

# Purdue University

## Facilities & Administrative (F&A) Costs

Updated: February 2020

### Policy

Facilities and Administrative (F&A) Costs will be charged to all federal and non-federal sponsored programs based on Purdue University's current rate agreement approved by the Department of Health and Human Services (DHHS). These rates will be charged on a modified total direct cost (MTDC) basis to all sponsors based on the activity type (research, instruction and other sponsored programs) and the location (on or off campus). Any variance to charging the negotiated F&A rate must be approved by the Senior Director of Sponsored Program Services.

### Definition – F&A

Facilities and Administrative Costs (F&A) are those costs also referred to as indirect costs or overhead. They are actual costs incurred to conduct the normal business activities of an institution and are not readily identified with or able to be directly charged to a specific sponsored research project. Activities that are typically Facilities or Administrative Costs include:

"Facilities" - defined as depreciation and use allowances, interest on debt associated with certain buildings, equipment and capital improvements, operation and maintenance expenses, and library expenses.

"Administrative" - defined as general administrative costs and expenses, departmental administrative costs, sponsored projects administrative costs, student administration and services, and all other types of administrative expenditures.

When Purdue provides services we look to recover both direct costs and indirect (F&A) costs. F&A is charged as a percentage of direct costs except where it is prohibited or otherwise excluded. If it is not charged, units may be asked to subsidize it. Negotiated F&A rates are to be used for all sponsored program awards from federal and non-federal sponsors.

### Current F&A Rates 7/1/14 - 6/30/21 WL, 7/1/18 – 6/30/22 FW & PNW

Purdue negotiates the F&A rate every three years with our cognizant agency - DHHS. The current F&A Rate agreement can be found at the following location:

<http://www.purdue.edu/business/sps/pdf/rateagreement.pdf>

[https://www.purdue.edu/business/sps/pdf/HHS Indirect Cost Rate Agreement through June 2021.pdf](https://www.purdue.edu/business/sps/pdf/HHS%20Indirect%20Cost%20Rate%20Agreement%20through%20June%202021.pdf)

<https://www.purdue.edu/business/sps/pdf/inst1-62703.pdf>

The current rates in place for each of the Purdue University Campuses are summarized below:

West Lafayette	Negotiated Rate		Full Cost (Uncapped)	
Activity	On- Campus	Off-Campus	On- Campus	Off-Campus
Research	55.0%	26.0%	64.75%	30.10%
Instruction	54.0%	26.0%	72.22%	40.56%
Other Sponsored Programs	38.0%	26.0%	41.24%	27.63%

Regional Campuses	Negotiated Rate		Full Cost (Uncapped)	
Activity	On- Campus	Off-Campus	On- Campus	Off-Campus
Fort Wayne	47.0%	26.0%	64.41-64.75%	30.10-35.21%
Purdue Northwest	47.0%	26.0%	54.87-64.75%	30.10-30.82%

**DOD Contracts and Subcontracts** - Purdue University will apply the uncapped F&A rate in accordance with DFARS 231.303, which states that no limitation may be placed on the reimbursement of otherwise allowable indirect costs incurred by an institution of higher education under a DoD contract awarded on or after November 30, 1993, unless that same limitation is applied uniformly to all other organizations performing similar work under DoD contracts.

Information on current F&A rates is available at the following site:

<http://www.purdue.edu/business/sps/postaward/bs/accountmgmt/fahome.html>

Purdue University offers Industrial Sponsors a complement of contracting models that vary based on how Intellectual Property (IP) will be handled. These models range from 1) a standard option to negotiate an exclusive license after IP disclosure to 2) pre-negotiated purchase or exclusive license terms for project IP in exchange for an up-front, pre-paid fee.

Many of Purdue's corporate sponsors appreciate this certainty of an up-front exclusive license or purchase option. These options have been widely used and are responsive to industrial partners who desire more certainty in knowing the future costs of securing the rights to project IP.

When IP is contracted based on traditional licensing terms and based on market based rates, Facility and Administrative costs (F&A) are charged utilizing Purdue's negotiated rate. Anytime IP terms are pre-negotiated or determined before the IP is generated or not based on market based rates, the full or uncapped rates identified in the F&A rate table are used.

## Selecting the Appropriate Rate

The determination of which rate to use is based primarily on the type of work being proposed (research, instruction, other sponsored programs), and where the work is being performed (on or off campus).

**Research** - Research and scholarship activities include the inquiry, experiment, or investigation to increase the scholarly understanding of the involved discipline. Research activities are properly classified as Research if the research activity is sponsored (funded) by an external organization, i.e. a federal, state, or private organization or agency.

Research projects include:

- Awards for faculty to support their research activities
- External funding to maintain facilities or equipment and/or operation of a center or facility which will be used for research
- External support for the writing of books when the purpose of the writing is to publish research results
- Awards to departments, units, or schools for the support of the research activities of Purdue University students or postdoctoral scholars, e.g., research training grants

**Instruction** - Instruction is defined as teaching and training activities funded by grants and contracts from federal or non-federal sponsors. Instruction includes agreements which support Purdue courses, curriculum development as well as teaching/training activities (other than research training) offered for credit toward a degree or certificate through regular academic departments or by separate divisions or summer school. Instruction projects include:

- Curriculum development projects at any level, including projects which involve evaluation of curriculum or teaching methods; such evaluation may be considered "research" only when the preponderance of activity is data collection, evaluation, and reporting
- Projects which involve students in community service activities for which the students are receiving academic credit
- General support for the writing of textbooks or reference books, video, or software to be used as Purdue instructional materials

**Other Sponsored Programs** - Other Sponsored Programs (OSP) are defined as projects funded by sponsors that involve the performance of work other than Sponsored Instruction or Sponsored Research. OSP projects include:

- Testing - If a company is providing the testing protocol and all Purdue is doing is following the protocol and reporting the results of the testing, then we should treat this as an Other Sponsored Program (OSP), applying the OSP F&A rate. However, if we are designing the test protocol, evaluating and analyzing the results are requested, then that fits more closely with research as we become responsible not only for the results, but the testing methodology. If IP or new discovery is expected to result then the Research F&A rate should be used.
- Travel grants

- Bench fees for visiting scholars
- Foreign capacity building projects
- Curriculum development for Purdue non-credit courses
- Curriculum development for instructional activity outside Purdue University
- Support for conferences or seminars (other than reporting on research results)
- Support for University public events such as "Lively Arts"
- Publications by Purdue University Press
- Support for students, staff, or teachers in elementary or secondary schools, or the general public, through outreach-related activities
- Projects that involve faculty, staff, or students in community service activities (where the students are not receiving academic credit for their involvement)
- Support for projects pertaining to library collections, acquisitions, bibliographies, or cataloging

Additional instructions for the application of the various F&A rates can be found at the following location:

<http://www.purdue.edu/business/sps/pdf/inst1-62703.pdf>

**On-Campus:** The on-campus F&A rate will be applied to any sponsored project unless special circumstances exist. The on-campus F&A rate applies to most sponsored projects.

**Off-Campus:** The off-campus rate of 26% must be used when the project is to be conducted at an off-campus site in facilities not owned by the University and to which rent is directly allocated to the project(s). The off-campus rate is applicable to projects or parts of projects conducted at an off-campus site for a full semester or summer session. Projects which have both on-campus and off-campus activities lasting a semester or longer shall apportion the costs between on-campus and off-campus components. Each portion will bear the appropriate rate.

An "off-campus" determination on a sponsored project implies that there are no on-campus facility costs associated with the project, and use of off-campus facilities not owned by the university will be charged as a direct cost. However, since virtually all projects utilize at least some on-campus resources and on-campus facilities and infrastructure remain available while off-campus, an off-campus determination has significant fiscal ramifications for the university. Consequently, requests for an off-campus determination are weighed carefully, and are granted only when specific circumstances exist.

In order to be classified as an off-campus project and qualify for the off-campus rate, the project must be reviewed by Sponsored Program Services prior to proposal submission. Circumstances that could warrant utilization of an off-campus rate include:

1. The nature of the work requires that it be performed off-campus for a full semester or summer session. (Convenience, telecommuting, conferences, and summer travel are not justifications for the off-campus determination.)

and/or

2. Non-university owned buildings and administrative work areas involved in the project are to be rented, leased, or purchased and directly allocated to the project.

Portions of a project performed by subcontractors and/or consultants are not a factor in the determination of whether the off-campus rate should apply.

### **Applying the F&A Rate**

**Modified Total Direct Costs (MTDC)** - MTDC includes all costs with certain exclusions. If a project is bearing the full negotiated F&A rate, that rate is always applied to the MTDC base. MTDC exclusions include:

- Capital equipment
- Participant Support Costs
- Tuition/Graduate Fee Remissions
- Scholarships and fellowships
- Alterations and Renovations
- Cost of renting/leasing project space or equipment
- Portion of each sub-award over \$25K

### **F&A Waivers**

F&A costs are real costs to the University for doing research. The F&A recovery pool covers expenses such as utilities and other space costs associated with the labs and offices needed to conduct the project and the administrative staff and systems needed to manage the project. If the University agrees to conduct a project without charging F&A, it means that the University is subsidizing that project.

F&A Waivers are required if the Principal Investigator, sponsor, or others related to the project are requesting the use of an F&A rate other than Purdue's federally negotiated rate without published guidelines indicating the required use of a lesser rate.

If F&A is waived improperly, it could jeopardize the negotiation of the federally approved rate agreement. Documentation of all F&A waivers ensures the University has reviewed requests for consistency in costing proposals. The waiver process also determines if the scope of work needs to be adjusted to ensure full cost recovery. The ability to approve requests is kept to only a few people across the campus to ensure that requests are both approved and denied consistently.

Established exceptions: Purdue will accept reduced F&A for not-for-profits and private foundations (as long as the restrictions are published as part of the organizations' guidelines) because the mission/goals of these types of organizations are typically in existence to benefit the public well-being as a whole. When F&A is at a reduced rate the rate should be applied on a Total Direct Cost (TDC) basis instead of MTDC. For West Lafayette Campus waivers the Senior Director of Sponsored Program Services must approve the waiver with concurrence of the Department Head and Dean/Director (when the limitation is not published). Each regional campus has separate approval processes in place for addressing waiver requests. Published guidelines from for-profit entities are

generally not accepted or approved by waiver. Email from the sponsor does not constitute “published” guidelines.

The following is a list of a few examples where some or all of Purdue’s F&A recovery may be waived.

- Domestic and foreign non-profit organizations with published guidelines prohibiting or limiting recovery of F&A
- State of Indiana funding (except in the case of certain agencies and programs which have a history of paying F&A)\*
- Federal funds subject to a statutory cap on F&A (e.g., DoD, USDA)
- Intergovernmental Personnel Agreements unless all or a portion is specifically allowed by the sponsoring agency
- Proposals with direct costs less than \$10,000 for corporations, foundations and not-for-profit organizations. Multiple proposals resulting in awards from the same organization, to the same PI for the same scope of work will be assessed F&A when the combined awarded direct costs equals or exceeds \$10,000.
- Internal funding from other University General Funds
- Unrestricted Gifts/Voluntary Support

\*F&A should never be waived on federal flow-through funds, regardless of whether such funds are flowed through state government, local government, etc. (unless cost-sharing of F&A has been approved by the appropriate campus official).

Regardless of any published guidelines from for-profit companies and foreign governments, Purdue will only allow a reduced F&A rate to be budgeted or charged if the remaining F&A is cost-shared. Since Purdue is a State institution, funds obtained through taxpayer revenue or student fees are not appropriate to use as cost-sharing on projects which benefit a for-profit organization or a foreign government.

### **Use of F&A Recovery**

Funds received through F&A rates flow directly into the University’s general fund as a recovery of costs incurred, and become part of general fund budgets for all units. A separate general fund allocation is set aside and allocated to individual colleges, schools, departments, and faculty to incentivize future sponsored research program activity. This program is described at the following site:

<http://www.purdue.edu/research/funding-and-grant-writing/funding/incentive-plan.php>

Please contact your Pre-Award Center or the Senior Director of Sponsored Program Services with any questions.