Facilities and Administrative (F&A) Cost Policies
SPA-11-007

About This Policy

Effective Dates:
04-23-2011

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04-17-2023

Responsible University Administrator:
Associate Vice President for Research

Policy Contact:
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Scope

This policy applies to all proposals for sponsored program funding (grants, contracts, and cooperative agreements).

Policy Statement

Proposal budgets for sponsored program funding should include Facilities and Administrative Costs (also referred to as F&A, indirect costs, or overhead) to the greatest extent possible. Aside from limitations imposed by policy or regulation, there may be exceptional circumstances that justify a waiver from applying F&A costs to a sponsored program. Waiver requests for federal funding (including pass-through, with the exception of State of Indiana sponsors) require approval of the Associate Vice President for Research Administration. All other waiver requests may be approved by the appropriate Dean or Responsibility Center head or their appointed delegates. The appropriate F&A rate is dependent on the type of activity (research, instruction, or other sponsored programs) and the location (on- or off-campus). IU’s F&A rates are established through an agreement with the federal government and can be found at the website for the Office of the Vice President for Research.

Reason For Policy

A. The cost of conducting sponsored programs includes both the directly identifiable costs (e.g. salaries, supplies, travel, etc.) as well as the physical and administrative infrastructure required to conduct such activity. Physical infrastructure includes the costs of constructing and maintaining appropriate facilities. Administrative infrastructure includes administrative support in the form of departmental administration, regulatory compliance, purchasing, human resources, academic affairs and other critical support units required for carrying out activities funded by sponsored programs.

B. F&A rates are established based on an extensive and tightly regulated cost study that is reviewed by the federal government. This cost study includes all the expenditures of the university, regardless of funding source, and allocates infrastructure costs based on activity. Typically, the duration of the rate agreement with the federal government is four years but may be extended for an additional term of up to four years with approval. 2 CFR 200 “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" provides guidance on determining whether a cost can be directly charged to a sponsored project or if it should instead be included as F&A.

C. It is important to collect F&A costs in order to offset the full costs of conducting research and other sponsored programs. On average, the university only collects a fraction of these costs, which then must be funded through other funding sources available to the university.

Procedure
A. Full F&A cost recovery should be included in all sponsored program proposals unless a waiver is granted or where sponsor guidelines or written policies limit the F&A rate to less than the university’s negotiated rate. Proposal budgets for non-federal organizations whose guidelines will not permit F&A costs should be reviewed to determine if some of the F&A items might be included as direct costs. Proposals to commercial sponsors or for federal funds (including pass-through) should normally include full F&A recovery.

B. Waiver requests for Federal (including pass-through) funding are to be initiated by the academic unit and approved by the school/responsibility center and the Associate Vice President for Research Administration or that individual’s designee.

C. Indiana University’s specific F&A rate is dependent on the type of activity and the location (on- or off-campus). See the Definitions section of this policy for additional guidance that may be useful in identifying the type and location as it applies to determining the specific F&A rate.

D. For sponsored projects incorporating both on- and off-campus components, separate accounts will be maintained, and costs should be allocated between the on/off campus accounts based on the user’s location (e.g., travel and supplies for off-campus personnel should be charged to the off-campus component). If personnel operate at both locations, their appointments should be split proportionally among the on/off campus accounts and related travel/supplies should be charged to location benefitting from the expense. Projects conducted off-campus for short period of time while in travel status or at field locations are usually not of sufficient duration to justify an off-campus rate.

See the following website for additional guidance: IU F&A Rates.

Definitions

Facilities and Administrative Costs (F&A): Costs that are incurred for common or joint objectives and, therefore, cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity. F&A costs are synonymous with indirect costs and overhead costs.

Research: Sponsored systematic investigations, including research development, testing and evaluation, designed to develop or contribute to generalizable knowledge that are established by grant, contract, or cooperative agreement.

Instruction: Sponsored teaching and training activities of Indiana University that are established by grant, contract or cooperative agreement. This includes all such activities regardless of whether they are offered for credit toward a degree or on a non-credit basis.

Other Sponsored Activities (including service projects): Sponsored programs and projects that involve the performance of work other than sponsored instruction and sponsored research. Examples of such programs and projects are health service projects and community service programs.

Off-campus rate: The off-campus rate excludes all facilities related costs. An off-campus rate is appropriate in cases where substantive project activities take place in facilities that are not owned or maintained (e.g., leased space adjacent to campus) by the university. In such cases, it may be appropriate to direct charge any rent charges for space. If both on- and off-campus locations are involved, project costs should be apportioned between on-campus and off-campus components. Each portion will bear the appropriate rate. Questions about utilization of off-campus rates may be directed to the Office of Research Administration.

On-campus rates: Full F&A rates applicable to projects utilizing university owned or maintained facilities and to which rent is not charged as a direct expenditure to sponsored programs.

Sanctions

Failure to adhere to the principles and processes in this policy may result in the adjustment of budgets and expenditures or the use of departmental funds to ensure that appropriate F&A costs are collected.

History
This policy was adopted in 2011 and updated in 2016, 2017, 2019, and 2023.
This policy was updated in April 2023.