

Standard Practice Guide Policies

Facilities and Administrative Costs

303.02

Applies to: All Research Grants, Contracts and Agreements Accepted by the University

Facilities and Administrative (F&A) costs are real and necessary university costs incurred for shared purposes and that support the overall operation of the institution. F&A costs cannot be identified specifically with a particular sponsored project, instructional activity, or any other institutional activity; nor can they be directly assigned to such activities with a high degree of accuracy without effort disproportionate to the results achieved.

Per Title 2, Part 200 of the Code of Federal Regulations, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, F&A costs can be grouped in two broad categories:

- I. Facilities--depreciation and use allowance, interest on debt associated with certain buildings, equipment and capital improvements, operations and maintenance expenses, and library expenses; and
- II. Administration--general administration and general expenses; departmental administration; sponsored projects administration; student administration and services; and all other types of expenditures not listed specifically under one of the subcategories of facilities.

Direct costs, on the other hand, can be identified specifically with a particular sponsored project, or other internally or externally funded activity, or can be directly assigned to such activities relatively easily with a high degree of accuracy. Importantly, costs incurred for the same purpose in like circumstances must be consistently treated as a direct cost or an F&A cost.

F&A costs are recovered from applicable sponsored agreements as a percentage of their Total Direct Costs (TDC) or Modified Total Direct Costs (MTDC), the later of which consists of all salaries and wages, fringe benefits, materials, supplies, services, travel, and subgrants and subcontracts up to the first \$25,000 of each subgrant or subcontract (regardless of the period covered by the subgrant or subcontract). Equipment, capital expenditures, charges for patient care, student tuition remission, rental costs of off-site facilities, scholarships, and fellowships are excluded from Modified Total Direct Costs.

It is the university's policy to claim the maximum allowable reimbursement for F&A costs based on

sound cost accounting principles. The rate that is negotiated under the provisions of Title 2, Part 200 of the Code of Federal Regulations should be included in all research grants and contracts with the federal government. The negotiated rate must be accepted by all federal awarding agencies, unless a different rate is required by federal statute or regulation, or has been approved by a federal awarding agency head or delegate. In the case of non-federal sponsors, it is the university's policy to obtain as complete a reimbursement for F&A costs as possible. Whenever less than full reimbursement of F&A costs is contemplated, the Office of Research and Sponsored Projects' policies and procedures regarding F&A costs must be followed.

F&A costs recovered from sponsored projects are available to operating units for expenditures through the normal university budgetary procedures.

File Attachments

Printable PDF of SPG Section 303.02, Indirect Costs (<https://spg.umich.edu/sites/default/files/policies/303x02.pdf>)

SPG Number:

303.02

Applies To:

All Research Grants, Contracts and Agreements
Accepted by the University

Date Issued:

June 15, 1993

Owner:

Office of the Vice President for Research

Last Updated:

August 20, 2020

Primary Contact:

Office of the Vice President for Research

Next Review Date:

August 20, 2025

Related Links:

Office of Research and Sponsored Projects - F&A Costs Description (http://orsp.umich.edu/proposals/budgets/indirect_costs.html)

Office of Research and Sponsored Projects - F&A Cost Rates (http://orsp.umich.edu/proposals/budgets/indirect_cost_rates.html)

Hard copies of this document are considered uncontrolled. If you have a printed version, please refer to the University SPG website (spg.umich.edu) for the official, most recent version.

© 2020 The Regents of the University of Michigan