

Facilities and Administrative Costs

- [Governing Principles for Recovery of Facilities and Administrative Costs](#)
- [Requesting Facility and Administrative \(Indirect\) Cost Reductions](#)

Governing Principles for Recovery of Facilities and Administrative Costs

1.0 INTRODUCTION

It is the policy of Arkansas State University (A-State) to request and recover the full indirect (F&A) costs to which it is entitled. Indirect costs reimburse the University for legitimate and real expenses that cannot easily be charged as direct costs on external grants and contracts. Recovered indirect costs in no sense represent a “profit” or otherwise discretionary disposable general revenue. Rather, indirect-cost recovery offsets expenses attributable to externally sponsored projects. These expenses include use of space and equipment, depreciation on equipment and facilities, utility costs, financial accounting, departmental administrative costs, and numerous other support services.

2.0 PURPOSE

The purpose of this statement is to clarify and reaffirm the University’s policy concerning Facilities and Administration (indirect) costs.

3.0 DEFINITIONS

Facilities and Administration Costs (F&A). For major institutions of higher education, F&A (indirect) costs must be classified within two broad categories: “Facilities” and “Administration.” “Facilities” are defined as depreciation on buildings, equipment and capital improvements, interest on debt associated with certain buildings, and operations and maintenance expenses. “Administration” is defined as general administration and general expenses such as the research and technology transfer office, accounting, university-supported grant award management, 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). ¹

Principal Investigator. The individual(s) who has (have) primary responsibility for management of a grant or contract.

4.0 APPLICABILITY

This policy applies to all external grant and contract proposals, external grants, and externally-funded contracts.

5.0 REGULATIONS

OMB 2 CFR 200

¹ OMB 2 CFR 200.414

6.0 GOVERNING PRINCIPLES

6.1 Overview

Federal regulations require institutions of higher education to charge uniform F&A for federal and non-federal awards when permitted and when such charges are not governed by organizational rules or regulations. All proposals submitted by A-State employees therefore must recover full F&A costs, except under the conditions identified below.

Any variation from the full rate, including the exceptions noted below, must be approved by the College Dean or designee and the Vice Provost for Research, Innovation, and Discovery or designee.

6.2 Exceptions and Conditions

- **Agency Limitations.** The University will accept the maximum allowed by agencies that have a written policy limiting indirect costs to a specific percentage of the grant.
- **Waiving F&A.** When an agency requires significant in-kind contributions, the Vice Provost for Research, Innovation, and Discovery and University research administrators may choose to reduce the amount of F&A collection, but only in cases in which the agency allows F&As to be used in lieu of other cost sharing or matching funds. **This waiver is at the University's discretion, and principal investigators must understand that such an agreement is granted only in unusual circumstances.**
- **Contracts of Less than \$20,000.** The University will consider a waiver of F&A for any fixed-price contract or agreement that is less than \$20,000 in total direct costs.
- **When F&As are Waived.** Provided F&As are allowed by the funding agency, any F&As that are waived must be identified in the proposal as matching or cost-sharing contributions.

7.0 RESPONSIBILITIES

Principal Investigators

Principal Investigators are responsible for including all F&A that A-State is eligible to collect in their grant proposals and/or contracts. Deviations from this principle must be approved by the Chair, Dean, Institute Directors, and the Vice Provost for Research, Innovation, and Discovery.

Chairs, Deans, Institute Directors or Designees

The Chairs, Deans, Institute Directors or designees are responsible for ensuring adherence to these governing principles and for approving any deviations, as articulated in Section 6.2 above.

Vice Provost for Research, Innovation, and Discovery

The Vice Provost for Research, Innovation, and Discovery is responsible for approving any deviations from these governing principles, as articulated in Section 6.2 above.

Requesting Facility and Administrative (Indirect) Cost Reductions

Overview

A facilities & administrative (F&A) cost waiver/reduction is an institutional agreement that the University will charge F&A costs at a lower rate than what is federally negotiated and published by the Vice Provost of Research, Innovation, and Discovery. Unless a project falls into a limited number of pre-established exceptions (see below), Principal investigators (PIs) must petition for such a waiver/reduction on a case-by-case basis. Waivers/reductions are not granted for an entire type or class of project.

It is the policy of Arkansas State University (A-State) to request and recover the full indirect (F&A) costs to which it is entitled. Indirect costs reimburse the University for legitimate and real expenses that cannot easily be charged as direct costs on external grants and contracts. Recovered indirect costs in no sense represent a “profit” or otherwise discretionary disposable general revenue. Rather, indirect-cost recovery offsets expenses attributable to externally sponsored projects. These expenses include use of space and equipment, depreciation on equipment and facilities, utility costs, financial accounting, departmental administrative costs, and numerous other support services required for research.

Principal Investigators are responsible for including all F&A that A-State is eligible to collect in their grant proposals and/or contracts. F&A cannot be waived simply to increase competitiveness of proposals.

Exceptions

Exceptions to the published F&A rates are allowable when

- A reduced rate is required by the funding agency as stated in the Request for Proposal or other written authority
- The sponsoring agency has a written pre-established F&A (Indirect) costs cap (g., USDA NIFA, Department of Education)
- A-State has a pre-established agreement with the sponsoring agency to reduce F&A costs for proposed funding
- Project falls under the “off campus” threshold and the off campus F&A rate is applied. A project is considered off campus when no A-State laboratories, facilities, or administrative staff, outside of the pre and post award offices, will be used to perform the work on the

award.

Appropriate Reasons to Request F&A Waiver

PIs may request a waiver or reduction in F&A rates when

- The PI is engaging in a fixed-price contract or agreement that is less than \$10,000 in total direct costs
- The granting agency requires significant cost-share contributions, and allows F&A waivers to be used as cost-share. **Principal Investigators must understand that such an agreement is granted only in unusual circumstances.**

Procedure

PIs must provide Research and Technology Transfer with a formal written request to reduce F&A costs in their proposal. Written approval from the Vice Provost of Research, Innovation, and Discovery to reduce F&A costs must accompany proposals before F&A costs will be reduced.

The Vice Provost for Research, Innovation, and Discovery (VPR) has the overall authority to approve F&A waivers. Any deviation to this procedure must be approved by the VPR.