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**Facilities and Administration Costs UPPS No. 03.04.05**

**(F&A or Indirect) Issue No. 6**

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**Sr. Reviewer: Associate Vice President for Research and Federal Relations**

1. **POLICY STATEMENTS**
   1. The purpose of this policy is
2. to establish guidelines covering the allocation, management, budgeting, expenditures, and distribution of funds associated with facilities and administration (F&A) costs from sponsored programs; and

1. to ascribe appropriate recognition to the personnel who conduct sponsored programs.
   1. The federal Office of Management and Budget (OMB) is responsible for establishing policies for F&A costs under federal grants and contracts (refer to [2CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards](https://www.federalregister.gov/documents/2017/05/17/2017-09909/uniform-administrative-requirements-cost-principles-and-audit-requirements-for-federal-awards)).

Generally, Texas State University follows the OMB guidelines for all sponsored programs, regardless of the funding source.

* 1. Facilities and administrative rates are established by the university’s cognizant agency, the [Department of Health and Human Services](https://www.hhs.gov/). The university’s F&A rates and rate agreements are posted on the Office of Research and Sponsored Programs (ORSP) [website](https://www.txstate.edu/research/osp/pre-award-support/preparing-a-proposal/indirect-cost-rate-information).

**02. BACKGROUND**

02.01 When allowed by funding sponsors, the university will charge the federally-approved sponsored programs F&A rate for expenses that cannot be routinely assigned to a specific funded program. When not allowed, Texas State will charge the maximum allowed by the sponsor. The principal investigator (PI), the department chair or school director, the dean, and the associate vice president for Research and Federal Relations (AVPR) must make every effort to recover as much of the F&A costs as possible for each sponsored program.

02.02 The university affirms that PIs and co-investigators (Co-Is) deserve a portion of the distributed F&A funds. For multi-investigator proposals and awards, it is the responsibility of the PI to negotiate the percentage of effort contributed by the Co-Is of the project. These individuals and their respective percentages will be identified at the proposal submission stage and formally certified at the award set-up stage. Changes to approved Co-Is should be made at appropriate times in the grant cycle; for example, during annual progress reviews, resubmission of grant for new funding, or when an individual leaves the university.

1. **DEFINITIONS**

03.01 F&A Costs – those costs that the university cannot charge to a grant or contract as a direct cost. These are the overhead or indirect costs for operating the university that include, but are not limited to:

a. electricity, water, natural gas, and other utilities;

b. payroll processing, accounts payable, human resources, and other support services;

c. depreciation and use allowances;

d. general administration and general expenses;

e. sponsored projects administration expenses;

f. operation and maintenance expenses;

g. library expenses, departmental administration expenses, and student administration expenses; and

h. use of office space, research labs, and other rooms.

03.02 Recovered F&A Costs – F&A costs that have been collected by the university from funding sources, excluding amounts billed but uncollected.

03.03 F&A Revenues – local university revenues equal to the total F&A costs billed during a fiscal year, including amounts uncollected.

03.04 Institutes and Centers – may be established by the university at the department or school, college, or university level in accordance with [R/PPS No. 01.02.02](https://policies.txst.edu/division-policies/research/01-02-02.html), Establishment and Review of Centers, Institutes, and Academies. For purposes of this policy, only those centers or institutes that are formally established and approved by current Texas State policy as university level are qualified to directly receive F&A revenue. The current list of university level centers and institutes is located on the [ORSP website.](http://www.txstate.edu/research/institutes-centers.html) Unit shares of distributed F&A may be further distributed to college, department, or school level centers or institutes through policies established and formally approved at the college, department, or school level.

03.05 PI – the primary individual responsible for the preparation, implementation, and administration of a research grant or any type of sponsored project in compliance with applicable laws and regulations. The PI may be referred to as a project director or other similar terms. PI is used for the purpose of this policy.

03.06 Co-I – an individual recognized by the PI and institution as someone making a significant contribution to a project. The Co-I is someone who the PI relies on to assume responsibilities above those of other personnel and generally makes an intellectual contribution to the project.

03.07 PI Share – the portion of the distributed F&A recovery that is earned by the PI.

03.08 Co-I Shares – the portions of the PI share that is further distributed to the designated Co-Is based on agreed contributed effort percentage of each. The percentage of contribution of the Co-Is will normally occur at the following levels: one percent, five percent, 10 percent, 25 percent, or 50 percent. The total of the PI and Co-Is percent effort will equal 100 percent.

03.09 Unit Share – the portion of the distributed F&A funds that flow to a unit such as a center, college, department, or school.

**04. PROCEDURES FOR DISTRIBUTION OF F&A REVENUE**

04.01 Each year, as part of the budget development process, the assistant vice president for Budgeting, Financial Planning, & Analysis, with the assistance of the AVPR and key ORSP personnel, will estimate F&A costs recoverable in the coming fiscal year. The estimate will take into account F&A revenue in the current fiscal year, as well as trends in grants and contracts activity. The annual operating budget will include this estimate as revenue.

04.02 Twenty-five percent of the F&A revenue will be distributed to the PI, Co-Is, and units (university level center, college, department, or school) according to one of the distribution models outlined below.

04.03 When a single investigator, department or school, and college are involved:

a. forty percent of distributed F&A revenue flows to the PI;

b. thirty percent of distributed revenue flows to the department or school; and

c. thirty percent of distributed F&A revenue flows to the college.

04.04. When multiple investigators (PI and one or more Co-Is), departments or schools, and colleges are involved:

a. the PI share (40 percent of distributed F&A) will be shared among the Co-Is based on the contributed percent of effort identified for each Co-I; using one of the following percentages: one percent, five percent, 10 percent, 25 percent, or 50 percent;

b. thirty percent of distributed F&A revenue will flow to the departments or schools in proportion to the contributed percent efforts of the relative PI and Co-Is; and

c. thirty percent of distributed F&A revenue will flow to the college in proportion to the relative percent of effort contributed by the PI and Co-Is.

04.05 When a university level center or institute is the generating unit:

a. twenty-five percent of distributed F&A flows to the PI;

b. twenty-five percent of distributed F&A flows to the center or institute; and

c. twenty-five percent flows to the department or school if applicable; if not, distributed equally to PI and center or institute.

d. Twenty-five percent to the college if applicable; if not, distributed equally to PI and center or institute.

e. If one or more Co-Is are included on the proposal, then the PI share (25 percent of distributed F&A) will be shared with the Co-Is based on the contributed percent of effort identified for each Co-I; using, one of the following percentages: one percent, five percent, 10 percent, 25 percent, or 50 percent; and the distribution to the college and department or school will be shared proportionately.

f. The PI is responsible for discussing relative contribution of effort of each Co-I and involvement inclusion of appropriate departments, schools, and colleges. The PI will certify to the approved revenue sharing model and negotiated contributed effort split among Co-Is at the time of award set up.

04.06 When a university chair is the PI:

a. eighty percent of distributed F&A will flow to the PI;

b. ten percent of the distributed F&A will flow to the department or school; and

c. ten percent of the distributed F&A will flow to the college.

d. If one or more Co-Is are included on the proposal, then the PI share (80 percent of distributed F&A) will be shared with the Co-Is based on the percentage of effort contributed by each Co-I; which is typically, one of the following percentages: one percent, five percent, 10 percent, 25 percent, or 50 percent; and the distribution to the college and department or school will be shared proportionately.

04.07 Each month, the F&A allocated matches the F&A expenditures realized the previous month.

04.08 The provost and vice president for Academic Affairs (VPAA) will receive 75 percent of total F&A revenue to facilitate the growth and development of Texas State’s research enterprise. Examples of how the provost and VPAA might use such funds include: start-up funds, proposal development, cost sharing, faculty incentive grants, etc.

**05. ACCEPTABLE USE OF DISTRIBUTED F&A REVENUE**

05.01 It is Texas State’s intent to expend 100 percent of F&A revenue funds to further the university’s research and sponsored program efforts, which may include the following valid business purposes:

1. conducting pre-grant feasibility studies;

b. preparing competitive proposals for sponsored programs;

c. providing carry-over funding for research efforts to provide continuity between externally-funded projects;

d. supporting new researchers pending external funding;

e. purchasing capital equipment directly related to expanding the research capability of the institution;

f. covering research administrative costs;

g. covering commercialization activities; and

h. proposal support.

NOTE: Those receiving returned F&A revenue should use a portion of the funds for clerical support.

**06. RESPONSIBILITIES**

06.01 Responsibilities associated with F&A revenue and F&A costs are as follows:

a. PIs:

1)    developing proposals that include budgets for the recovery of F&A costs at the rate approved by the university’s cognizant federal agency;

2)    obtaining prior written approval from the AVPR for F&A rates that are lower than the maximum allowed by the sponsor;

3) documenting the use of F&A revenue allocation in compliance with Section 05.; and

4) ensuring that individuals serving as PIs and Co-Is are designated on all relevant internal and external documents that pertain to distribution of recovered F&A costs.

b. Deans, department chairs, school directors, and other administrators:

1)    assuring that F&A revenue allocated to them under this policy is expended in accordance with state, Texas State University System, and university requirements;

2)    at proposal stage, providing oversight to ensure that all sponsored project submissions include the maximum allowable amount of F&A costs if the AVPR has not approved a reduced rate; and

3) communicating directly with PIs regarding the inclusion of Co-Is on proposals and award.

c. ORSP:

1. ensuring that F&A revenue is maximized;

2)    approving F&A rates that differ from the federally-approved rates;

3)    distributing F&A revenue in accordance with this policy;

4)    accurately billing F&A costs to the funding source and ensuring they are collected, deposited, and recorded on a timely basis;

5)    coordinating with the Office of Budgeting, Financial Planning, & Analysis to prepare budgeted F&A cost revenues for the annual university budget; and

6)    preparing (with input from appropriate offices) the F&A rate proposal for submission to the cognizant agency.

d. Office of Budgeting, Financial Planning, & Analysis:

1) budgeting F&A revenue and associated expenditures in the annual university budget.

**07. REVIEWERS OF THIS UPPS**

07.01 Reviewers of this UPPS include the following:

Position Date

Associate Vice President for Research September 1 E3Y

and Federal Relations

Associate Vice President for Financial September 1 E3Y

Services

Assistant Vice President for Budgeting, September 1 E3Y

Financial Planning, & Analysis

**08. CERTIFICATION STATEMENT**

This UPPS has been approved by the following individuals in their official capacities and represents Texas State policy and procedure from the date of this document until superseded.

Associate Vice President for Research & Federal Relations; senior reviewer of this UPPS

Provost and Vice President for Academic Affairs

President