F&A Cost Return Formula

(07, 09; 2011)

The Facilities and Administrative (F&A) Cost is also known as Indirect Cost. The amount of F&A costs returned to the colleges is calculated as follows:

$$\text{F\&A return} = \underbrace{(\text{MTDC} \times \text{FA}_{sp})}_{\text{F\&A cost}} \times \text{FA}_{eff}$$

where,

- **FA_{sp}** = Sponsor designated F&A rate or the rate used/approved in grant application
- **FA_{eff}** = Effective F&A rate

$$= \frac{\textbf{Actual F\&}\boldsymbol{A}\textbf{ generated } (based\ on\ MTDC)}{\textbf{Actual research expenditure } (all\ TDC\ items \equiv MTDC + nonMTDC\ items)}$$

- **MTDC** = Modified total direct costs is calculated by excluding some sponsor defined items from the total direct costs (TDC). Some of the items may be, but are not limited to:
  - Student Support Expenses: Expenses such as scholarship, fellowships, and tuition typically do not have F&A costs charged. These expenses are excluded from the F&A cost return calculation.
  - Subcontracts: All subcontract expense and F&A costs associated with them are also excluded from the cost return calculation.
  - Equipment
- Only grants/contracts with both FA_{sp} and FA_{eff} >= 26% will be eligible for F&A return.
- It will be at the dean's discretion to further distribute the F&A return to the department/s and/or PI/s.

EXAMPLES

1). A project has an original budget of $100,000 (TDC=MTDC) with FA_{sp}=40% (i.e., $40,000 F&A costs) for a total budget of $140,000. If the entire budget is spent, the FA_{eff} = 40% (i.e., $40,000 F&A generated divided by $100,000 research expenditures). The amount of F&A costs returned will be:

$40,000 (F&A costs) × 40% (FA_{eff}) = $16,000

2). A project has an original budget (TDC) of $100,000 with FA_{sp} = 26%. This project's budget includes $10,000 for equipment and $15,000 for rental of an off-campus office.

Equipment and office rental costs typically were excluded from the TDC when calculating the F&A costs; that is, they do not generate F&A costs. Hence,

MTDC = TDC – nonMTDC = $100,000 – ($10,000+$15,000) = $75,000

The F&A costs with 26% F&A rate are calculated on the MTDC of $75,000 (excluding equipment and rent) instead of $100,000:

F&A costs = $75,000 x 26% = $19,500

The total budget for this project = TDC + F&A costs = $100,000 + $19,500 = $119,500

In this example,

FA_{eff} = $19,500 ÷ $100,000 = 19.5% ***(< 26%)***

This project will ***not*** be eligible for F&A cost return.

3). This example is the same as Example #2, except that this project has $10,000 budgeted for student tuition and $15,000 for student scholarships instead of equipment and office rent. The F&A cost return will be different, because tuition and scholarships are exempt from the calculation:

The F&A costs with 26% F&A rate are still calculated on the MTDC of $75,000 (excluding tuition and scholarships) instead of $100,000:

F&A costs = $75,000 x 26% = $19,500

The Effective F&A rate, however, will remain at 26%:

FA_{eff} = $19,500 ÷ $75,000 = 26%

The F&A cost returned from this project will be:

$19,500 x 26% = $5,070