

FACILITY AND ADMINISTRATIVE (INDIRECT) COSTS
September 2007
Policy 1.1.06

Policy:

Vice Chancellor for Research is responsible for ensuring that appropriate Facilities and Administrative (F&A) Costs, or Indirect Costs, have been included in every proposal.

Purpose:

Facility and Administrative overhead revenue plays a vital role in the administration and conduct of research and sponsored programs. It is awarded as a means of offsetting a portion of the expenses inherent in the operation of an organization and the performance of its programs. These expenses include such items as plant operations, maintenance, accounting, administration, core facilities and services (safety operations, library, etc.) and general and departmental administration. Therefore, it is important that these costs be included on all grants and contracts unless specifically prohibited by the funding source as a condition of the award. Most federal and nonfederal funding agencies allow a stipulated rate for calculating these costs.

Departmental administration is defined in Office of Management and Budget (OMB) Circular A-21 as expenses that have been incurred for administrative and supporting services that benefit common or joint departmental activities or objectives in academic deans' offices academic departments and divisions, and organized research units.

Procedures:

Federal rates are negotiated and information concerning the rates, base, and the date of agreement is available on the KUMC Research Institute website: http://www2.kumc.edu/researchinstitute/spa/SPA_Forms/rate_agreement_06_05_08a.pdf

The Principal Investigator must include F&A (indirect) costs as a line item in a proposed budget. Assistance can be obtained from the KUMC Research Institute Division of Sponsored Programs Administration.

Definitions:

Direct Costs: Costs that can be specifically identified with a particular project(s) or activity. Examples of research project-specific expenses include expenses for equipment, personnel, travel, and other expenses necessary to carry out a research project.

Facilities and Administrative (Indirect) Cost: A broad category of costs that are common to all research projects. "Facilities" is defined in OMB A-21 as depreciation and use allowances, interest on debt associated with certain buildings, equipment and capital improvements, operation and maintenance expenses, and library expenses. "Administration" is defined in OMB A-21 as general administration and general expenses, departmental administration, sponsored projects administration, and student administration and services.

OMB A-21: Federal circular establishing principles for determining costs applicable to grants, contracts, and other agreements with educational institutions.

Research: A systematic, intensive study intended to increase knowledge or understanding of the subject studied, a systematic study specifically directed toward applying new knowledge to meet a recognized need, or a systematic application of knowledge to the production of useful materials, devices, and systems or methods, including design, development, and improvement of prototypes and new processes to meet specific requirements.

Responsible Parties:

Vice Chancellor for Research and all KUMC Principal Investigators.

Exemptions:

Unless the funding source specifically excludes such expenses for the grant program, the Principal Investigator (P.I.) must include such expenses as a line item in the proposed budget. In some cases, funding agencies will allow a direct cost for administrative overhead rather than indirect costs. If this is the case, the P.I. must include this cost.

Related Policies and Links:

KUMC Research Institute Division of Sponsored Programs Administration <http://www2.kumc.edu/researchinstitute/spa/>
KUMC Research Institute Division of Sponsored Programs Administration, F&A Rate Agreement
http://www2.kumc.edu/researchinstitute/spa/SPA_Forms/rate_agreement_06_05_08a.pdf

KUMC Research Institute Policy 1.1.01: Principal Investigator Eligibility:

http://www2.kumc.edu/researchinstitute/spa/SPA_Forms/PI%20Eligibility.pdf

OMB A-21 http://www.whitehouse.gov/omb/circulars/a021/a21_2004.html

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