indirect) Rate
December 2018

A. General. Facilities and administrative (F&A) costs are those costs incurred for common or joint objectives and which therefore cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity (2 CFR 200 Appendix III.A.). These costs are real costs borne by the University in support of sponsored projects, and which the University is entitled to collect from sponsors. Due to the difficulty of assigning F&A costs directly, approximately every three (3) years the University negotiates an F&A (also known as “indirect cost” or “overhead”) rate with the University’s cognizant federal agency, the Department of Health and Human Services (DHHS). [ed. 12-18]

B. Definitions.

B-1. Project Types. A project shall be categorized based on a determination of the “best fit” within the project types defined below. The Office of Sponsored Programs (OSP) shall be responsible for the final determination, if the project is difficult to classify.

a) Instruction. The instruction category includes all teaching and training activities that are part of an institution’s instructional program. Instruction includes the following activities: 1) credit and noncredit courses, 2) community education programs, 3) academic, vocational, and technical instruction, 4) remedial and tutorial instruction, and 5) regular, special, and extension sessions. [rev. 12-18]

b) Organized Research. The organized research category includes the research, development and research training activities of an institution. Research is defined as a systematic study directed toward fuller scientific knowledge or understanding of the subject studied. Development is defined as the systematic use of knowledge and understanding gained from research, directed toward the production of useful materials, devices, systems or methods including design and development of prototypes and processes. Training individuals in research techniques is classified as research when the activity utilizes the same facilities as other research activities and such activities are not included in the instruction function. Organized research includes all research and development activities that are externally sponsored by federal and non-federal agencies and organizations, as well as internally-funded University research that is project-based, proposal-driven, competitive, and separately budgeted and accounted for.

c) Public Service/Outreach. The public service category involves activities that primarily supplies a benefit to the public or a specific segment of the public that is external to the institution. These activities include non-instructional community service programs, broadcasting services and cooperative extension services. Included in this category are conferences, institutes, general advisory services, reference bureaus, testing services, radio and television, consulting, and similar non-instructional services to particular sectors of the community. [ed. 12-18]

B-2. Project Location. Location is determined by evaluating where the majority of the work will be performed.

a) On-Campus Projects. Projects where the work is being performed in University owned or operated facilities, or in a space leased by the University. [ed. 12-18]

b) Off-Campus Projects. A project may be designated as "off-campus" if more than 2/3 of the work occurs at locations other than University owned or operated facilities and the indirect costs associated with physical plant and library are not considered applicable. An off-campus rate may also be used if a project is conducted in leased space and the lease costs are directly charged to the project. (Leased space is normally considered to be "on-campus"). Projects
will not be subject to more than one indirect cost rate. If determined to be off-campus, the off-campus rate will apply to the entire project.

c) Agricultural and Forestry Research Stations (Experiment Stations). These activities are organized research activities occurring primarily (two-thirds or more of activity effort) at the following locations:

Aberdeen R&E Center
Caine Veterinary Teaching Center
Flat Creek Experimental Forest
Hagerman Fish Culture Experiment Station
Kimberly R&E Teaching Center
Lee A. Sharp Range Experimental Area
McCall Field Campus
Nancy M. Cummings R&E Center (Salmon)
PREEC – 6th Street Greenhouses
PREEC – Manis Lab – Plant Sciences
PREEC – Plant Science Farm – aka Parker Farm
PREEC – North Farm
PREEC – West Farm
PREEC – Kambitsch Farm – Genesee
Sandpoint R&E Center
Southwest Idaho R&E Center (Caldwell or Parma)
Taylor Ranch Field Station
Tetonia R&E Center (Newdale)
Twin Falls R&E Center
U.S. Sheep Experiment Station (DuBois)

B-3. Administrative. That portion of the F&A rate associated with central, unit, and research administration. This portion of the F&A rate is applicable to all sponsored projects, whether on- or off-campus (see definitions in B-2).

B-4. Facilities. That portion of the F&A rate associated only with on-campus activity (see B-2.a), such as depreciation, utilities, etc.

C. Policy. It is the policy of the University that, absent specific written sponsor limitations, all sponsored projects must budget and include the appropriate F&A expense based on both the type of project (research, instruction, or public service/outreach) and location where the majority of the work is being done (on- or off-campus). Waivers of F&A may only be granted by the Vice President for Research and Economic Development. Because F&A waivers essentially shift the cost burden to the rest of the University, they are granted infrequently. [ed. 12-18]

D. Process/Procedures.

D-1. F&A Cost Study. The process for establishing F&A rates begins with the F&A Cost Study. This process involves analyzing all University expenditures for the purpose of assigning expenditures to either direct or indirect cost pools.

a) Indirect cost pool allocations end up as the numerators of each type of negotiated F&A rate, and include both facilities and administrative costs.

Facilities costs (see B-4) include: [rev. 12-18]
- Building depreciation
- Equipment depreciation
- Capital improvements to buildings and land
Operations and maintenance of plant
Non-capitalized interest on capital expenditures
Library costs

Administrative costs (see B-3) include:
• Unit administration
• Research administration
• Computer use charges
• General university administration
• Staff and spouse educational benefits

b) Direct cost pool allocations include all costs that can be identified specifically to a given project or activity, and end up as the denominators (direct bases) for the F&A rate calculation. Examples of costs that are often considered to be direct are salaries and wages, benefits, travel, materials and supplies, etc. By their nature, these costs can be easily and directly assigned to particular projects or activities with a high degree of accuracy. These costs are generally allocated on the basis of Modified Total Direct Costs (MTDC) and by type of project (see B-1 above). MTDC is the total of all direct costs less the following exclusions: equipment over $5,000, capital expenditures, charges for patient care, tuition remission, rental costs of off-site facilities, participant support, scholarships, and fellowships as well as that portion of each sub-grant and subcontract issued in excess of $25,000. [rev. 12-18]

(The UI calculates on- and off-campus rates for each of the project types defined in B-1 above).

**D-2. F&A Space Survey.** In addition to the Cost Study, the University must also complete a Space Survey, which provides the basis for a more accurate allocation of indirect costs to project types. Cost-benefit considerations do not allow for a survey of all of the buildings in the University system. The survey is focused on units that are likely to have the highest amount of space and overhead devoted to research activities. The survey requires unit coordinators to carry out a number of tasks, the goal of which is to determine functional (project type) use percentages for all rooms being surveyed. The tasks include, but are not limited to, the following:

- Discovering or confirming room occupants;
- Verifying space measurements;
- Walking through unit space in order to interview principal investigators and other room occupants;
- Entering data related to room occupants, functional use percentages and research accounts for rooms having a research component into Facilities Asset Maintenance Information System (FAMIS).

After an F&A Study is completed, the calculated rates and supporting documentation are submitted to DHHS for review and negotiation. The University negotiates "predetermined" F&A cost rates. These rates are final and not subject to upward or downward adjustment for actual costing experience during the multi-year period for which the rates are in effect. By negotiating a stable F&A cost rate in a multi-year agreement the University avoids the disruptions and costs associated with continual audits and annual negotiations. Rates are typically negotiated for three year periods, but that does not mean that a given project type will have the same rate for all three years.

**E. Contact Information.** For additional information or answers to specific questions please contact the Office of Sponsored Programs at 208-885-6651 or osp@uidaho.edu.

**F. References.** [ed. 12-18]

- APM 45.02, Sponsored Projects Proposal Preparation and Authorization
- Quick reference for rates https://www.uidaho.edu/research/faculty/resources/f-and-a-rates
A link to download a copy of the most current Indirect Rate Agreement is also found at the above link.